

Japan Labor Review

Volume 9, Number 2, Spring 2012

Special Edition

Unemployment and Its Detrimental Effects

Articles

Legal Benefits System for Retirement Risk in Japan: Basic Structure and Relationship with the Employment System

Yasuyuki Konishi

Changes in Family Life Resulting from the Unemployment of the Husband

Akane Murakami

The Psychological Impact of Job Loss in Japan after the “Lehman Shock”

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Unemployment and Happiness

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Recession, Unemployment, and Suicide in Japan

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Article Based on Research Report

A Study Concerning the Promotion of Migration to Regions outside the Three Major Metropolitan Areas and the Activation of Endogenous Employment Creation by Using Migrants

Go Otani, Shizue Igawa

JILPT Research Activities



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NEXT ISSUE (Summer 2012)

The summer 2012 issue of the Review will be a special edition devoted to **Non-Regular Employment and Career**.

Introduction

Unemployment and Its Detrimental Effects

Since the Financial Crisis, the world economy has seriously suffered from a recession, and Japan was no exception. This crisis exacerbated Japanese labor markets as well. The unemployment rate peaked at 5.5% in July, 2009. However, it has since then declined gradually, and according to the Labor Force Survey conducted by the Japanese Ministry of Health, Labour and Welfare, the latest unemployment rate was 4.6% as of December 2011. It gives us an impression that the situation in labor markets has improved recently, thus resulting in a decline in the unemployment rate. The essential issues of unemployment beyond numbers such as unemployment rates have been often overlooked. This special issue aims to address the extended effects of unemployment on family, self-confidence, happiness, and attitude toward risk.

This special issue starts with Konishi's paper. The author raises two topics: the role of the legal benefits system for retirement risk in Japan, and the relationship between this benefits system and the employment system. Konishi explains the development of the legal benefits system for retirement risk from a historical viewpoint. The author points out that the definition of "unemployment" has been unclear and that therefore, it is difficult to identify who is eligible to be "unemployed" in the unemployment insurance system. The author claims that this problem remains unsolved. This problem induces to stretch the concept of unemployment too far, and the Employment Insurance Act allows us to extend the coverage to other risks, including retirement risk, as well as the coverage to unemployment risk. Putting it differently, the Employment Insurance Act has been convenient for both employers and employees to operate due to the ambiguous concept of unemployment. In particular, because this act allows us to pay unemployment benefits to the retired, the act has contributed to mitigating employees' resistance of retirement.

Murakami investigated how a husband's unemployment adversely affected the behaviors of his wife and other family members, using Japanese household data. The author's finding is that a husband's unemployment does not significantly worsen household expenditures from a short-term viewpoint. The author concludes that if the husband loses his job and income, he and his family raid their savings to maintain their current living standards for a while. Of course, it is difficult to maintain the current living standards in the long term under a more severe household budget constraint. The author then estimated how a harsh situation faced by the family, that is, the husband's job loss, affects his wife's behavior. The finding is that the wife facing her husband's unemployment begins to work outside or increases hours of work to compensate for the loss of household income that the husband would have earned without his job loss. However, the unemployed husband does not largely increase housework time. This result ensures that the division of labor by gender remains unchanged with a wife concentrating on housework, even though her husband becomes unemployed.

The unemployed husband must not stagnate all day at home. He has to find a new job as soon as possible to support his family. Some unemployed find a new job immediately, others

cannot do so. What are the differences in characteristics between these two types of unemployed? To identify these differences, Hirokawa aims to explore the psychological impact of job loss on unemployed workers' mental state and incentive to work. The author interviewed seven persons who lost their job at foreign capital companies due to the 2008 financial crisis. He separated the seven persons into two groups. Three persons who used to work in foreign IT companies belong to Group A, and the rest of them who used to work in foreign financial companies belong to Group B. The author found through interviews that persons in Group A have great difficulty in overcoming a feeling of desperation caused by job loss, which thereby reduces the incentive to look for a new job. On the other hand, persons belonging to Group B easily and quickly overcome the feeling of desperation and aggressively look for a new job. Those in Group B positively interpret their job loss as a new opportunity to develop their career. The author concludes that the great difference in characteristics between Groups A and B is attributable to the extent of a positive way of thinking. Positive thinking can bring you to positive actions.

The three persons belonging to Group A are expected to suffer from a feeling of unhappiness, thereby discouraging them from searching for a new job. It is often said that having a job does not only imply that rich daily life is secured but also gives workers their *raison d'être*. Those who lose their *raison d'être* by job loss must feel unhappy. Ohtake estimates determinants of happiness in Japan and focuses attention on the effect of unemployment on happiness. The author found that all else being equal, unemployment lowers the extent of happiness, which is consistent with that of previous studies. This implies that holding monthly income constant, the status of unemployment makes unemployed workers unhappy. One of the policy implications that the author suggests would rather be job creation than wealth redistribution. A job creation policy is more effective to increase the level of subjective well-being.

Ohtake shows a positive correlation between unemployment and the extent of unhappiness. The strong feeling of unhappiness sometimes leads to the worst case, that is, suicide. Chen et al. explore the association between unemployment and suicide. Suicide is a cost that the whole society incurs because output that a person would have produced in the rest of his life if he had not committed suicide is not actually produced. The authors found that compared to other OECD countries, unemployment and income have a stronger effect on the suicide rate in Japan. In addition, the author found that using Japanese prefectural-level data, unemployment has a significant effect on the determinant of male suicide.

Unemployment is just not an issue about own income loss, but affects one's family's daily life, one's happiness, and sometimes the determination of the end of one's life. The purpose of this special issue is to encourage readers to recognize both pecuniary and non-pecuniary effects of unemployment.

Masaru Sasaki
Osaka University

Legal Benefits System for Retirement Risk in Japan: Basic Structure and Relationship with the Employment System

Yasuyuki Konishi

Meiji University

This paper studies the legal benefits system for retirement risk in Japan, while looking at its historical developments. It clarifies the following points. First, responding to the uniqueness of the concept of “unemployment” as a covered event has always been the task to cope with. In the debate over the legislation of the unemployment insurance system before the Second World War, the difficulty in recognizing unemployment and the likelihood of abusive claims of benefits were already pointed out. These problems have not yet been solved. Secondly, the legal benefits system for retirement risk has been associated with the employment system in Japan. The Employment Insurance Act, since its enactment, has provided the foundation for continuous employment, in tandem with the imposition of restrictions on dismissal. On the other hand, this system has sometimes served in mitigating the workers’ resistance to retirement through the payment of unemployment benefits, and in this respect, it has played a role in ensuring the “flexibility” of the employment system to a certain extent.

I. Introduction

In Japan, income security benefits for the unemployed have conventionally been composed of two benefit systems. One is the unemployment benefit system under the Employment Insurance Act, which relies on the principle of social insurance. The other is the public assistance system under the Public Assistance Act, which covers not only the unemployed but a wide range of the poor and needy. In addition to these two systems that provide support for the unemployed, a new system for supporting job seekers has been established under the Act on Support for Job Seekers in Finding Jobs through the Implementation of Vocational Training, enacted in May 2011. Now, the Japanese unemployment benefits system is comprised of three pillars.

The job seekers support system is designed to provide job seekers who are unable to receive unemployment benefits with 100,000 yen per month for up to two years, on condition that their income and assets (on an individual/household basis) are below the specified levels and that they attend training sessions. It is regarded as a supplementary service of the employment insurance system; half its funds are paid by the government, and the remaining half is shared by labor and management.

Thus, a drastic reform has been carried out in the system for providing benefits for the unemployed; however, it still remains as an important task to conduct a more fundamental review of the basic structure of the benefits system which covers unemployment risk and

retirement risk,¹ in terms of the risks to be targeted and the framework to be applied in system design.

Furthermore, the benefits system for retirement risk sometimes affects the employment system built on the basis of policy measures and legal arrangements, and it is also sometimes affected by the employment system. Therefore, in order to study the benefits system for retirement risk, it is necessary to examine the relationship with the employment system.

Being aware of these issues, the author of this paper aims to study (i) the basic structure of the legal benefits system for retirement risk and (ii) its relationship with the employment system, while looking at its historical developments. As for the first theme, (i) the basic structure of the legal benefits system for retirement risk, the central point in discussion is what kinds of events involving retirement risk have been treated as covered events under the legal benefits system for retirement risk. As for the second theme, (ii) the relationship with the employment system, the main focus is placed on the legal restrictions imposed on employers upon retirement of workers (in particular, restrictions on dismissal), for such restrictions play an important role in forming the employment system.

II. Developments Up Until the End of the Second World War

1. Submission of the Unemployment Insurance Bill²

Due to the financial crisis that occurred after the end of the First World War, a great number of people lost their jobs, and unemployment became a serious social issue. Under such circumstances, driven by an increasingly growing demand for the legislation of an unemployment insurance system, an unemployment insurance bill was laid before the Diet in 1921.

Under this bill, factory workers and employees over 17 years of age and less than 60 years of age, and clerical personnel and technicians whose annual income was not more than 1,200 yen were designated as the insured. Those insured were to be paid insurance benefits in an amount between half and two-thirds of their basic wage at the time of losing their employment, for up to one year starting from the 16th day following the loss of employment. Concerning restrictions on benefits, persons who voluntarily left their jobs were unqualified to receive insurance benefits, and insurance benefits were stopped if the insured person was offered a job that suited his/her capability but he/she refused to accept that job. Although the bill did not provide a definition of the term “unemployment,” it did not regard

¹ In this paper, the term “retirement risk” is used to refer to “actual retirement and likelihood of retirement.”

² Ministry of Labour, ed., *Rodo Gyoseishi, Dai Ikkan* [History of labor administration, 1st volume] (Tokyo: Rodo Horei Kyokai, 1961); Unemployment Insurance Division, Employment Security Bureau, Ministry of Labour, ed., *Shitsugyo Hoken Junenshi* [10-year history of the unemployment insurance] (Tokyo: Unemployment Insurance Division, Employment Security Bureau, Ministry of Labour, 1960).

the seasonal loss of jobs of workers engaged in seasonal labor as unemployment, and excluded those workers from the scope of recipients of insurance benefits. The cost of benefits was to be evenly shared among three parties, i.e. the government, labor, and the management. The bill also incorporated an arrangement for providing drawbacks for the insured workers who were in continuous employment as well as for their employers; thus, the bill was designed while taking into account an aspect of a merit system.

This bill failed to be enacted and was shelved. The same bill was laid before the Diet in the following year, 1922, but met the same fate. Subsequently, until the end of the Second World War, no bill to create unemployment insurance was submitted to the Diet.³

2. Retirement Funds and Retirement Allowance Act⁴

(1) Background Leading Up to the Enactment

After the unemployment insurance bill was shelved in the Diet, the government continued to consider how to solve the problem of unemployment. A subcommittee was set up within the Social Policy Bureau of the Ministry of Home Affairs in order to discuss the possibility of providing monetary relief through the unemployment insurance system and the dismissal allowance system, and it deliberated this issue while making reference to the unemployment insurance systems operated in the major European countries. Meanwhile, at that time, there was a customary practice in Japan to pay money as dismissal allowance or retirement allowance,⁵ and employers argued that such allowance served as the same role as unemployment insurance, so there was no need to establish an unemployment insurance

³ On the level of local administration in large cities, such as Osaka, Kobe, Nagoya, and Tokyo, unemployment relief programs were established during the period between later 1920s and early 1930s.

⁴ Kotora Akamatsu, *Taishoku Tsumitatekin Hoan no Igi to Sono Naiyo* [Significance and content of the retirement funds bill] (Tokyo: Rodo Jijo Chosajo, 1936); Rodo Jijo Chosajo, ed., *Taishoku Tsumitatekin Oyobi Taishoku Teate Ho Shokai* [Detailed explanation on the Retirement Funds and Retirement Allowance Act] (Tokyo: Monasu, 1936); Masami Numakoshi, *Taishoku Tsumitatekin Oyobi Taishoku Teate Ho Shakugi* [Commentary on the Retirement Funds and Retirement Allowance Act] (Tokyo: Yuhikaku, 1937); Kenzo Arakawa, *Taishoku Tsumitatekin Oyobi Taishoku Teate Ho Jitsumu Teiyo* [Outline of practice under the Retirement Funds and Retirement Allowance Act] (Tokyo: Kogyo Shuppansha, 1939). Ministry of Labour, ed., *Rodo Gyoseishi, Dai Ikkai*, *supra* note 2, at 310ff.

⁵ According to the survey conducted by the Social Policy Bureau of the Ministry of Home Affairs in 1935, more than 30% of the factories and mining sites which employed 30 or more workers had a rule or practice to pay retirement allowance. The average duration of retirement allowance (dismissal allowance) was classified by the length of service. In the case of dismissal for a reason attributable to the employer, the allowance was paid for 27 days for those in service for one year or more, 194 days for those in service for ten years or more, 433 days for those in service for 20 years or more, and 897 days for those in service for 30 years or more; and in the case of workers' voluntary retirement, the allowance was paid for 12 days for those in service for one year or more, 144 days for those in service for ten years or more, 353 days for those in service for 20 years or more, and 651 days for those in service for 30 years or more. For the actual practice of retirement allowance of that time, see Numakoshi, *Taishoku Tsumitatekin Oyobi Taishoku Teate Ho Shakugi*, *supra* note 4, at 36ff., and Akamatsu, *Taishoku Tsumitatekin Hoan no Igi to Sono Naiyo*, *supra* note 4, at 6ff. and 47ff.

system, and that the objective of protection of workers should be attained by improving the content of the dismissal or retirement allowance system that had already become popular to a considerable extent. In view of these circumstances, the subcommittee determined that the creation of an unemployment insurance system should be a matter to be discussed in the future, and shifted the subject of discussion to the dismissal allowance system. The proposed dismissal allowance systems that were under discussion at the subcommittee are as follows.

The first proposal was to create a statutory duty of the employer to pay dismissal allowance. The Order for Enforcement of the Factory Act⁶ effective at that time, which had gone through revision in 1926, provided that when discharging a worker, the factory owner shall give him/her 14-days notice or pay him/her at least 14 days' wage in lieu of such notice. Under the proposed system, the employer was supposed to pay dismissal allowance equivalent to some 50 days' wage. This proposal was subject to criticism, arguing that: (i) it is generally difficult for an employer who had not made any preparations during normal times to pay a large amount of money as allowance upon facing the need to dismiss workers due to the depressed business conditions; (ii) under the existing dismissal notice system, the employer does not need to pay any allowance on condition of giving dismissal notice, whereas under the proposed system, the employer is obligated to pay a considerable amount of wage as dismissal allowance, which would be a heavy burden on the employer; and (iii) if the proposed dismissal allowance system would not be very different from the existing dismissal notice system in terms of the duration of allowance, there is no need to newly legislate a dismissal allowance system.

Secondly, in order to ensure the payment of dismissal allowance, the subcommittee discussed the creation of a fund in two possible forms, (i) an individual fund by each employer or (ii) a joint fund by multiple employers. (i) As for the proposal that each employer should create an individual fund, it was argued that the possibility of dismissal would greatly differ according to the types of business, so the reserve funds might exceed or significantly fall short of the necessary amount depending on the level of necessity of dismissal. (ii) The creation of a joint fund would be recommendable for its advantage in distribution of risk; however, since whether dismissal was made due to circumstances on the employer's side or on the worker's side could be determined through negotiation between the parties, it was expected that even where a worker was dismissed for circumstances attributable to him/her, he/she would claim that his/her dismissal was attributable to the employer and demand payment of dismissal allowance. It is interesting that those who participated in the discussion at that time already expressed a concern about the idea of regarding a matter that contained a subjective element as an event to be paid.⁷

Through the discussion process outlined above, the subcommittee concluded that it

⁶ The Factory Act is a worker protection law enacted in 1911 for regulating the maximum working hours for female and juvenile workers and so on.

⁷ Akamatsu, *Taishoku Tsumitatekin Hoan no Igi to Sono Naiyo*, *supra* note 4, at 5.

was difficult to design a specific framework of a dismissal allowance system, and continued deliberating on the possibility of legislation to create a statutory retirement allowance system wherein allowance would be paid to not only those workers dismissed by their employers but all retired workers. As a result of the deliberation, the subcommittee arrived at a conclusion that legislation of a retirement allowance system was possible, and accordingly, it decided on the outline of a retirement funds bill in June 1935.

However, due to the objection to this outline of the bill voiced from the employers' associations, the subcommittee then decided on the revised outline of a retirement funds bill in December 1935. Based on this revised version, the government formulated a retirement funds and retirement allowance bill. This bill, after being partially revised by the House of Representatives, was finally enacted into law as the Retirement Funds and Retirement Allowance Act in May 1936 (put into effect as of January 1, 1937).

(2) Details of the Retirement Funds and Retirement Allowance System

The retirement funds and retirement allowance system is, in principle, applicable to factories subject to the Factory Act and businesses subject to the Mining Act, which regularly employ 50 or more workers. Workers employed at such factories and businesses shall basically be covered by this system, except for those employed for a fixed term of not more than six months,⁸ those employed on a daily basis, and those employed for seasonal labor.

The employer shall withdraw from a worker's wage an amount equivalent to 2% of the wage every month and reserve it for retirement payment in the name of the worker, and shall pay the reserved amount upon the retirement (or dismissal or death) of the worker (retirement funds system). The retirement funds had in effect a nature of compulsory savings that workers were forced to make.⁹

Upon retirement, workers were entitled to receive retirement allowance in addition to payment from the reserved retirement funds mentioned above. In order to secure payment of retirement allowance, the employer was also required to reserve an amount equivalent to 2% of a worker's wage and further reserve an additional amount within a range up to 3% of the wage in proportion to the employer's capacity to pay (retirement allowance funds system). The reserved amount was calculated for each worker and used as the basis for determining the amount of his/her retirement allowance. Thus, as a general rule, the employer was obligated to reserve the full amount to be paid upon retirement, but this obligation was not imposed under certain conditions, because it was not considered necessary to reserve the full amount when the business was in a favourable state. Retirement allowance was catego-

⁸ These workers shall be covered by this system if they continue to be employed for a longer period due to an extension of the initial term. Article 27-2 of the Order for Enforcement of the Factory Act which provided for payment of allowance in lieu of dismissal notice was explained in the directive as being applicable to workers whose fixed-term labor contract has been renewed (*Shuro* No. 85 of June 3, 1930).

⁹ Refund of retirement funds to workers before their retirement was prohibited.

rized into two types: ordinary allowance to be paid in general upon retirement of workers, and special allowance¹⁰ to be paid in addition to ordinary allowance upon dismissal of workers on the grounds attributable to the employer.¹¹ The amount to be paid as retirement allowance was classified depending on the worker's wage, length of service, and reason for retirement, as well as the employer's capacity to pay. Special allowance was considered to be not directly related in legal terms with allowance in lieu of dismissal notice payable under the Order for Enforcement of the Factory Act; they were regarded as separate systems, so duplicate payments were considered to be possible.¹²

Retirement funds and retirement allowance under the Retirement Funds and Retirement Allowance Act were not arranged so as to pay benefits by applying the insurance technique to regard "unemployment" facing the problem of re-employment of retired workers as an insured event but they were designed as a system for paying benefits by means of the funds created by individual employers while focusing on "retirement." Because of such design, there was little possibility that the use of this system could cause a moral hazard. In addition, under this system, the employer would be liable to pay special allowance to workers who retire for the dismissal arising in relation to the employer's business. Therefore, at that time, although there were no regulations that generally restricted the grounds for dismissal by the employer, the retirement allowance system under this Act appears to have been oriented toward restraining employers from dismissing workers.

(3) Abolition of the Retirement Funds and Retirement Allowance System on a War Footing¹³

During wartime, the enactment of a workers' pension insurance law started to be discussed from the perspective of reinforcing national productivity and ensuring the stability of the lives of the citizens. A workers' pension insurance system, under which workers who

¹⁰ The base amount of special allowance is 20 days' standard wage for those in service for not less than one year and not more than three years, and 35 days' standard wage for those in service for three years or more. If the reserved funds are insufficient to pay such base amount, special allowance shall be paid only up to the available reserved funds.

¹¹ Those who retire upon the expiration of the employment period or upon reaching the mandatory retirement age shall be paid the full amount of ordinary allowance but shall not be qualified for receiving special allowance. However, if the employment period was formally fixed but the parties were expected to renew the employment contract upon the expiration of the initial period, the labor relation between the parties was deemed not to be terminated but remain valid, and the worker concerned was considered to be qualified for receiving special allowance. Numakoshi, *Taishoku Tsumitatekin Oyobi Taishoku Teate Ho Shakugi*, *supra* note 4, at 564ff.

¹² Kenzo Arakawa, *Taishoku Tsumitatekin Oyobi Taishoku Teate Ho Jitsumu Teiyo, Kaitei Dai 2 Han* [Outline of practice under the Retirement Funds and Retirement Allowance Act, 2nd revised edition] (Tokyo: Kogyo Shuppansha, 1940), 66.

¹³ Insurance Bureau, Ministry of Health and Welfare, *Kosei Nenkin Hoken Jugonen Shi* [15-year history of the employees pension insurance] (Tokyo: Koseidan, 1958), 14 and 71 ff.; Ministry of Labour, ed., *Rodo Gyoseishi, Dai Ikkkan*, *supra* note 2, at 682 and 1037ff.

have been in service for a long period of time shall be paid an old-age pension¹⁴ and shall also be paid withdrawal allowance upon retirement, can be deemed to be similar in nature to the system under the Retirement Funds and Retirement Allowance Act, under which workers shall be paid benefits in proportion to their length of service. Therefore, some people advocated an influential opinion that the retirement funds and retirement allowance system should be integrated into a workers' pension insurance system. However, in consideration of the fact that the retirement funds and retirement allowance system still played a significant role in personnel management and brought about an important effect in relief measures for the unemployed, it was decided that this system would continue in existence even after the enactment of the Workers Pension Insurance Act in 1941.

The controversy over the integration between the retirement funds and retirement allowance system and the workers' pension system became increasingly lively, and in the end, when the Workers Pension Insurance Act was renamed the Employees Pension Insurance Act in 1944, the retirement funds and retirement allowance system was abolished.

III. Enactment and Development of the Unemployment Insurance Act

1. Enactment of the Unemployment Insurance Act

After the end of the Second World War, many of soldiers who were demobilized and sent home and citizens who repatriated from abroad were unable to find jobs, and the unemployment situation in Japan was extremely serious. Accordingly, the government set up the Investigation Committee on the Social Security System in 1946, and the third subcommittee established within this committee conducted research and study regarding the creation of an unemployment insurance system. In December 1946, the committee submitted an outline of the unemployment insurance system to the government, advising that a state-run, compulsory unemployment insurance system should be created. Before that, on the occasion of the enactment of the Public Assistance Act in August 1946, the House of Representatives had passed a supplementary resolution to the effect that the government should go forward toward the creation of unemployment insurance.¹⁵ Under such circumstances, in August 1947, the government submitted an unemployment insurance bill and an unem-

¹⁴ Old-age pension was to be paid to persons who have been insured for 20 years or more, when they reached the age of 55 after becoming unqualified for insurance or when they became unqualified for insurance after reaching the age of 55. The basic pension amount was one-fourth of the average annual standard earnings over the entire insured period; for those who have been insured for 20 years or more, 1% of the basic pension amount was to be added for one additional year in the insured period.

¹⁵ In the debate over this issue at the House of Representatives, it was argued that the public assistance system was posing a huge fiscal burden on the government, so security for the living standards of the unemployed should be provided by means of social insurance benefits, instead of public assistance benefits. Takashi Sukanuma, "Nihon ni okeru Shitsugyo Hoken no Seiritsu Katei (2) [Process of establishment of unemployment insurance in Japan (2)]," *Journal of Social Science* 43, no. 2 (1991): 292ff.

ployment allowance bill to the Diet. Having gone through partial revision as a result of the deliberation at the Diet sessions, these bills were passed and the Unemployment Insurance Act and the Unemployment Allowance Act¹⁶ were enacted in November 1947.¹⁷

2. Details of the Unemployment Insurance System

The Unemployment Insurance Act defined the term “unemployment” as referring to the “conditions under which an insured person is separated from employment and is unable to find employment in spite of having the will and ability to work.” The “will to work” was construed as meaning a person’s will to work under certain working conditions suitable for his/her own labor ability; qualified recipients were deemed to have the will to work when they applied for jobs at public employment security offices. Having the “ability to work” was construed as meaning the state of not being incapable of working; it was understood that if qualified recipients met the requirement for receiving unemployment insurance benefits, i.e. having been insured for six months or more within one year prior to their separation

¹⁶ The unemployment allowance system under the Unemployment Allowance Act was a system for providing the unemployed with allowance benefits, funded by the government, for a period until the unemployed starts to receive insurance benefit under the Unemployment Insurance Act. According to Gen Shimizu, who chaired the subcommittee for study of unemployment insurance, there was an argument at that time that such allowance for the unemployed should be provided under the Public Assistance Act, but the creation of an unemployment allowance system was finally chosen, based on the idea that the reason for the legislation of workers’ right to receive allowance in return for their service was to preserve workers’ status and dignity. (“Shitsugyo Hoken Junen Shi ni Yosete [On the occasion of the publication of the 10-year history of the unemployment insurance],” in *Shitsugyo Hoken Junenshi*, ed. Unemployment Insurance Division, Employment Security Bureau, Ministry of Labour, *supra* note 2, at 11.)

¹⁷ Hiroaki Fuwa, *Saihan, Shitsugyo Hoken Ho, Shitsugyo Teate Ho: Kaisetsu to Tetsuzuki* [Second edition, Commentaries and procedures of the Unemployment Insurance Act and the Unemployment Allowance Act] (Tokyo: Tairyusha, 1948), 25, a guidebook written by an official of the Ministry of Labour who participated in the work for the enactment of the Unemployment Insurance Act and the Unemployment Allowance Act from the start, explained as follows. Possible measures to maintain the standard of living of the unemployed may be: (i) savings made by the workers themselves; (ii) retirement benefits paid by the employer; (iii) and public assistance provided by the government. All of these measures are inappropriate because: (i) in view of the wage level at that time, it is extremely difficult for workers to make savings; (ii) As retirement benefits are paid in proportion to the worker’s length of service, they have a strong characteristic of a kind of favour done by the employer, and the amount of such benefits is not always enough for the unemployed to maintain their standard of living; (iii) from the perspective of respecting workers’ independence, it is improper to regard the unemployed as being incapable of making their living, like the elderly, sick or injured, and leave them only to the relief that they could receive from the government without assuming any burden. For these reasons, it is necessary to treat “unemployment,” which threatens workers’ living standards, as an insured event, and provide workers with unemployment insurance benefits under the unemployment insurance system designed for the distribution of risk. Meanwhile, Minister of Labour Mitsusuke Yonekubo explained, in the statement of reasons for submitting the bill, that the unemployment insurance system had an active meaning of providing the unemployed with the opportunity to find new jobs, by associating the system closely and inseparably with the management of job placement agencies. Unemployment Insurance Division, Employment Security Bureau, Ministry of Labour, ed., *Shitsugyo Hoken Junenshi*, *supra* note 2, at 262.

from employment, they could prove that they have the ability to work.¹⁸ As for the duration of benefits, those who had been insured for six months or more were to be paid insurance benefits uniformly for up to 180 days¹⁹ within one year following the date of separation from employment (the “period of benefits”)²⁰; there was no classification of the duration of benefits in terms of the insured period or age. Meanwhile, there were restrictions on benefits, such as that if qualified recipients voluntarily retire without any unavoidable reasons to do so, they would not be paid unemployment benefits for a certain period of time; even in such a case, they would not be deprived of their right to receive benefits.²¹

With regard to the relationship between unemployment insurance benefits or allowance and retirement allowance to be paid by the employer, the delegation of the government stated that retirement allowance had unique characteristics such as being paid in proportion to workers’ term of office and such characteristics would not be affected by the enforcement of the Unemployment Insurance Act.²²

3. Development of the Unemployment Insurance Act

(1) Response to the Uniqueness of the Concept “Unemployment” and the Imbalance between Benefit and Burden

After the Unemployment Insurance Act came into effect, there occurred a trend among seasonal workers²³ of abusively claiming unemployment insurance benefits. Under

¹⁸ Fuwa, *Saihan, Shitsugyo Hoken Ho, Shitsugyo Teate Ho: Kaisetsu to Tetsuzuki*, *supra* note 17, at 56ff.

¹⁹ In the statement of the reasons for submitting the unemployment insurance bill to the Diet, Ministry Yonekubo explained that the duration of benefits was decided in light of the situation of employment and separation from employment as well as the conditions of the unemployment insurance systems in other countries. Unemployment Insurance Division, Employment Security Bureau, Ministry of Labour, ed., *Shitsugyo Hoken Junenshi*, *supra* note 2, at 263.

²⁰ The reasons why the period of benefits under unemployment insurance was set as one year were initially explained as follows: (i) the purpose of unemployment insurance was to secure the living of qualified recipients during the period after their separation from employment until re-employment and to preserve the workforce, and under normal conditions, such a period would not be long; (ii) if the period to exercise the right to receive benefits was set without limitation, it would be difficult to prove the qualification or right to receive benefits. Fuwa, *Saihan Shitsugyo Hoken Ho, Shitsugyo Teate Ho: Kaisetsu to Tetsuzuki*, *supra* note 17, at 128; Hikaru Kamei, *Kaisei Shitsugyo Hoken Ho no Kaisetsu* [Commentary on the revised Unemployment Insurance Act] (Tokyo: Nihon Rodo Tsushinsha, 1949), 191ff.

²¹ In the outline of the unemployment insurance system and the outline of the unemployment insurance bill, submitted to the government by the Investigation Committee on the Social Security System in December 1946 and July 1947, respectively, it was provided that if qualified recipients voluntarily retire for no reason, they shall be paid no insurance benefits.

²² Unemployment Insurance Division, Employment Security Bureau, Ministry of Labour, ed., *Shitsugyo Hoken Junenshi*, *supra* note 2, at 280ff. and 285.

²³ The Unemployment Insurance Act then in force enumerated those employed for seasonal labor for a fixed term of not more than four months or otherwise employed seasonally, as a category of workers excluded from the scope of the insured. However, there was no uniform interpretation or practice regarding “those employed seasonally.” Unemployment Insurance Division, Employment

the unemployment insurance system as initially legislated, the prescribed duration of benefits was uniformly set as 180 days, irrespective of the length of their insured period. However, since it was difficult to determine whether or not retired workers were actually in the state of “unemployment,” an increasing number of retired workers claimed unemployment benefits to the limit of the prescribed duration of benefits. This tendency was considered a problem, in particular, for workers who had been insured only for a short period of time, in which case the imbalance between the benefit they enjoyed and the burden they assumed became relatively larger than among those whose insured period was longer. In addition, the unemployment situation deteriorated along with the austere fiscal policy begun in 1953, to the extent that the unemployment insurance system was expected to show a deficit of about one billion yen at the end of fiscal 1954. In view of these circumstances, the eighth revision in 1955 extended the prescribed duration of benefits for workers who had been insured for a long period of time,²⁴ while reducing the duration for seasonal workers and other short-term insured workers. This system reform was carried out based on the assumption that it was difficult to accurately determine the existence of unemployment, an insured event to be paid by unemployment insurance benefits, and in an attempt to strike balance between workers’ burden (insured period) and benefit (prescribed duration of benefits), so as to prevent the moral hazard caused by short-term insured workers.²⁵

However, even in the 1960s and thereafter, following this revision, when the Japanese economy entered the high growth period and Japan had an insufficient workforce, the number of unemployment benefit recipients did not decrease, and there was a rapid increase in the number of benefit recipients among seasonal workers and female workers. Accordingly, in August 1964, the Ministry of Labour issued a directive titled “For Realizing Fair Payment of Unemployment Insurance Benefits.” Furthermore, upon the 26th revision in 1969, from the perspective of reducing seasonal unemployment and ensuring stable employment, a new system was created to collect special insurance premiums from those employers who

Security Bureau, Ministry of Labour, ed., *Shitsugyo Hoken Junenshi*, *supra* note 2, at 658.

²⁴ In the statement of reasons for submitting the unemployment insurance bill to the Diet, it was explained that the duration of benefits for long-term insured workers was extended because: (i) it was relatively difficult for those who had been employed by the same employer for a long period of time to find a new job quickly after leaving the previous job; and (ii) those workers had contributed to the insurance management for a long period of time. Unemployment Insurance Division, Employment Security Bureau, Ministry of Labour, ed., *Shitsugyo Hoken Junenshi*, *supra* note 2, at 652.

²⁵ On the occasion of the revision of the Unemployment Insurance Act, the Central Employment Security Council submitted a report to the Minister of Labour (dated May 3, 1955), in which the Council agreed with the idea of granting a short-term extension of the duration of benefits for long-term insured workers on condition that the merit system be introduced in the future, while pointing out that further extension might be possible if the insurance management would allow it, but a careful decision should be made on this point. In the deliberation process at the Diet, it was also explained that this revision was made while taking into account an aspect of a merit system in that it aimed to adjust the duration of benefits depending on the length of the insured period. Unemployment Insurance Division, Employment Security Bureau, Ministry of Labour, ed., *Shitsugyo Hoken Junenshi*, *supra* note 2, at 645 and 659.

would generate the unemployed regularly at short intervals, and allocate such premiums to expenses for employment measures. This system also has partly an aspect of a merit system in that it imposed a special burden on employers who would cause payment of a large amount of unemployment benefits, thus, taking into consideration the balance between benefit and burden.

(2) Relationship between the Unemployment Insurance System and the Employment System

(i) Idea of Legislation of Restrictions on Dismissal, and Formation of the Doctrine of Abusive Dismissal

The labor laws enacted in the post-war period provided for procedural regulations for dismissal, such as the dismissal notice system,²⁶ as well as restrictions on dismissal by the employer under certain circumstances, but did not include any provision that generally restricted the grounds for dismissal. In August 1954, the Minister of Labour Zentaro Kosaka issued a New Basic Labor Policy. This policy included an idea of creating a law on restrictions on dismissal, under which dismissal shall be invalid unless due to statutory and socially reasonable grounds, and of developing measures for dismissed workers to claim judicial relief.²⁷ This idea attracted attention from various sectors, but did not mature into legislation of restriction on dismissal.

However, at that time, progress was being made, on a judicial level, in the movement toward restricting employers from dismissing workers. Through accumulation of a number of court rulings, the doctrine of restricting the employer's exercise of the right of dismissal was in the making. Finally, in 1975, the Supreme Court ruled that "if dismissal lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms, it should be treated as an abuse of right and be invalid."²⁸ Thus, the doctrine of abusive dismissal was established as case law.²⁹

(ii) Unemployment Insurance System and Promotion of Continuous Employment

With such movement toward restricting dismissal by the employer, measures to pro-

²⁶ In the event that an employer wishes to dismiss a worker, the employer shall provide at least 30 days advance notice, or pay the average wages for a period of not less than 30 days in lieu of such notice (Article 20 of the Labor Standards Act).

²⁷ For the details of the fundamental idea presented by Minister Kosaka, see Ministry of Labour, ed., *Rodo Gyoseishi, Dai Sankan* [History of labor administration, 3rd volume] (Tokyo: Rodo Horei Kyokai, 1982), 14ff.

²⁸ *Nippon Salt Manufacturing Case*, judgment of the Second Petty Bench of the Supreme Court, April 25, 1975, 29 *Minshu* 4, 456.

²⁹ Subsequently, the doctrine of abusive dismissal remained yet to be legislated, but through the revision of the Labor Standards Act in 2003, a new clause was introduced to provide, "A dismissal shall, where the dismissal lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms, be treated as a misuse of that right and invalid" (Article 18-2). This clause currently exists as Article 16 of the Labor Contract Act (enacted in 2007).

mote continuous employment were taken under the unemployment insurance system.

Having experienced the deterioration of the unemployment situation due to the austere fiscal policy in 1954, and with the aim of avoiding massive unemployment and reducing labor disputes over dismissal, the government issued a directive titled “Handling of Unemployment Insurance under the Layoff System” on July 16, 1954, thereby adopting the layoff system in the unemployment insurance system. Under this new system, a three-month layoff period was contemplated, so that if re-employment was agreed upon by a collective agreement or labor-management agreement,³⁰ the employer shall pay unemployment insurance benefits to laid-off workers.³¹ It was an arrangement to provide laid-off workers with unemployment benefits while they were separated from employment, on condition that they would be re-employed. This system, in legal terms, did not cover the case where the employment relationship was maintained, but it served to help workers be in effect continuously employed by the same employer.

Also in connection with promotion of continuous employment, it is necessary to make additional mention of the eighth revision in 1955, by which the prescribed duration of benefits, which had been uniformly set as 180 days irrespective of the length of the insured period, was divided into four classes depending on the length of the insured period. Given the situation where it is difficult to accurately determine whether or not workers are actually experiencing an insured event, that is, being in the state of “unemployment,” the prescribed duration of benefits, set uniformly irrespective of the length of the insured period, could induce the parties to labor contracts to shorten the period of employment so as to receive unemployment benefits for as long as possible. To avoid this manipulation, the eighth revision was intended to give more incentives for workers to continue to work than before the revision. Such measure taken under the unemployment insurance system at that time in order to prevent abusive claims of benefits can be described as ultimately having indirectly supported the Japanese employment system movement toward promoting long-term employment, in tandem with the formation of the doctrine of restrictions on dismissal through the abovementioned accumulation of court rulings.

IV. Enactment and Development of the Employment Insurance Act

1. Enactment of the Employment Insurance Act

After more than 20 years passed since the legislation of the unemployment insurance

³⁰ labor-management agreement is a written agreement between the employer and a labor union organized by a majority of the workers at the workplace (in the case that such labor union is organized) or a person representing a majority of the workers (in the case that such labor union is not organized).

³¹ Ministry of Labour, ed., *Rodo Gyoseishi, Dai Sankan*, *supra* note 27, at 17ff.; Unemployment Insurance Division, Employment Security Bureau, Ministry of Labour, ed., *Shitsugyo Hoken Junenshi*, *supra* note 2, at 660ff.

system, various problems emerged in relation to the management of the system. Among others, unemployment insurance benefits tended to be provided for seasonal recipients³² and young female recipients in particular.³³ This tendency intensified a sense of distrust in the system among ordinary insured persons, while they came to feel dissatisfied with paying premiums but receiving no refund.³⁴ To cope with this situation, the Study Group on the Unemployment Insurance System set up in the Ministry of Labour reviewed problems with the existing unemployment insurance system and considered a drastic reform, and submitted a report to the Minister of Labour in December 1973. In this report, the study group pointed out that the existing unemployment insurance system caused imbalance in the payment of benefits and that unemployment insurance benefits were not conducive to responding to imbalance in supply and demand of workforce at different ages, and recommended the creation of an employment insurance system that could work in terms of employment in general. At the same time, the study group noted the necessity to reinforce security for the living of the unemployed and to correct the excessive imbalance in benefits and burdens.

An employment insurance bill, prepared based on the report of the Study Group on the Unemployment Insurance System, was laid before the Diet in February 1974. It was passed by the House of Representatives after being partially revised, but was shelved by the House of Councilors, and finally scrapped.

However, under the subsequent circumstances where the unemployment situation became increasingly severe due to the impact of the First Oil Crisis and more and more companies took measures for employment control such as temporarily closing their businesses or dismissing workers, the employment insurance bill suddenly gained prominent attention as a legislative proposal that would improve the function to provide security for the living of those unemployed facing difficulty in finding employment and take positive measures to, for example, prevent unemployment. There were successive calls for early enactment and enforcement of the bill. Accordingly, on December 14, 1974, the government submitted the employment insurance bill to the Diet again. Through the intensive deliberation at the Diet, the bill was finally enacted as the Employment Insurance Act on December 25, 1974.

2. Details of the Employment Insurance System

While the prescribed duration of benefits under the unemployment insurance system

³² It seemed that only 2.7% of all insured persons received about 40% of the total unemployment benefits every year; seasonal recipients paid premiums corresponding to a few days' benefits but received about 50 days' benefits in average. Masao Endo, *Koyo Hoken no Riron* [Theory of the employment insurance] (Tokyo: Nikkan Rodo Tsushinsha, 1975), 102ff.

³³ In fiscal 1973, female recipients accounted for only slightly below one-third of all insured persons but they accounted for 51% of all benefit recipients. As for the status one year after becoming qualified to receive benefits, 29.1% of female recipients were no longer engaged in work (5.7% of male recipients were in such status), and most of them ceased to be in working force immediately after payment of the insurance benefits ended. Endo, *Koyo Hoken no Riron*, *supra* note in 32, at 98 ff.

³⁴ Endo, *Koyo Hoken no Riron*, *supra* note in 32, at 4.

was set depending on the length of the insured period, the Employment Insurance Act set the duration within the range between 90 days and 300 days depending on the workers' age, physical or mental situation, and difficulty in finding employment due to social circumstances.³⁵ This Act further provided that special lump-sum payment, equivalent to 50 days' basic allowance, shall be provided when (i) persons employed seasonally and (ii) persons normally engaged in short-term employment (continuously employed by the same employee as the insured for less than one year) became unemployed. The insurance premium rate applicable to the types of business which employ many persons in these categories was set higher than the rate applicable to ordinary types of business, so as to strike balance between benefit and burden. Thus, the employment insurance system was also designed while partly taking into account an aspect of a merit system.

The Employment Insurance Act provided for the unemployment benefits system, and for the purpose of preventing and reducing unemployment, which is an event insured under the employment insurance,³⁶ it provided for additional services, namely, the services for employment improvement (to improve the employment structure), services for human resources development (to develop and improve workers' abilities), and services for employment welfare (to promote welfare of workers).³⁷ Among these services, the employment adjustment subsidy system, stipulated as part of the services for employment improvement, is noteworthy. This is a system for providing subsidies for employers who are compelled to curtail their business activities for economic reasons, in order to prevent unemployment of the insured. When designing this system, the system of short-term allowance due to the economic situation implemented in West Germany, called *Kurzarbeitergeld*, was used as a model. The employment adjustment subsidy system drastically changed the conventional policy direction that had tried to cope with unemployment by taking measures ex post facto. In the 1970s when the employment insurance system was created, the doctrine of abusive dismissal was established and the mandatory retirement system³⁸ became increasingly popular among companies.³⁹ The employment adjustment subsidy system, newly developed at that time, played a role in promoting continuous employment, in combination with and as a

³⁵ It is explained that the primary purpose of unemployment benefits under the employment insurance is to protect short-term unemployment; the issue of long-term, permanent unemployment should be solved by promoting employment measures, so the period of unemployment benefits is basically set as one year. Endo, *Koyo Hoken no Riron*, *supra* note in 32, at 396.

³⁶ This is understood from Article 1 of the Employment Insurance Act (prior to the revision), which provided as follows: "The purpose of the employment insurance is..., as well as to improve the employment structure, develop and improve the capacity of workers, and promote their welfare, so as to contribute to their employment security."

³⁷ These services are funded only by the insurance premiums collected from employers.

³⁸ In Japan, when workers reach a certain age (e.g. the age of 60), their labor contracts terminate automatically or by reason of dismissal by the employer. This practice, called the mandatory retirement system, is widely popular among Japanese companies.

³⁹ Masaru Ogiwara, *Teinensei no Rekishi* [History of the mandatory retirement system] (Tokyo: Nihon Rodo Kyokai, 1984), 224ff.

complement to the long-term employment system which had been formed in Japan.⁴⁰

3. Development of the Employment Insurance System

(1) Response to the Uniqueness of the Concept “Unemployment” and the Imbalance between Benefit and Burden

After its enactment in 1974, the Employment Insurance Act has undergone several revisions in order to respond to the uniqueness of the concept “unemployment” and the imbalance between benefit and burden. The employment insurance system initially established set the prescribed duration of benefits mainly by age, focusing on the difficulty in finding re-employment. However, this method of setting the duration was subject to criticism that it caused excessive imbalance between benefit and burden. More specifically, as pointed out in the discussion on the revision of the Unemployment Insurance Act, since it was difficult to accurately determine whether or not workers who had left their jobs were actually in the state of “unemployment,” there was a tendency that workers who were not in the state of “unemployment” due to the lack of the will to work continued to receive unemployment benefits. To solve this problem, the sixth revision in 1984 introduced the approach of setting the prescribed duration of benefits while taking into consideration the length of the insured period, in addition to the age of qualified recipients. While, in light of its primary purpose, the benefits system, which covers unemployment as an insured event, should be expected to focus only on “unemployment” and provide security for workers depending on the length of the period of their unemployment, irrespective of the length of their insured period, this revision revealed the difficulty in overcoming the paradoxical situation where, due to the uniqueness of the concept “unemployment,” the length of the insured period should inevitably play a substantial role in designing the unemployment benefits system.

The prescribed duration of benefits was later revised in the 29th revision in 2000, from the perspective of balance between benefit and burden. Under the conventional system, it was found that the length of time that workers would need to find re-employment tended to vary depending on how they were separated from employment. Therefore, this revision took into account the reasons for separation from employment when setting the prescribed duration of benefits. More specifically, the system was designed to set a longer duration of benefits for those who were separated from employment without having enough time before preparing for re-employment because their company went bankrupt or they were dismissed, compared to workers separated from employment for other reasons (e.g. reaching the mandatory retirement age).

In order to respond to the uniqueness of the concept of unemployment, the Ministry of Health, Labour and Welfare issued a directive on September 2, 2002, to publicize the following rules: recognition of unemployment shall be given to workers if they are found to have engaged in job-seeking activities two times or more during the period subject to rec-

⁴⁰ Endo, *Koyo Hoken no Riron*, *supra* note in 32, at 459ff.

ognition of unemployment; when dealing with persons who cyclically leave their jobs, it is necessary to confirm their will to work carefully; the restrictions on benefits should be applied more accurately.

(2) Relationship between the Employment Insurance System and the Employment System

Through the enactment of the Employment Insurance Act, a new scheme to promote continuous employment was introduced by providing employment adjustment subsidies for employers who reduce their business activities. Upon the 17th revision in 1994, new benefits systems were also introduced to promote continuous employment of the insured, namely, continuous employment benefits: continuous employment benefits for the elderly, and childcare leave benefits.⁴¹ These systems were established based on the recognition that, supposing that workers suffer a decline in their ability to work or a decline in their income due to the difficulty in engaging in ordinary service when they get old, or they lose all or part of their income due to taking childcare leaves, these kinds of hardship, if left unaddressed, would lead to “unemployment,” a more serious insured event; therefore, while regarding such “state of facing difficulty in continuing employment” as an event occurring in working life that is equivalent to “unemployment,” the systems aimed to help and encourage workers who suffer this event to continue their working life smoothly, thereby avoiding their unemployment and stabilizing their employment.⁴² Thus, the employment insurance system started to provide insurance benefits to cover, as an insured event, not only “unemployment” but also a broader scope of cases where there is “retirement risk.”⁴³

In connection with the restrictions on dismissal, it is necessary to make mention of

⁴¹ The family care leave benefits system was introduced upon the 23rd revision in 1998 for the same purpose as introducing the childcare leave benefits system.

⁴² Employment Insurance Division, Employment Security Bureau, Ministry of Labour, ed., *Kaisei Koyo Hoken Seido no Riron* [Revised theory of the employment insurance system] (Tokyo: Zaikei Fukushi Kyokai, 1995), 144ff.; Institute of Labour Administration, ed., *Shinpan Koyo Hoken Ho* [New edition, Employment Insurance Act] (Tokyo: Romu Gyosei, 2004), 140.

⁴³ Subsequently, upon the 23rd revision in 1998, the educational training benefits system was introduced under the employment insurance system. Under the circumstances where in order to stabilize employment of workers and encourage them to find employment, it is necessary for workers themselves to make voluntary efforts to develop their own vocational abilities, and in consideration of the fact that the burden to pay expenses for this purpose has become a common risk to a wide range of workers (written and edited by Shin Watanabe, *Kaisei Koyo Hoken Seido no Riron* [Revised theory of the employment insurance system] [Tokyo: Zaikei Fukush Kyokai, 1999], 147ff.), this system provides workers with benefits equivalent to part of expenses for educational training. This revision can be understood as the outcome of the employment insurance system starting to cover, as an insured event, not only “retirement risk” but also “risk in working life.” Its theoretical basis can be found in the concept of “right to career,” advocated by Professor Yasuo Suwa, who served as the chief of the Employment Insurance Subcommittee at the time when the revision was discussed (Yasuo Suwa, “Kyariaken no Koso wo meguru Ichishiron [An attempt to establish the concept of right to career],” *The Monthly Journal of the Japanese Institute of Labour* 41, no. 7 [1999]:54 ff.)

the 29th revision which classified the prescribed duration of benefits depending on the reasons for retirement. In Japan, where the restrictions on dismissal exist, if dismissal lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms, it shall be treated as an abuse of employer's right of dismissal and be invalid (see Article 16 of the Labor Contract Act). However, dismissed workers do not always allege invalidity of dismissal, but in reality, even in cases where dismissal lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms, it is often the case that the dismissed workers would endure such dismissal. This is more likely to happen where the employer provides workers with more retirement allowance⁴⁴ when they are dismissed due to grounds attributable to the employer than when they retire voluntarily. The same tendency can be recognized in relation to the employment insurance system under which the prescribed duration of benefits is longer in the case of retirement by reason of the employer's bankruptcy or dismissal than in the case of retirement by reason of reaching the mandatory retirement age or expiration of the period of employment. Theoretically, unemployment insurance benefits are supposed to be provided for workers who are in the state of "unemployment" because "unemployment" is an insured event, but in reality, it is difficult to determine whether or not workers who have left their jobs are actually in the state of "unemployment," and insurance benefits are often provided even if workers would not be in the state of "unemployment" in a strict meaning. In addition, it is supposed that some of insured workers would still consider "unemployment benefits as a kind of savings." Given such circumstances, it is presumed that the dismissed workers would recognize the relatively longer duration of benefits as prescribed for the case of leaving their jobs due to dismissal as an "extra payment of benefits provided upon retirement," and as a result, they would tend to tolerate being dismissed by the employer even if the dismissal is unfair. Furthermore, the employer and the worker might collude with each other to create "dismissal" so as to receive favourable treatment in terms of the duration of benefits.⁴⁵ In view of such circumstances, aside from whether it is good or bad, the existing unemployment insurance benefits system can be regarded as functioning as a "bypass" to avoid the strict restrictions on dismissal, thereby somewhat contributing to the "flexibility" in the employment system.

⁴⁴ In Japan, it is usually established as a system under work rules (not obligatory by law) for the company to pay a retired worker a reasonable amount of money upon retirement (usually calculated by using the wage level and the length of service at the time of retirement as important criteria).

⁴⁵ However, in practice under the employment insurance system, the collusion between the employer and the worker in carrying out the procedure for paying benefits based on fictitious grounds for separation from employment is treated as unlawful payment of benefits (Employment Insurance Division, Employment Security Bureau, Ministry of Health, Labour and Welfare, ed., *Kaisei Koyo Hoken Ho no Hayawakari* [Quick guide to the revised Employment Insurance Act] [Tokyo: Romu Gyosei Kenkyujo, 2001], 43.)

V. Conclusion

Through the study as discussed thus far, the following two points can be recognized in the history of the legal benefits system for retirement risk in Japan.

The first point is that responding to the uniqueness of the concept of “unemployment” as an insured event has always been the task to cope with. “Unemployment,” which is an insured event, is premised on the existence of factors that are difficult to ascertain in appearance, i.e. the workers’ “will and ability to work.”⁴⁶ In addition, “unemployment” is a unique phenomenon which can be created through the choices made by the parties concerned, such as the worker’s voluntary resignation or the period of employment set arbitrarily (subjective nature of unemployment). Because of these unique characteristics, in the process of designing the unemployment insurance system, it is essentially necessary to take note of the high risk of moral hazard.⁴⁷ In the debate over the legislation of the unemployment insurance system, the difficulty in recognizing unemployment and the likelihood of abusive claims of benefits were already pointed out.⁴⁸ These problems have not yet been solved. The arguments regarding the uniqueness of the concept of “unemployment” are valid with regard to not only the unemployment insurance system which provides benefits upon the occurrence of an insured event of unemployment by applying the insurance technique, but also the unemployment assistance system which provides benefits under the scheme of assistance.

The second point is that the legal benefits system for retirement risk has been associated with the employment system in Japan. The Employment Insurance Act, since its enactment, has expanded the scope of insured events to include not only “unemployment” but also some additional types of “retirement risk,” and provided the foundation for continuous employment, in tandem with the imposition of restrictions on dismissal. On the other hand, due to the subjective nature of unemployment and the ways of setting the prescribed duration of benefits, the legal benefits system for retirement risk has actually served in mitigating the workers’ resistance to retirement, and in this respect, the system has played a role in ensuring the “flexibility” of the employment system to a certain extent.

How to cope with these points still remains to be addressed. As for the first point, it is necessary to reconsider whether or not unemployment needs to be covered as an insured event⁴⁹ by applying the insurance technique and operating an independent system.⁵⁰ In this

⁴⁶ Under the Employment Insurance Act, “unemployment” refers to the conditions under which an insured person is separated from employment and is unable to find employment in spite of having the will and ability to work (Article 4, paragraph [3]).

⁴⁷ For the history of the Japanese unemployment insurance system studied from the perspective of moral hazard, see Keiichiro Hamaguchi, “Shitsugyo to Seikatsu Hoshō no Hō Seisaku [Legal policy for unemployment and income security],” *Quarterly Labor Law*, no. 221 (2008):187ff.

⁴⁸ Suganuma, “Nihon ni okeru Shitsugyo Hoken no Seiritsu Katei (2),” *supra* note 15, at 282ff.

⁴⁹ It is possible to conceive of a system which covers retirement and separation from employment as insured events. See II-2 in this paper. Internationally, in Italy, for example, it is provided by law that

process, the relationship with employment placement should also be discussed. Now that a new unemployment benefits system which provides benefits for workers who are not qualified to receive employment insurance benefits (the “second safety net”) has been established, the desirable figure of the “first safety net,” which has conventionally been managed by the employment insurance system, should be reviewed. As for the second point, in connection with the first point, what type of event should be treated as an insured event, and to what extent the income security system should be committed to employment measures, will be the subjects of discussion.

workers have the right to receive retirement allowance upon retirement (Civil Code, Article 2120).

⁵⁰ See II-2 (3) in this paper.

Changes in Family Life Resulting from the Unemployment of the Husband*

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This paper clarifies how families cope with the unemployment of the husband. The following things have become clear as a result of the annual Japanese Panel Survey of Consumers carried out on a nationwide scale since 1993. (1) There is a relationship between the socioeconomic status of the husband and unemployment. (2) The husband's income decreases as a result of unemployment, but there is no major change in the monthly expenditure on living costs. There is less leeway in the household budget, so the family copes by reducing the amount put aside as savings each month, or by reaching into its savings. (3) There are wives who get a job outside the home or increase their working hours, but the amount of time that the husband spends on housework or childcare does not increase a great deal. There is no major change in the division of labor by gender role between husband and wife as a result of the husband's unemployment. Family life is maintained in the short term with the wife shouldering the burden of paid employment, housework and childcare, but in the long term there is a possibility that it can lead to conflict between husband and wife.

I. Defining the Problem

The employment environment in Japan is deteriorating. According to the Labour Force Survey published by the Statistics Bureau of the Ministry of Internal Affairs and Communications, the number of unemployed persons in 2010 was 3.34 million, with the figure demonstrating a decline for the first time in three years. However, this was due to a fall in the number of female unemployed persons, and the number of male unemployed persons increased by 40,000 to 2.07 million. The unemployment rate has been fluctuating around the 5% mark for several years. Although it is a low figure compared with those seen in countries such as the USA, Germany, Italy and France, it is feared that it will increase further in the future, as a result of the Great East Japan Earthquake and the worldwide economic downturn.

According to Beck, the increase in the number of unemployed will be common to many societies. Beck is of the view that the traditional groupings of class and social stratum will cease as a result of further advances in modernization, and that social inequality will become individualized. Beck states that, in a society in which unemployment has increased,

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there will no longer be a relationship between unemployment and class, so it will become difficult to see unemployment as a social problem.¹ Hitherto, families functioned as the traditional system for overcoming the anxiety and uncertainty arising from risks such as unemployment. However, as a result of the development of the welfare state in Western industrialized societies since the end of the Second World War, families have been absolved of their duty of support. Individuals now have to accept unemployment as the fate of the individual and endure it alone (Beck 1998).

However, in a society like Japan, where the family bears the main responsibility for welfare (Esping-Andersen 2000), families must come under pressure to cope in some way with unemployment. This is because there is a major impact on family life as a result of the unemployment of one family member. Economic problems emerge as a result of unemployment. There is also the possibility that the children's progression to a higher level of schooling will be affected. There can even be situations in which it results in the dissolution of the family, through separation or divorce. Unemployment is one of the most important life events for understanding the relationship between socioeconomic disparities and families in modern society. Accordingly, it is meaningful to research unemployment in terms of the family aspects. Despite this fact, the impact of unemployment on family life tends not to become apparent in most surveys.

This paper uses panel survey data that tracks the same individuals over the long term to elucidate the impact on family life of the unemployment of the husband. As will be stated in the second section, there is a considerable amount of research relating to the unemployment of husbands and the labor supply of wives, but there is little research into changes in the household budget and the division of roles between husband and wife. The characteristics of this paper are the fact that it considers that the coping mechanisms adopted by families in response to the unemployment of the husband have an impact on family life, and its focus on changes in the household budget and the division of roles between husband and wife. There are previous studies that have verified the impact of the husband's unemployment in a narrow sense by means of statistical tests using analysis of panel data that incorporate many variables (Kohara 2007; Yamaguchi 2007), but I would like to point out from the outset that this paper is confined to descriptive analysis.

The second section summarizes previous studies. The third section describes data and variables used in the analysis. The fourth section presents the results of the analysis, and these results are discussed in the fifth section.

II. Previous Studies

Perhaps because the occurrence of unemployment itself was rare from the 1970s to

¹ However, Beck does acknowledge that unemployment is prone to occur amongst specific classes or people who are disadvantaged. Even in Japan, there is a tendency for people with a low level of education and blue-collar workers to become unemployed (Higuchi 2001; Ohta 2007).

the 1980s, there is little research into unemployment in Japanese family studies. Except for the realm of social welfare, there were also few studies concerning poverty. Even if one looks at family studies in the USA, one can see that rather than research that directly analyzed the relationship between unemployment and family life, most studies discussed decreases in income. Unemployment generally involves a reduction in income, but a reduction in income does not necessarily mean unemployment. However, both have aspects in common, in the sense that they have an impact on family life. See papers such as Voydanoff (1990) for the results of studies carried out to date.

What was important to family studies in the 1970s was Elder (1997), which analyzed data concerning family life during the Great Depression of the 1930s. This study is an important work of life course research that comprehensively elucidated the impact of a decline in the father's income on the household budget and family relationships. The study was based on a panel survey of 167 men and women whose childhood coincided with the Great Depression of the 1930s. There were families which fell into crisis, as they were unable to maintain the standard of living that they had hitherto. How did they adapt to this? What Elder focused on as coping mechanisms was (1) the degree to which families persisted with their previous standard of living; (2) whether the roles and relationships changed flexibly; and (3) whether there were any previous experiences of having successfully weathered a crisis. (1) and (2) are important in relation to this paper. If the family abandons its efforts to maintain the standard of living that it had hitherto, those around it will know that the father's status has declined. Even so, there were families which had opted to reduce their expenditure. There were also families which eschewed social interaction. However, amongst them were families which went as far as repainting the outer walls of their homes in order to prevent others discovering the decline in their status. Other coping mechanisms include receiving support from relatives and receiving unemployment benefit. During the Great Depression, wives and sons began to go out to work in search of an income. There were also families in which the division of roles changed, with daughters taking charge of the housework.

It is not only life course theory that uses a theoretical framework focused on the processes by which the family mobilizes its resources to cope and adapt to crises occurring within the family. Family stress theory also has the same perspective (see McCubbin and Patterson 1982, amongst others, for more about family stress theory). Family stress theory has a focus on the family as a group, while life course theory tends to focus on individuals, but both theories consider the processes associated with changes in the times, in the form of coping and adapting to the occurrence of life events (stressors) in families, so panel data are appropriate for analysis.²

² Due to the constraints of space, this will not be described in detail here, but research based on the life course approach includes the follow-up studies conducted by Masaoka and others, relating to unemployment resulting from the closure of a mine and the subsequent reshaping of the careers of the workers.

In economics, a considerable amount of research has been built up in regard to household budgets and the labor supply of wives. It has been ascertained from the National Survey of Family Income and Expenditure that amongst the households in which the head of the household or the spouse of the head of the household is unemployed are households in which expenditure is curtailed (Ichino 2003). The attraction of the National Survey of Family Income and Expenditure carried out by the Statistics Bureau of the Ministry of Internal Affairs and Communications is that the sample size is large, but unfortunately, one cannot tell if there are changes in the budget of the same household following unemployment.

In response to this, Horioka, Murakami and Kohara (2002) used the Japanese Panel Survey of Consumers conducted by the Institute for Research on Household Economics to confirm that the consumption expenditure of families is not curbed even after unemployment. This has been interpreted as being because the impact of unemployment is mild or that expenditure actually increases. Alternatively, in many cases there is the possibility that consumption was not curtailed because even though a member of the family had become unemployed, they had found another job immediately. Finding another job is one effective means of averting the danger that the leeway in the household budget will disappear as a result of the husband's unemployment (Moen 1982). There were also families which reached into their savings, received unemployment benefit, or received support from parents or siblings.³

The wife going out to work is another effective means of increasing income. It has been ascertained from panel data that one can see an additional worker effect amongst wives, with wives who had not been in employment finding non-regular employment or beginning to look for work after the unemployment of their husbands (Sato 2009); in households in which the husband voluntarily left his job, the working hours of the wife increase, and this is particularly conspicuous in the budgets of households that have few financial assets (Kohara 2007).

One can say that wives starting to go out to work or joining the workforce anew as a result of the unemployment of their husbands changes conventional role relationships based on the division of labor by gender role, namely "men go out to work, women do housework and care for children." Changing role relationships flexibly in the event of a crisis might

³ In addition, the wording for question on the questionnaire might also be a contributing factor. The question asks whether the family has experienced unemployment or mandatory retirement within the last year. The range of families is broad, and it is unclear which family members have experienced unemployment or mandatory retirement. If the husband of the woman being surveyed has become unemployed or has retired at the mandatory retirement age, there is likely to be an impact on consumption expenditure. However, if it is someone from the original family of the survey subject (such as her father) who has experienced unemployment or mandatory retirement, it can be anticipated that there will be no major impact on the consumption expenditure of the household of the survey subject. However, even in the analysis in this paper, which is limited to the unemployment of husbands, unemployment had no impact on consumption expenditure.

also be an effective coping mechanism, but it can, conversely, cause stress to the couple (Voydanoff 1990; Nunoshiba 2009).

This paper develops the analysis in Horioka, Murakami and Kohara (2002), and analyzes changes in family life resulting from the unemployment of the husband, from the perspective of the household budget and role relationships between husbands and wives.

III. Analysis

By looking at changes in the household budget following unemployment and role relationships between husbands and wives, this paper provides an understanding of what kind of coping mechanisms families adopt in order to try to adapt. More specifically, it analyzes the following three points. Firstly, it verifies whether or not the unemployment of husbands is more likely to occur amongst certain strata. In the same way as previous studies, one would expect that unemployment would be high amongst those who are engaged in sales and technical work. This is because jobs in sales have a tendency to be affected by the economic climate. Secondly, families in which the husband has become unemployed can be expected to cope by curbing their expenditure, receiving unemployment benefit, and reaching into their savings, and this paper looks at whether this can actually be observed. Thirdly, it examines whether or not the division of labor by gender role is reconsidered in families in which the husband has become unemployed. One would expect that the wife would go out to work to increase income, and that the time spent by the husband on housework and childcare would also increase in response to this.

1. Outline of the Data Used in Analysis

The Japanese Panel Survey of Consumers (hereinafter abbreviated to JPSC) carried out each autumn by the Institute for Research on Household Economics has been used. The objective of this survey is to clarify the factors contributing to changes in living conditions resulting from the transition between life stages and major life events, as well as the problems relating to these. Its characteristics are that it conducts follow-up surveys of the same individuals each year, and that it gains an understanding of living conditions from such perspectives as the household budget, employment behavior, and family relationships.

The first wave was carried out in 1993. The population is women aged 24 to 34 across Japan. The sample was selected using two-stage stratified sampling. Data was collected through the self-administered questionnaires. The number of valid, complete responses to the first survey was 1500 (an effective response rate of 41.4%). Amongst the recovered sample, the proportion of married women was somewhat higher than amongst the survey population as a whole, but there was no major difference (Institute for Research on Household Economics 2009). The subjects of the second wave were those who had responded to the first one. The number of valid, complete responses was 1422 (an effective response rate of 94.3%). From the third wave onwards, the survey subjects have been those

who responded the previous year and those who were unable to respond the previous year due to their personal circumstances. Since the third survey, the effective completion rate has been maintained at around the 95% mark. Nevertheless, as a few survey subjects each year drop out of the survey, the number of effective, complete responses to the 16th survey was 826.

The subjects who have continued to respond to the survey between 1993 and the present day are called Cohort A. New samples (Cohorts B-D) were added in 1997, 2003 and 2009.

Compared with official statistics, the sample size of the JPSC is small. The age range of the subjects is not broad. The most important point is that the survey subjects are solely women. In other words, one can gain an understanding concerning the unemployment of the husbands of the married survey subjects, but one cannot gain an understanding of unemployment amongst men overall, including those who are unmarried, divorced or widowed. However, the survey includes a diverse range of questions, including those concerning the household budget and time use, so it has the advantage that one can gain a multifaceted understanding of changes in the household budget and lifestyle before and after unemployment.

2. Target of Analysis and Analytical Techniques

The target of analysis in this paper is Cohort A only. Furthermore, the paper focuses on the impact of the unemployment of the husband on family life, so it is restricted to women with spouses. Women who remarried within a year of becoming divorced or widowed were also excluded. In addition, women whose husbands were aged 60 or above were excluded. This is because the impacts on family life can be assumed to differ in the cases of unemployment amongst the younger generation and unemployment due to reaching the mandatory retirement age. The occupations of the husbands were restricted to those who were employees, and those who were self-employed, family workers of self-employed people, and freelance workers were also excluded.

Thus, the target of analysis has been restricted, so the number of unemployed people, who were already few in the data, are reduced even further. Consequently, rather than carrying out multivariate analysis or statistical testing, this paper restricts itself to describing changes in family life over the course of a year from point $t-1$ to point t . In addition, the fact that point $t-1$ and point t can be compared means that married life continues for at least a year after the husband's unemployment. In other words, it is necessary to pay attention to the fact that there is a bias, in that the study focuses on the stratum of relatively stable families.

3. Variables Used in the Analysis

How is the unemployment of husbands, which is the central variable in the analysis, defined? The Labour Force Survey of the Statistic Bureau of Ministry of Internal Affairs and Communications defines those who satisfy the following three conditions as being "totally unemployed persons": (i) those with no job and who did no work at all during the sur-

vey period; (ii) those who are ready to work if work is available; and (iii) those who did any job-seeking activity or were preparing to start a business during the survey period. In regard to this, Higuchi (2001) points out that there can be different definitions, depending on the objective of the survey, and introduces the definitions of the six types of unemployment rate in the USA. The details will not be described here, but in addition to “totally unemployed persons,” the broadest definition also includes “those who wish to work, who are not engaged in job-search activities, but would be able to take up employment immediately if there was a job, and who have experience of having sought employment in the past” and “those who want a full-time job and can take one up immediately, but who are engaged involuntarily in part-time work due to an economic downturn or other reason.”

Due in part to data constraints, unemployment is defined broadly in this paper. In addition to the official definition of “totally unemployed persons,” this paper views “those who are not engaged in job-search activities, but who are envisaged to be able to take up employment immediately if there was a job, and who have experience of having taken up employment in the past” as being unemployed. In operational terms, “those who had a job at point $t-1$ and who do not have a job at point t , but who is envisaged to be able to take up a job immediately if one were available” (in other words, those not in employment) are deemed to be unemployed (Type 2 in Table 1). This is irrespective of “whether or not they wish to be in employment.” Moreover, the reason for unemployment and the period of unemployment were not set as criteria for classification.

Table 1 summarizes the changes in husbands’ ways of working between the survey at point $t-1$ and the survey at point t .⁴ These can be broadly classified into four types. Type 1 is those who had a job at both point $t-1$ and point t . Type 2 is those who had a job at point $t-1$ but were not in employment at point t . Type 3 is those who did not have a job at point $t-1$, but had acquired a job at point t . Type 4 is those who did not have a job at either point $t-1$ or point t . Type 1 can be further subdivided into three subcategories: Type 1a “those who continued working at the same company for the whole of the last year”; Type 1b “those who changed jobs”; and Type 1c “those who went on secondment, etc.”

This paper focuses on Type 2. The reason why the focus on unemployed persons was restricted to Type 2 is because the aim is to see the impact of unemployment more directly. Figures for Type 1a, which consists of those who are thought to have the most stable working lives, are also presented for the purposes of comparison and reference.

⁴ These were classified into four types based on the questions asked in the survey about employment status at the time of the survey (“Has a job,” “On leave,” “Student,” “Otherwise unemployed”), and retrospective questions about employment experience over the past year (“Did your husband also have a job a year ago (at the end of September last year)?” → “Had a job,” “Was not working”; “Was he working at the same company a year ago as he is now?” → “Same company,” “Not the same”; “Which of the following applies in regard to his change from the company where he was working a year ago (at the end of September last year)?” → “Change of jobs,” “Secondment,” “Transfer,” “Merger/Demerger”).

Table 1. Changes in Husbands' Ways of Working from Point $t-1$ to Point t

	$t-1$	t	Number of observations
Type 1	Employed	Employed	
Type 1a	Always at the same company		9812
Type 1b	Change of job		415
Type 1c	Secondment / Transfer / Merger / Demerger		89
Type 2	Employed	Unemployed	108
Type 3	Unemployed	Employed	91
Type 4	Unemployed	Unemployed	47

Note: Excludes those who are self-employed, family workers or freelance workers.

The data were pooled, in order to extract as many unemployed persons as possible. Consequently, even in the case of the same subject, there are times when they are classified as unemployed and times when they are not, depending on the time when the survey was conducted. The fixed effects model and the random effects model are not used, so it is not possible to consider the unobserved heterogeneity of the individuals. The characteristics of the subjects who have continued with the survey, without dropping out, and those who have been married since the beginning of the survey, are particularly likely to emerge in Type 1a, which is the target for comparison. It is necessary to pay particular attention to these points in interpreting the results.

The other variables used in analysis are husband's academic background (junior high school/high school, technical or vocational school/junior college, or university/graduate school) and content of the husband's job (professional/managerial work, clerical work, technical work, sales/service work) at point $t-1$, and husband's age at point t . Furthermore, other variables used when analyzing the impact of unemployment on family life are (i) household budget at point $t-1$ and point t (annual income, expenditure, amount of loan repayments and amount saved during the month of September, and bank balance of the household); (ii) status of receipt of unemployment benefit; (iii) changes in the wife's way of working at point $t-1$ and point t ; and (iv) the number of working hours and time spent on housework and childcare (minutes) on weekdays by husbands and wives from point $t-1$ to point t .

IV. Results of the Analysis

Firstly, after verifying who has become unemployed, this section looks at the impact of the husband's unemployment.

Table 2. Changes in Husbands' Ways of Working from Point $t-1$ to Point t by Age

Age (at point t)	Employed → Unemployed (%)	Employed → Employed (same company, %)	Number of observations
25 - 29	4.2	95.8	24
30 - 34	1.1	98.9	549
35 - 39	1.1	98.9	1852
40 - 44	1.2	98.8	2887
45 - 49	0.9	99.1	2598
50 - 54	1.0	99.1	1469
55 - 59	1.7	98.3	541

Note: Only husbands who were in employment at point $t-1$. This also excludes those who changed job or were seconded elsewhere.

1. Who Has Become Unemployed?

Table 2 looks at the ways of working at point t of husbands who had a job a year earlier at point $t-1$ by age at point t . Although the level is around the 4% mark in the case of those in the latter half of their 20s, who are not very numerous amongst those observed in the survey, it is around 1% in the case of all other age brackets. In overall terms, it is low compared with the unemployment rate in the Labour Force Survey. This is because it is the figure for married men, for whom the unemployment figures are thought to be relatively low, and also because the denominator for this analysis and that of the Labour Force Survey are different. That is, husbands who had a job at point $t-1$ are the denominator in the analysis in this paper, whereas in the Labour Force Survey, men who are included in the labor force at point t are the denominator.

However, with regard to fluctuations in the unemployment rate by age bracket in this paper, the graph describes a U-shaped curve, with high points in the youngest age bracket and amongst in the latter half of their 50s. Broadly speaking, this is the same pattern as that seen in the Labour Force Survey.

If one looks at the relationship with the content of the husband's job before unemployment (Table 3), one can see that the unemployment rate amongst professional workers, managerial workers and clerical workers is less than 1%. In contrast, it is above 1% in the case of technical and blue-collar workers and sales/service workers. In particular, the figure for sales/service workers is in excess of 2%. This is thought to be because such positions are prone to be influenced by the economic climate. This study corresponds with previous studies in that blue-collar workers are more prone to become unemployed than white-collar workers; in other words, the less socioeconomically advantaged a person is, the more likely he/she is to become unemployed. Academic background is also an important contributing

Table 3. Changes in Husbands' Ways of Working from Point $t-1$ to Point t by Job Content

Job content (at point $t-1$)	Employed → Unemployed (%)	Employed → Employed (same company, %)	Number of observations
Professional and managerial work	0.6	99.4	2570
Clerical work	0.7	99.3	2744
Technical and blue-collar work	1.2	98.8	3334
Sales and service work	2.5	97.5	1025

factor and is related to this. The proportion of husbands who graduated from university or graduate school who were unemployed at point t is low in comparison with husbands with any other academic background.

2. Impact on Family Life: How Did the Family Cope with the Husband's Unemployment?

(1) Changes in the Household Budget

Table 4 summarizes changes in the household budget before and after unemployment. The distribution of incomes is skewed, so median values are shown. As a result of unemployment, husbands' annual incomes have fallen by as much as 400,000 yen. Moreover, if one looks at the proportion of husbands whose income has declined between point $t-1$ and point t , one can see that it is as high as 59.5%. In contrast to this, the annual incomes of Type 1a husbands, who have continued to work at the same company, is increasing, albeit slightly. Amongst Type 1a husbands are some whose income has fallen, but they account for only 35.2%. On the other hand, 54.5% experienced an increase in income. From this, one can see that unemployment has a great impact. Furthermore, one can ascertain that the annual income of husbands who have become unemployed was not very high even before unemployment. If their incomes were not very high, there is unlikely to be much leeway in their household budgets. One can say that high-risk husbands become unemployed and their household budgets are placed in an even harsher situation. However, the annual income of the wife does not increase very much. This is perhaps because it is difficult for her to increase her income suddenly, unless she finds a new job or has a good job transfer.

How did expenditure change in response to the decline in annual income? It looks as though there are no major changes in living costs for families experiencing unemployment. This is presumably because it is difficult to reduce one's standard of living suddenly, just because one's annual income has declined. Job-hunting also makes one's outgoings mount

Table 4. Changes in Husbands' Ways of Working and Household Budget from Point $t-1$ to Point t

	Employed → Unemployed			Employed → Employed (same company)		
	$t-1$	t	Number of observations	$t-1$	t	Number of observations
Annual income* (median value)						
Husband	316.0	270.0	79	535.0	550.0	8068
Wife	80.0	86.0	87	40.0	50.0	7952
Expenditure in September** (median value)						
Living costs	192.5	191.5	94	210.0	220.0	8538
Savings	31.0	15.0	83	31.0	35.0	8388
Loan repayments	51.5	35.0	88	60.0	60.0	8741

* Unit: 10,000 yen.

** Unit: 1,000 yen.

up. Families cope with this by reducing their loan repayments and the amount they put aside as savings each month. On the other hand, the living costs and amount put aside as savings in the case of families where the husband continued to work at the same company increased slightly. The amount of loan repayments did not change. However, although it appears that there was no great change when one looks at the median value, if one calculates the proportion of families who have reduced their monthly expenditure on living costs, the amount they save, and their loan repayments, one can see that in families where the husband is unemployed, the figures are 53.2%, 56.8%, and 31.3%, respectively. In contrast to this, in families where the husband continued to work at the same company, the figures are 43.0%, 41.9%, and 26.2%, respectively. One can say that families in which the husband has become unemployed maintain their standard of living by reducing the amount set aside as savings and curbing the use of credit cards and purchases of expensive items.

One of the reasons why the living costs of families experiencing unemployment do not change a great deal is that they are dipping into the savings that they have built up hitherto. Of the families in which the husband is unemployed, the proportion of families whose bank balances decreased is 40.0%. In contrast to this, the proportion of families in which the husband continued to work at the same company, which experienced a fall in their bank balance was 34.5%.

One coping mechanism other than curbing expenditure and dipping into savings is to increase income. One way of doing this is to receive unemployment benefit. If one checks

Table 5. Changes in Wife's Way of Working by Change in Husband's Way of Working from Point $t-1$ to Point t

Husband: Employed → Unemployed			
Wife at point $t-1$	Wife at point t		Number of observations
	Employed (%)	Unemployed (%)	
Employed (%)	87.1	12.9	62
Unemployed (%)	26.1	73.9	46
Husband: Employed → Employed (same company)			
Wife at point $t-1$	Wife at point t		Number of observations
	Employed (%)	Unemployed (%)	
Employed (%)	90.1	9.9	5209
Unemployed (%)	14.1	85.9	4594

the status of receipt of unemployment benefit amongst families in which the husband has become unemployed, one can see that the proportion responding “Received” was just 47.2%. The proportion responding “Did not receive” was 32.4%. The proportion of families responding “Was not enrolled in employment insurance” was 9.3%. It is not the case that all families received this benefit. Amongst those responding “Received” were many families in which the husband’s previous work fell into the category of white-collar worker. It can be inferred that the reason why a family is not receiving the benefit is that the husband was not enrolled in employment insurance for some reason, or he did not know that one cannot receive the benefit unless one applies for it oneself. Alternatively, as the responses to this survey were provided by the wife, it is possible that she was unaware of the actual situation. In addition to unemployment itself, there would appear to be differences between strata in terms of ways of coping with unemployment.

(2) Changes in Time Use between Husbands and Wives

One method of increasing income other than by receiving unemployment benefit is for the wife to find employment. Has the wife’s way of working changed due to her husband’s unemployment? Has the amount of time the husband spends on housework and childcare increased in response to this? Table 5 shows changes in wives’ ways of working. If one looks at the proportion of wives who were not in employment at point $t-1$, but had a job at point t , one can see that in families experiencing unemployment, the figure is 26%, while in families not experiencing unemployment, it is 14%. One can say that wives began to work in paid employment in families in which the husband become unemployed. In addition, of the wives who continued to work (“In employment → In employment”), the proportion of those who increased their working hours is higher amongst families experiencing

Table 6. Changes in Time Spent at Work and on Housework and Childcare by Change in Husband's Way of Working from Point $t-1$ to Point t

	Employed → Unemployed			Employed → Employed (same company)		
	$t-1$	t	Number of observations	$t-1$	t	Number of observations
Time spent at work* (median value)						
Husband	600.0	0.0	80	600.0	600.0	8815
Wife	300.0	300.0	97	180.0	183.0	9451
Time spent on housework* (median value)						
Husband	0.0	3.0	64	0.0	0.0	8743
Wife	241.5	240.0	94	304.0	303.0	8770

*Unit: Minutes.

unemployment than amongst families not experiencing unemployment (43.4% and 31.8%, respectively). One can say that wives cope with the fall in their husband's income by taking paid employment. However, as one can see from Table 4, the wives' incomes are not very high.

Meanwhile, do husbands who have become unemployed participate more in housework and childcare? Table 6 shows the time spent on housework and the time spent on their jobs by husbands and wives. The time spent by husbands on housework is low to start with. After unemployment, the majority of husbands have increased the amount of time they spend on housework, but the median value is extremely low. Why is this? Firstly, one can predict that husbands would be busy with job-seeking activities. If they think their period of unemployment will be short, they probably feel that there is no need to change the division of labor to any great extent. Another contributing factor might be the fact that those who are defined as unemployed in this paper include a certain number of those who have voluntarily left their jobs in order to advance. Furthermore, it is conceivable that a major factor is that a family lifestyle has already been created in which the wife mainly takes charge of housework and childcare in their daily lives, so this cannot be changed all of a sudden. It is said that couples who flexibly rearrange the division of labor by gender role find it easier to adapt to events that pose a crisis for the family, but changes in the division of labor by gender role entail negotiations between family members. This can bring about a new crisis for a family (Voydanoff 1990). It is easier in the short term not to change the family's lifestyle. Furthermore, the income of wives, who often leave their jobs to marry or have

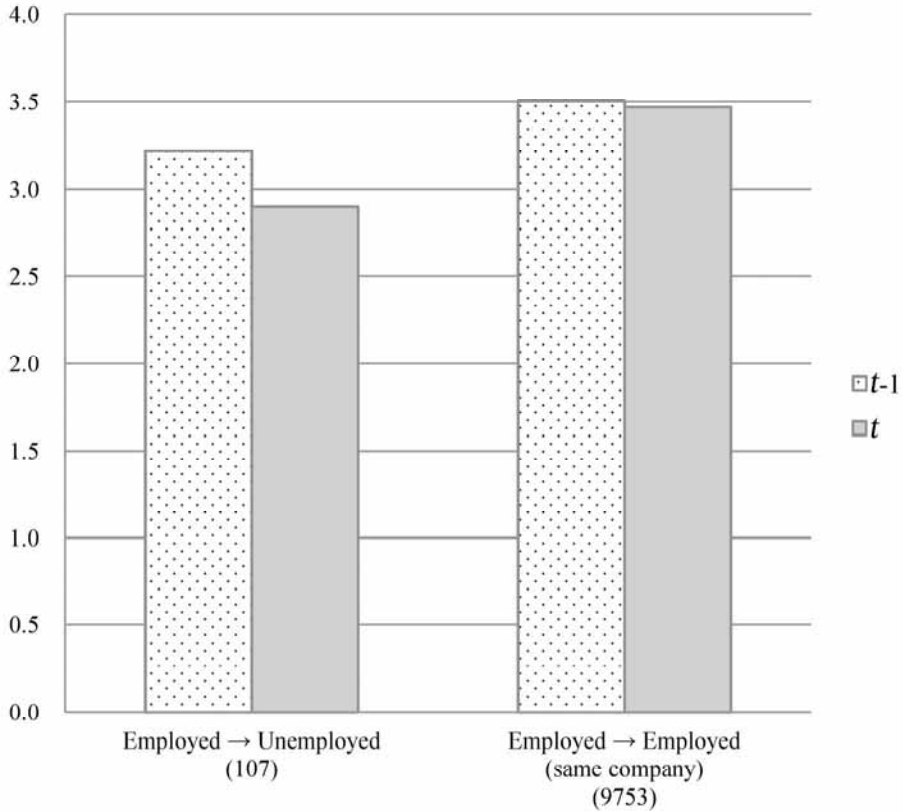


Figure 1. Changes in Wives' Level of Satisfaction with Life by Change in Husband's Way of Working from Point $t-1$ to Point t

children, is limited. Amidst this kind of situation at present, the most effective coping mechanism is for the wife to take charge of the housework and childcare, and for the husband to find a job as soon as possible.

However, the unemployment of husbands brings about a decline in income, which can become a source of stress for most families. In addition, the fact that the division of roles in regard to housework and childcare hardly changes at all might well also become a source of stress for wives. The level of satisfaction with their lives of wives whose husbands have become unemployed is low to start with, but one can see signs of it declining further. There are considerable errors here, so one cannot definitively say that there is a significant difference, but if the sample size were increased, it can be anticipated that a clear trend would emerge.⁵

⁵ Yamaguchi (2007) uses panel data analysis of the JPSC to demonstrate that the husband's unemployment decreases the level of satisfaction with the marital relationship. Based on previous studies

V. Conclusion

From a comparison of panel data from two points in time, this paper has ascertained what kind of changes occurred in family life as a result of the unemployment of the husband. It is necessary to pay attention to the fact that the sample size is small and the definition of the term unemployed person differs from that used in a strict sense, but the following three points have become clear: (i) There is a great deal of unemployment amongst those who are in technical work and sales/service work. (ii) The husband's income declines as a result of unemployment. Families are unable to curtail their monthly expenditure a great deal, so they cope instead by reducing the amount of money they set aside as savings or by dipping into the savings that they have already amassed. It is not the case that everyone receives unemployment benefit. (iii) There are wives who go out to work or increase their working hours, but the incomes of wives are not that high. The amount of time that the husband spends on housework or childcare does not increase a great deal. One can perceive a tendency for the level of satisfaction with life of wives, who are forced to shoulder a double burden, to decrease.

In other words, husbands with a low socioeconomic status become unemployed, and the leeway in the already-low household budget decreases as a result of unemployment. Families can cope for the time being by reducing the amount of money they set aside as savings each month, or by dipping into their existing savings, but if this kind of lifestyle continues, anxiety about the future will doubtless remain.

The amount of time that the husband spends on housework or childcare does not increase a great deal after becoming unemployed. It is conceivable that this is because it is more rational to maintain the division of labor by gender role in the short term. If the husband's period of unemployment becomes prolonged and the double burden on the wife continues, there is a possibility that the family will be forced into rethinking the division of labor by gender role, or there is the possibility that it will develop into the dissolution of the family.⁶

The industrial structure is changing greatly, so there is likely to be little possibility that unemployment will decrease in the future. In contrast, there is the view that unemployment will fall if non-regular employment is increased, rather than maintaining regular employment. This would certainly cause unemployment to decrease. However, the current situation is that the proportion of the household budget accounted for by the husband's income is large, and female employment is confined to supplementing the household budget.

by authors such as Elder, it would be preferable to analyze the relationship between unemployment and the level of satisfaction with the marital relationship. This paper has simply compared two points in time (point $t-1$ and point t), so level of satisfaction with life, which has been covered in the annual survey, has been used here.

⁶ Of the families in which the husbands were unemployed at point t , 5% were divorced by $t+1$ year.

If the non-regular employment of married men progresses, there is a possibility that the number of families on low incomes will increase, even if the woman is also in paid employment. In that situation, it would likely be difficult to lead a stable family life. The wife obtaining paid employment is deemed to be an effective means of coping with risk, but in Japan, where there is a clear division of labor by gender role and a large gender pay gap, it is necessary to discount the effect of the employment of wives to some extent.

In Japan, responsibility for welfare was hitherto mainly taken by families, but as a result of the Emergency Human Resource Development and Employment Support Fund introduced in July 2009, long-term unemployed persons and non-regular workers who cannot receive benefits under the employment insurance system became eligible to receive benefits during a period of vocational training. This system finished at the end of September 2011, but a jobseekers' support system that made this system permanent started in October that year. The emergence of a new mechanism that supports the household budget during periods of unemployment is a major change, and it can be expected that this will reduce the burden on families.

Three main challenges remain, as outlined below: Firstly, this paper viewed the impact of unemployment on family life and coping mechanisms as being the same. However, one should, by rights, distinguish between them. As Moen (1982) asserts, it is not necessarily the case that a coping mechanism is effective just because it has been adopted. By analyzing which of the multiple coping mechanisms are effective and who used which coping mechanism, one can more appropriately examine "adaptation," which is an important concept in life course theory and family stress theory.

Secondly, there is the question of grasping the long-term impact of unemployment. This paper focused on the short-term impact over the course of a year from point $t-1$ to point t . The household budgets of those who are long-term unemployed are quite tight, (Japan Institute for Labour Policy and Training 2006), and they are likely to be forced to adopt different coping mechanisms from the short-term unemployed.

Thirdly, there is the problem of the target of the analysis. There is also the possibility that sample selection bias is occurring, with survey subjects becoming divorced or dropping out of the following year's survey due to unemployment. This may be the reason that no great changes are observed in the household budgets of the unemployed persons in this paper.

If one were to broaden the range of consideration further, it would be important to look at the problem of unemployment amongst those who are unmarried. According to the Labour Force Survey, the unemployment rate amongst both men and women aged between 15 and 24 is extremely high, at around 10%. They are highly likely to be unmarried, and there is a possibility that their parents, rather than spouses, are supporting their lifestyles. However, parents cannot support their children indefinitely.

It is feared that this will have an impact both on the demographic structure and on fiscal matters. Japan has a low labor force participation rate amongst married women and it

is a country with a clear division of labor by gender role, but the desire to be a full-time housewife is growing amongst young women. Consequently, young people without a stable working life will also be at a disadvantage when it comes to opportunities to create a family (Cabinet Office Director General for Policy on Cohesive Society 2011). The number of children in Japan born outside marriage as a proportion of all births is extremely low, at less than 5%. Consequently, if the number of young people who do not marry increases, the low birthrate will become an even more serious problem. If the number of unmarried elderly people increases, additional social security expenditure will doubtless be required. Research into life course and socioeconomic disparities in recent years has been focusing on whether or not advantage or disadvantage at a particular point in time builds up in a person's subsequent life (cumulative advantage/disadvantage), and whether or not it has an impact on children's lives. Panel data is ideal for elucidating such mechanisms. One hopes that research into unemployment and family life will progress further and that there will be debate concerning the structure of employment systems that will facilitate a stable family life.

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The Psychological Impact of Job Loss in Japan after the “Lehman Shock”

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This paper analyzes the psychological impact of job loss using the qualitative KJ method of research, based on interviews conducted with seven people who lost their jobs at foreign companies in Japan as a result of the corporate rationalization carried out after the collapse of Lehman Brothers. Of the seven people, three worked for foreign IT companies (Group A). These are all highly-educated people who have remained unemployed for a long period of time since they lost their jobs after working for their last employers for a number of years. As they have not overcome the psychological shock caused by losing their jobs, they are at a loss about how to come to terms with the harsh reality and make a major change of course. The other four of the seven people worked for foreign financial institutions (Group B). They have overcome the shock of losing their jobs, which they now view as an opportunity to switch to a new working style. The stark difference between the responses of these two groups indicates that from the psychological viewpoint, what Japanese workers must do as they face the harsh winds of globalization is to see abrupt, rapid change in their situation in a positive light and respond to it positively. It is also important to develop strategies to promote such positive thinking and behavior.

I. Introduction

Western countries have a history of sociological and psychological research on unemployment that dates back to the era of the Great Depression (1929) (Bekke 1933; Jahoda 1982). However, Japanese research activity in this field remains slack in comparison. This paper examines the psychological impact that job loss resulting from corporate rationalization has on the individual, based on interviews with people who lost their jobs after the so-called “Lehman Shock” of 2008, which shook the global economy and financial markets after the collapse of major U.S. brokerage house Lehman Brothers.

Losing one’s job is a serious form of “object loss,” so it is very important to take account of the psychological aspect of this when providing support to the unemployed. As Freud (1961) points out, work is man’s strongest tie to reality and unemployment loosens man’s grip on reality. Okonogi (1979), a pioneering expert on Freudian psychology in Japan, defines object loss as follows: 1. death of or separation from the object of affection and dependence; 2. change in working environment or break with one’s position or role ([i] loss of a person with whom one has closely identified [ii] loss of the working environment with which one has identified and [iii] loss of the role and style necessary for adapting to the working environment); 3. loss of pride, ideals or possessions ([i] loss of identity and [ii] loss of possessions).

The object loss experienced by unemployed people represents a multilayered and serious psychological problem. According to Hirokawa (2006), who conducted interviews with people who had lost their jobs after the Lehman Shock, many unemployed people regard their job loss as an abrupt declaration of farewell by the object of their strong affection and dependence, or as a personal rejection. They are expelled from their organizations, lose their affiliations with their companies and job positions, which are evidence of their identity, lose their personal relationships with their bosses, colleagues and subordinates, and experience radical changes in their daily routines, such as the disappearance of the need to go to work. Their families worry about them, which adds to their psychological pressure all the more. Naturally, they also face economic problems as they lose their sources of income.

How do unemployed people overcome these losses? Harvey (2002) argues that when a man faces a crisis in his life, contextualizing his experience of loss by giving words to his sorrows and narrating them will give him the power to fight against depression and loss of hope. To heal after a loss, the following process (narrative-behavior model) is necessary: experiencing serious loss → formulating a narrative, which means understanding the meaning of one's loss → narrating the loss, which means talking to a person who cares about that loss → undergoing a change of identity → dealing with the loss in a constructive manner. Going through this process enables people to gain something from their losses. A change of identity refers to a radical change in the way a person views himself/herself that results from the experience of a serious loss.

In career counseling practice, it is presumed that counselors enable people to recover from identity loss not by applying theoretical metaphors for crisis and opportunity to individual cases, but by having them narrate their crisis-transition process in their own words. This indicates that the concept of social constructivism, which attempts to create reality through language, and the study of story-telling as part of life-story research and narrative therapy are useful in career counseling research (White [2000], Krumboltz [1996], Cochran [1997], and Sugiura [2004]).

In 2001 and 2002, when the unemployment rate in Japan was higher than 5%, this author conducted a research survey (Hirokawa 2006) regarding psychological support for unemployed people, using outplacement companies as the field of research. In addition, in 2008, the author conducted a survey on career consultants commissioned by public employment support centers (Hirokawa 2008). In light of the experience gained in these studies, the author believes that psychological research into unemployment must necessarily focus on three points: (i) the mental care and career development aspect; (ii) specific ideals of psychological support; and (iii) the study of counseling approaches and processes that are effective in supporting unemployed people.

Takahashi (2010) has recently made a notable achievement in the field of psychological research into unemployment. She examined in detail the findings of previous studies, both domestic and foreign, into the psychology of unemployment and support for the unemployed, and conducted meticulous research on individuals' unemployment experiences

Profiles of Subjects

Subjects	Gender	Marital status	Age	Last job	Number of employers worked for	Duration of unemployment (months)	longevity of work at the last employer
A	Male	Married	57	Publisher	1	5	34
B	Male	Married	50	Foreign IT company	5	12	4
C	Male	Married	49	Foreign IT company	5	14	14
D	Male	Married	45	Foreign IT company	2	11	15
E	Male	Married	39	Foreign financial institution	4	3	3
F	Female	Single	37	Foreign financial institution	5	3	5
G	Female	Married	40	Foreign financial institution	7	5	6
H	Female	Single	39	Foreign financial institution	5	11	3

and the psychological support provided by public employment support centers. Takahashi suggested that “it may not be until unemployed people go through the retrospective process of looking back at their own unemployment experiences that psychological support for them can be provided.” For unemployed people, understanding their own unemployment experiences in the context of their lives is quite meaningful. What is needed is counseling research conducted from the perspective of how effective psychological support should be provided with regard to both career development and mental care. However, research is seldom conducted from this perspective.

II. Methodology

The purpose of this paper is to describe the reality of job loss due to the post-Lehman Shock rationalization, as narrated by people who have fallen victim to the ax. The interviewees in the survey and the method of analysis are as follows:

Subjects : The subjects consisted of eight people introduced to the author by career consultants through reemployment support companies (see the table above)—five men and three women—ranging in age from 35 to 57 (average age at 45). The longevity of the unemployment period among them ranges from three to 14 months (average period at 8 months). Of the eight people, seven last worked at foreign companies and one at a

Japanese company. This paper focuses on the seven who last worked at foreign companies.

Method: The study was conducted through partially structured interviews. In the interviews, the subjects were asked about: their basic career histories; backgrounds to their resignations; current livelihoods; their feelings and opinions (concerning the past, present and future); family members' responses; and key points of effective support, in that order. The duration of interview per subject was approximately 60 to 90 minutes. The interviews were recorded with the subjects' consent and verbatim records were created. The study was conducted in February and March 2010.

Analysis: The analysis used the KJ method (Kawakita 1967), a qualitative research approach developed in Japan. Keywords were extracted from the verbatim records and divided into groups of related words, which were arranged in a single word map (see the figure) (Yamada 1999). The author underlined those parts of the interview records that are regarded as particularly important.

III. Results

Below, the story of post-Lehman Shock job loss is narrated in a way that reflects the word map. As a result of the rapid deterioration of business performance, foreign companies carried out rationalization measures, including withdrawal from Japan and consolidation of operations in the country. The story of job loss as narrated by the people who lost those jobs played out as follows:

Ruthless Job Cuts

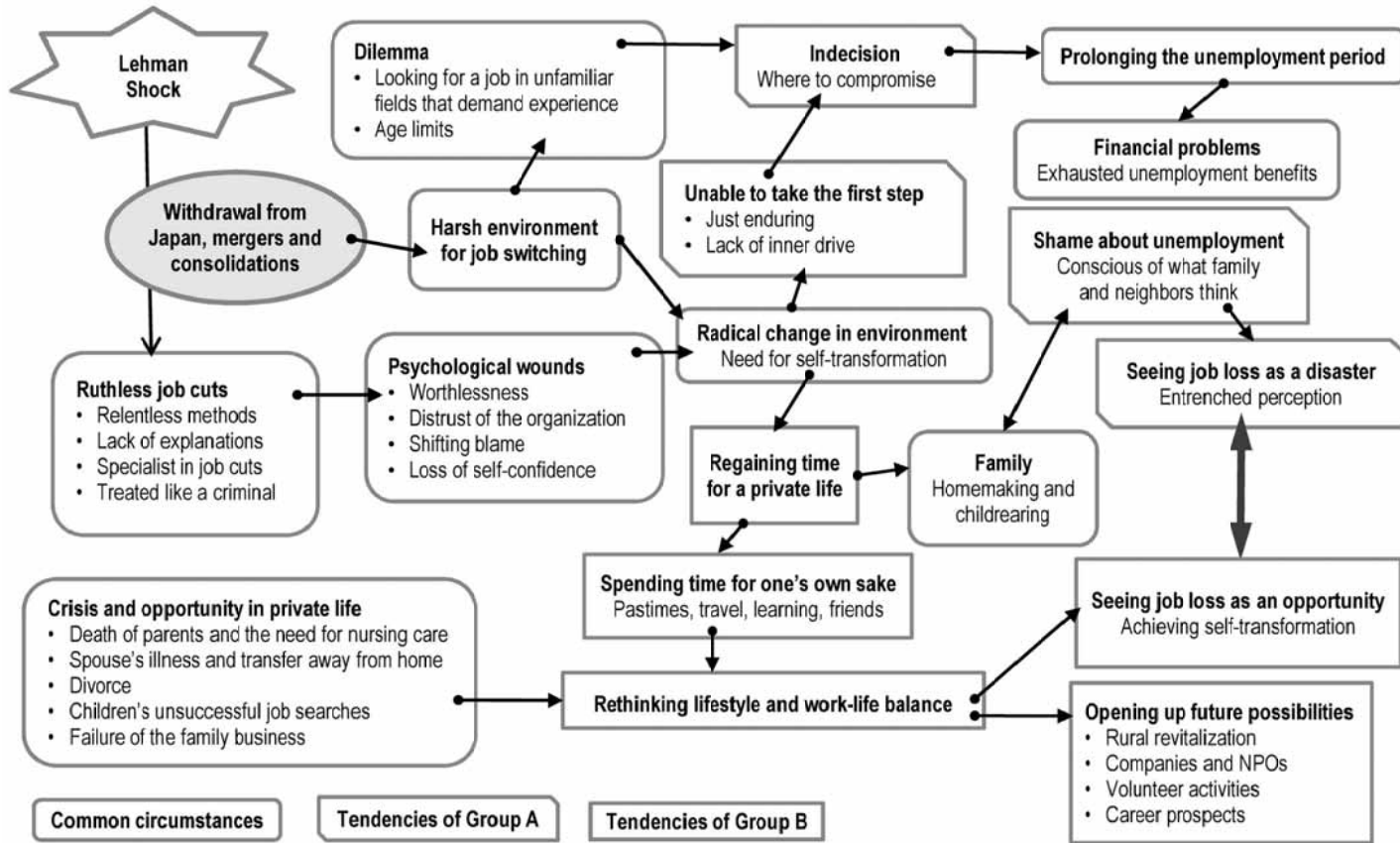
An Entire Division Guttled by Job Cuts

Our company decided to reduce personnel costs by 25%, which meant that one in four employees should be dismissed. In my department, my boss, who had long been trying to protect the department from the ax, was forced to resign three years ago. In my division, all of the employers were fired. The new boss was a kind of specialist in job cuts. As job cutting is a popular rationalization measure in this industry, there are many people who move from company to company, boasting records of a series of successful job cuts (Mr. C, a 49 year-old employee at a foreign IT company).

Abrupt Layoffs without Sufficient Explanations

I was summoned by my boss on the day that the head office had announced a job cutting program. I suppose that preparations had been going on for some time, but the boss abruptly told me, "You are on the firing list, so you've got to go." It was like receiving a mandatory order to resign. No further explanation was offered. (Mr. C, a 49 year-old employee at a foreign IT company)

As a certain proportion of the workforce was earmarked for job cutting at our



KJ Method Chart

company, our colleagues left one after another. It was not unusual to suddenly find a colleague's desk empty when arriving in the office in the morning after a holiday. They would abruptly be summoned to a certain room, notified of their dismissal, made to sign the paperwork and be sent away with a few of their personal belongings. It was completely unceremonious. They would in no way be allowed to return to their desks. I was let go after receiving just my bag and a few other things, and I was told that my other possessions would be sent to my address later. I was made to sign the paperwork, without any room for protest. (Ms. G, a 40-year-old employee at a foreign financial institution)

Psychological Wounds

Feelings of Worthlessness

As I mentioned when I explained my career background, I had left my previous company of my own accord, but this time, I was forced to resign even though I had no wish to quit. I felt worthless. (Mr. C, a 49 year-old employee at a foreign IT company)

Shifting Blame

Our company had no intention of protecting jobs in the first place. If the company wanted to reduce personnel costs by 25%, I assume it would have been possible to preserve jobs by cutting salaries by 25%. But there was little chance that our company would consider an option like that. Instead of taking responsibility, the top managers, including the president, created a job cutting committee, cobbled together a list of employees to be fired and told them to go. First and foremost, I was dismayed at having been singled out for firing and angry at the top managers for not taking responsibility. (Mr. C, a 49 year-old employee at a foreign IT company)

Treated Like a Criminal

As soon as I was let go, I was treated like a criminal. I was prohibited from using my computer for what the company said were security reasons. You know, foreign companies confiscate all of their dismissed employees' work-related possessions. In Japan, too, the story is the same. When we are notified of our dismissal, we are told to return our computers. In principle, all our belongings, including our computers, are confiscated. It was completely shocking to me how much I was treated like a criminal. (Mr. C, a 49 year-old employee at a foreign IT company)

Fighting against the Company While Taking Anti-Depressants

I received a notice encouraging voluntary resignation. When I asked whether that meant job cutting for rationalization, I got no answer. I complained about a lack of sufficient explanation. I made a counteroffer on the amount of severance pay, at which the president, who was a foreigner, expressed surprise. From the following day, I was prohibited from entering the office. I could not use my computer. I left the company after making it

clear that I saw what was going on as a forcible resignation. As the amount of severance pay that came up during settlement negotiations was close to what I had in mind, I signed. People who remained at the company agonized alone, without consulting lawyers or labor consultation centers, and in the end, they lost their nerve, if I may say so, and they ended up signing, too. I am by nature susceptible to bouts of depression and I have accepted that as part of my life. But somewhere in my mind, I feel that it is natural to pick up the gauntlet. (Mr. E, a 39-year-old employee at a foreign financial institution)

Harsh Environment for Switching Jobs

Struggling to Reach the Interview Stage

I suppose that I registered with a total of 23 or so recruiting agencies, and I reached the interview stage at two companies last year. I filed job applications with nearly 40 companies, and yet I reached the first-round interviews at just two companies. This year, I filed job applications with more than 20 companies in January, as I sent an application letter almost every day. But I have not passed the paper-based screening at any company. (Mr. B, a 50-year-old employee at a foreign IT company)

This is not an era in which experience working in the United States or holding certifications and qualifications count. You have to fully meet the criteria required by the company. A few years ago, the story was different. Now that there is a flood of applicants, employers weed them out. So, it is a rather difficult situation. (Mr. B, a 50-year-old employee at a foreign IT company)

Leave or Stay, a Hell Awaits Either Way

The overall workload declined. However, the workload on each employee increased because the work of the employees who left the company was transferred to the remaining ones. One of my colleagues who stayed died – I think he probably killed himself. An employee who left the company also committed suicide. I guess I have to consider myself to be lucky to be alive, at least. (Mr. C, a 49 year-old employee at a foreign IT company)

Uncertainty over the Key Hiring Criteria

I feel as if I am groping my way in the dark. I do not know what my strengths and weaknesses are. How to write a resume is often mentioned as an important issue, but that is not the point, I think. As I often say, it is like winning the lottery. The issue is not whether we have certain strengths or weaknesses. It seems more hit or miss than that, as if employers make their selections based on a gut feeling that such-and-such a guy “may be a good pick.” (Mr. B, a 50-year-old employee at a foreign IT company)

Dilemma

Looking for a Job in an Unfamiliar Field That Demands Experience

I am hoping to work in the supply chain field, as I previously worked in the same kind of job. If at all possible, I wanted to switch from the IT industry to the medical care industry. I have some experience related to electronic medical appliances. Given my age, I knew it would be my last chance, and I figured that if I was going to find a long-lasting job, the medical care industry was a good choice because it is resilient to economic cycles and relatively stable. However, even in the medical industry, the situation is getting increasingly difficult, as employers are weeding out applicants who have no industry experience. So finally, I have come to the conclusion that the IT industry is my only remaining option, and I am now looking for a job that has to do with IT or a job in consumer goods that requires IT experience. Only two weeks ago, I filed an application with Company A through a recruitment agency, as the company was willing to accept workers without the relevant experience. But it is difficult to pass the paper-based screening. (Mr. B, a 50-year-old employee at a foreign IT company)

Age Limits Posing a Huge Obstacle

With the paper-based screening, one problem is my age. I don't understand why age limits need to be set. Looking back at the history of Japanese culture, elderly vassals used to serve the young warlords during the Sengoku era of civil war, so it seems unreasonable to set age limits. I think that the government, particularly the Ministry of Health, Labor and Welfare, should instruct companies to abolish age limits. I believe that managing older workers is one of the essential abilities a manager should have. If the managers are unable to do that, the company should be held accountable for appointing incompetent managers. Employers generally set the age limit at around 45 years old. (Mr. B, a 50-year-old employee at a foreign IT company)

Unable to Take the First Step

Lack of Inner Drive

One problem is that I cannot bring myself to take action. Although I know in the bottom of my heart that I have to make a move, the drive that I need to do it just isn't there. (Mr. D, a 45-year-old employee at a foreign IT company)

A Blank Resume

Although I am not being cowed, I feel like putting off making any moves until some time later. I have put off taking action over and over again. This tells the whole story. A blank page. One year after I lost my job, I have not finished writing my resume. (Mr. D, a 45-year-old employee at a foreign IT company)

Career Prospects Too Dire to Be Discussed

I wonder if there are any people who can afford to discuss their career prospects. Maybe one in ten people can afford to do that, and yet I suppose that the remaining nine cannot. We just cannot afford to have that kind of discussion as long as we are company employees. (Mr. D, a 45-year-old employee at a foreign IT company)

Indecision

Uncertain Where to Compromise

Even if I join a company, it would be meaningless if I leave it six months later. I don't know how to settle my own feelings. I have been overwhelmed by them. There is another me within me. That inner self asks me, “What are you going to do?” This time, I don't want to make the wrong decision. (Mr. D, a 45-year-old employee at a foreign IT company)

Financial Problems

Looming Financial Squeeze

The problem may be that I am not having such a hard time, as I am not yet in a financial squeeze. Even so, I cannot afford to continue to live a leisurely life forever. I will have to break with this state of affairs sooner or later. (Mr. D, a 45-year-old employee at a foreign IT company)

Shame about Unemployment

Keeping It Secret from Family Members

As my mother died only a short time ago, I have not told my father about me losing my job. Although he may have some inkling that it has happened, I have refrained from revealing the news to him to avoid adding to his distress. I have not told my daughter who is a university junior about it, either, as I don't want her to worry. Although she may also have some idea, I won't tell her. I have confided only in my wife. My previous company allowed employees to work at home, so now, I am pretending to be working at home again, confining myself mostly to my room. This is a delicate time for my daughter herself. If she had already found a job, I might have told her the truth, but she is having a hard time herself. (Mr. B, a 50-year-old employee at a foreign IT company)

I have not told my children the truth. My eight-year old daughter may have noticed something, as I stay at home most of the time. But maybe because she does not want me to think she's being nosy, she hasn't asked any questions. (Mr. D, a 45-year-old employee at a foreign IT company)

Conscious of the Inquisitive Eyes of Neighbors

I do not attend my kid's events or go to parent's day at her school, even though I have the time to do so, because if I participated in that kind of event too frequently, it would at-

tract people's attention. Also, I refrain from frequenting my kid's preschool for the same reason. (Mr. D, a 45-year-old employee at a foreign IT company)

I was conscious of neighbors watching me when I went out to take out the trash. When I was working for my previous employer, I sometimes worked at home, so I pretended to be doing that again, saying that a computer and a telephone line are all I need for my work. (Mr. D, a 45-year-old employee at a foreign IT company)

Crisis and Opportunity in Private Life

Death of Parents and the Need for Nursing Care

My mother died last September, and my father lives alone. Although he is still in good health at age 82, I am planning to give him financial assistance when his condition becomes such that he needs to move to a nursing care facility. (Mr. B, a 50-year-old employee at a foreign IT company)

Wife's Illness

Since I quit my job in the spring, my wife has been ill. She had an operation and spent some time in the hospital, so I did not look for a job during that time. (Mr. C, a 49-year-old employee at a foreign IT company)

Husband's Transfer Away from Home

When I returned from my assignment overseas, my husband was transferred away from home. Now, he lives alone. It may take a few years before he comes back. (Ms. G, a 40-year-old employee at a foreign financial institution)

Divorce

As soon as I was divorced, I lost my job and fell into a state of depression. The severance pay was given to my ex-wife to be used as living expenses. (Mr. E, a 39-year-old employee at a foreign financial institution)

Failure of Family Business

I am working with a lawyer to reduce the debts left by my parents' failed real estate business. (Mr. E, a 39-year-old employee at a foreign financial institution)

Regaining Time for a Private Life

Pastimes

I started snowboarding. I also got my motorcycle license. I was afraid that I might crack under the pressure unless I tried something new for a change. Snowboarding helped me let off steam and relax, and that was really good for me. Physical exercise created a change of pace and gave me the opportunity to consider what to do next. (Mr. E, a

39-year-old employee at a foreign financial institution)

Travel

I knew that I would be laid off. My company was cutting jobs, as the securities industry had been hit hard by the collapse of Lehman Brothers. The company was also outsourcing some work. I started thinking about which countries I would like to go after quitting. Although I wanted to study abroad, I thought it would be too hard on my husband. So then I started thinking of just traveling abroad on my own, and my husband told me, “Go wherever you like and study there,” so I went to New York for a three-month stay. (Ms. G, a 40-year-old employee at a foreign financial institution)

Friends

I felt that it would be better to avoid meeting people until the situation settled down. But then I went to visit a close friend of mine from high school. I just thought that I had to let off some steam. I told him everything, including about my divorce and losing my job. He had me come over and served me sukiyaki. (Mr. E, a 39-year-old employee at a foreign financial institution)

Family

Our child was still little, so I became a stay-at-home dad. My wife is still working for the same company. She may lose her job anytime, though, since the company has recently merged with another firm. After seeing my wife off when she leaves for work, I set myself to doing the household chores. The day passes very quickly. I have free time from 9 a.m. till around 4:30 p.m., when our child comes home. My wife prepares breakfast in the morning, and I am responsible for washing dishes. For dinner, I do everything including shopping for ingredients. (Mr. D, a 45-year-old employee at a foreign IT company)

Rethinking Lifestyle, Working and the Work-Life Balance

Making a Fresh Start

I finished working out the debts left by my parents’ failed business, got divorced and lost my job, so I feel that I have undergone a full cycle of private and public life events. As I have now reset my life, I expect no further setbacks ahead as long as I stay healthy. I would like to use 2010 as a year of preparation for a leap forward. (Mr. E, a 39-year-old employee at a foreign financial institution)

Keeping Distance from the Company

I think it’s inevitable that I will switch jobs again in the future, so I plan to acquire skills that may be required when I move on to another company, and I also intend to keep my information on file with the job change information site. It is essential for me to maintain my peace of mind by always keeping my options available. Some people may look

askance at keeping an escape route open like that, but our employer does not protect us. I suppose I will continue to be on the lookout for an opportunity, preparing for the day when I may be fired or get fed up with the company. I have taught myself to keep some distance between me and my company, for better or for worse.

(Mr. E, a 39-year-old employee at a foreign financial institution)

Seeing Job Loss As an Opportunity

Providential Chance

I used to be too busy trying to make more money to take the time to reflect on the significance of educating myself or contributing to society, so in that respect, I feel like maybe God was giving me the chance to do that. Now, I get the chance to talk with a lot of different people. When I was always busy preparing for presentations, I did not have any time to do that, and now I realize that I should value it. I suppose there are plenty of things that I overlooked when I was busy. Recently, I had an opportunity to meet with a friend from college who is now devoting herself to raising her children. As I have realized that other people are spending their days in a meaningful way, it has occurred to me how deficient I am as a human being by comparison. I feel like I need to make a bigger effort to lead a more meaningful life. (Ms. F, a 37-year-old employee at a foreign financial institution)

Waking Up to the Importance of Volunteering

Losing my job was like a gift, so I feel that something bad could happen to me unless I pay it back. That is why I have been volunteering for the past year. I woke up to the importance of volunteering only after I lost my job, and I now feel like I am doing something worthwhile. (Ms. H, a 39-year-old employee at a foreign financial institution)

Sense of Elation Overcomes Worries

My husband and I have no children, so it's just the two of us. It was like my husband was an aircraft carrier from which I took off in a fighter plane. I would fly away somewhere for awhile and return to it to rest. The carrier would go on in its own course. We are quite different types of people. Recently, my husband was transferred to a different location and can't live at home. Now, I am kind of embarking on a voyage on a new ship of my own, albeit a small one, although I still feel as if I am flying in the sky. I have tried new things before, and I am always worried and scared when I do. However, at the same time, I always feel a sense of elation that overcomes my worries and fears. (Ms. G, a 40-year-old employee at a foreign financial institution)

Opening Up Future Possibilities

Learning Know-How about Rural Revitalization

I am scheduled to start my new job next week. This job that I found is out in the country. I used to work in a job that dealt with hotel investment, so this time, I will work to

turn around struggling resort hotels. My former boss from my previous company invited me to join him. Since I am single, I thought that I would find it easier to make a fresh start if I live away from Tokyo and from my parents. I also hope to gain some knowhow about business turnaround and revitalization in rural communities. When I returned to my home recently, it occurred to me that if something happened to either of my parents, I will have to come back immediately so that I can care for them. In any case, I intend to quit working as a company employee sometime in the future. I am convinced that I must return to my hometown some day and start my own business there. (Mr. E, a 39-year-old employee at a foreign financial institution)

Career Prospects

I think that the next 10 years, while I am in my forties, will be a critical period for me. In the future, I would like to work without attaching myself to an organization—to work freelance or start business in partnership with somebody, for example. When I’m a bit more certain in my mind about the path to take, I would like to go back to school. I want to take a correspondence course in a relevant field and if possible, I would like to go on to graduate school as well. I am also still hoping to be able to get back to the United States. (Ms. G, a 40-year-old employee at a foreign financial institution)

IV. Deliberation

From the above narrative, it is clear that foreign companies operating in Japan are as ruthless and tough in their approach to job cuts here as they are in their home countries. Their way of cutting jobs inflicts psychological wounds on the employees, creates feelings of worthlessness and foments anger and distrust of the organization and bosses. In the meantime, if employees dismissed by foreign companies wish to obtain a similar type of job in the same industry, there is a shortage of job openings given the wave of job cuts resulting from the withdrawal from Japan, mergers and consolidations triggered by the Lehman Shock. This situation is unlikely to turn around anytime soon. Consequently, the range of options available for the unemployed is narrow unless they are willing to take their chance in unfamiliar fields. However, even employees willing to look for new jobs in unfamiliar fields face a dilemma, as many companies hire only employees who have relevant experience. In a situation like this, unemployed people have to achieve a dramatic self-transformation so that they can make a fresh start and adapt to changes in the working environment. The above circumstances are universal to people who have lost jobs at foreign companies in Japan since the Lehman Shock.

However, the two groups of people studied perceived and responded to their job loss quite differently. The first, Group A, comprises people who worked at foreign IT companies, and the second, Group B, comprises people who worked at foreign financial institutions.

Group A consists of three men with an average age of 48 (range from 45 to 50). All

three are married with children and have either undergraduate or graduate school degrees. Although one of them has changed jobs frequently, the average job longevity at the last company was 11 years, which suggests that Group A has a relatively strong sense of belonging to the company. None of the three have told their children or parents about having lost their jobs. Their average unemployment period is approximately one year, and as they have received the full period of unemployment benefits, they may have to start worrying about their financial situation soon. While they understand intellectually that their futures will remain dim unless they accept the change in working environment and take their chances in unfamiliar fields, their hearts have not come to terms with that reality. One of them has not been able to finish writing his resume in more than a year since losing his job. The survey results illustrate these men's failure to bring themselves to take the first step in a new direction, for which there are several presumed reasons. Given the looming financial squeeze, it is uncertain how long they can afford to continue sitting on the fence in the hope that their situations will improve. As they have families to support, they are at a loss as to where they should compromise with regard to income, company size and other factors. The circumstances are in place for prolonging their period of unemployment.

Meanwhile, the people in Group B have an average age of 39 (range from 37 to 40), and none of them have families to support. Their academic backgrounds vary widely, with one of them having U.S. graduate school degrees and another having only a senior high school diploma. As far as employment arrangements are concerned, all people in Group A were regular employees, while those in Group B include a person who started as a temporary staff worker and switched to the status of a contract worker and then to a regular employee. For Group B, the average job longevity at the last company was approximately four years, less than half the average for Group A. The people in Group B presumably value autonomy in career development more than those in Group A, and because of this, keep more distance between themselves and their employers. Some members of Group B are thinking of working freelance or starting a business on their own, and one of them is considering working for an NPO. Partly because they do not have children, all of the people in Group B have revealed to their families that they have lost their jobs. Having regained the time for a private life, they are all deliberately making a change of pace by spending it on pastimes and travel for their own sake, rather than for the sake of their families. Some of them have begun to review their work-life balance, while others are starting to see new possibilities open up. We must allow for the fact that most of them have been unemployed for a relatively short period of time and so have not acutely felt the hardship of living without a job or of looking for a new job. They all see their job loss as an opportunity, in sharp contrast to the entrenched thinking of Group A that losing their jobs was a disaster.

Douglas T. Hall (2002), a career development researcher and organizational consultant, argues that as the psychological contract between the employer and employee changes as a result of the industrial structure, employees need to pursue a "protean career" in which they proactively work at career development and constantly adapt to changes in the working

environment. The protean career is characterized by the following concepts:

- Individual employees, rather than the organization, take charge of career management.
- A career is a lifetime, continuous process that involves the person’s experiences, skills, learning, opportunity and identity change (career maturity should be measured in terms of not chronological age but “career age”).
- Career goals are set in terms of psychological success, such as job satisfaction and feelings of self-growth, rather than objective achievements as evaluated by other people (promotion, position, salary, etc.).

Hall characterizes identity and adaptability as essential elements for the development of a protean career, and argues that if people do not have a solid identity as an “internal compass,” they behave like chameleons, always changing their color. Flexibility and adaptability must be rooted in the foundation of a strong and clear identity. To develop their identities, people need not only have self-awareness but also know how to learn more about themselves. To that end, they need to receive feedback and support from other people and go through a relational process. When they reflect on and try to learn from their experiences, it is more effective for them to do so with the appropriate partners. As a way to do that, Hall recommends that people keep records of what they have learned. People can deepen their learning if they keep records of, and deeply reflect on, career-related problems and changes that occur in their lives, including everyday incidents as well as turning-point events, describing what occurred, why it occurred, what can be done to deal with it, and with whom it can be shared, and then share those experiences with the right people (bosses, colleagues, friends, family members, etc.).

Hall emphasizes the relational approach, which is based on the concept that career development is achieved through the process of mutual learning as part of relationships among people. A career perspective that emphasizes self-fulfillment and relationships with other people, has significant implications for those people within Japanese organizations who have been dismayed at having their self-fulfillment measured by an external yardstick as a result of a rapid shift in emphasis from team performance to individual performance, and who have a sense of unease about the concept of using a change of jobs as a way to climb the career ladder.

Van Vianen, De Pater, and Preenen (2009) pointed out that the meaning of career adaptability has recently changed from a turning point between different career stages or the balance between a person’s work and his/her private environment (Goodman 1994) to the state of being ready to cope with the predictable tasks of preparing for and participating in the work role and with the unpredictable adjustments prompted by changes in work and the working environment. (Savickas 1997).

The ability to accurately predict changes in the working environment in a timely fa-

shion and the ability to make adjustments as soon as possible when unpredicted changes occur are the critical elements of career adaptability. This is evident from the contrast between the responses of Groups A and B to job loss, as shown in this paper.

V. Conclusion

Above, this paper has described the psychology of people who have lost jobs at foreign companies as a result of the wave of corporate rationalization triggered by the Lehman Shock, based on their own narratives of their unemployment experiences as obtained through interviews. Of particular note is our finding that these people have perceived and responded to their job loss differently, despite invariably experiencing ruthless job reductions and a harsh environment for finding a new job.

People like Ms. G in Group B (a 40-year employee at a foreign financial institution) who feel a sense of elation as they face rapid changes in the working environment, are presumably a minority in Japan. In an extreme case, Mr. D in Group A (a 45-year-old employee at a foreign IT company), cannot bring himself to make a fresh start and cannot even complete his resume and file a single job application in the year after losing his job, as he continues to face uncertain career prospects. What kind of support would be effective to help people like him? The more achievements people make in terms of academic attainment, job performance, status and income, and the greater the burden they are saddled with in terms of families to support and housing loans to repay, for example, the less able or willing they become to extricate themselves from the tangles of their life. However, unless they are ready and brave enough to face up to the harsh reality and come to terms with the consequences of corporate rationalization, unemployed people will find it difficult to get out of their rut. If they do too much soul-searching, they could fall into a state of self-denial. The effective approach would be to prescribe cognitive-behavioral therapy that enables unemployed people to better understand the gap between themselves and the situation in which they find themselves in an objective and rational manner, helping them to change their mindset.

From the psychological viewpoint, what Japanese workers must do as they face the harsh winds of globalization is to see abrupt, rapid change in their situation in a positive light and respond to it positively. It is also important to develop schemes to promote such positive thinking and behavior.

This paper does not include a detailed analysis of support for unemployed people, a matter that the author hopes to study sometime in the future in relation to the narrative approach that encourages unemployed people to recognize and explain their unemployment experiences as a turning point. The author intends to more closely analyze the data collected through this survey and conduct a new survey on a larger sample population that covers a wider range of age groups and business sectors. Based on the new survey, the author plans to examine differences in how different groups of people recognize changes in the working

environment and what causes these differences, and to study effective support measures as well as counseling approaches and processes, in terms of both mental care and career development.

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Unemployment and Happiness

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Are unemployed people unhappier than employed people? To answer this question, this paper presents an extensive review of previous overseas studies and conducts an empirical analysis of the determinants of happiness in Japan. The main result in this study is consistent with that of previous studies; even when the income level and other individual characteristics are held constant, unemployment reduces people's happiness. This conclusion, if it is true, suggests that under budget constraints, to create jobs rather than to redistribute wealth to the unemployed may be more effective to raise people's levels of subjective well-being (happiness).

I. Introduction

Are unemployed people really unhappy? It might be common knowledge that unemployment makes people unhappy. However, according to neoclassical economic point of view that emphasizes the market equilibrium, unemployment is voluntary. Suppose that the wage flexibly adjust to equilibrate the labor market, people choose to be jobless, rather than engage in work at a low wage, to find better jobs through ongoing job search activities. If people choose to leave employment, the voluntarily unemployed people, everything else being equal, should be happier than the employed as long as they do not work or there should be no difference in the degree of happiness.

If, on the contrary, the employed are happier than the unemployed, when the income level and other conditions are held constant, the assumption of neoclassic economics that people become voluntarily unemployed needs to be modified. Even when unemployment is assumed to arise under conditions of downward wage rigidity, the unemployed should be at a higher utility level than the employed. In other words, in case that people with high income are unemployed and people with the same level of income are employed, the utility level of the unemployed should be higher, as long as labor involves disutility. However, if being employed provides not only pecuniary benefit but also a sense of happiness to people, economic policies should be revised accordingly based on such recognition. It implies that compensation in money would not increase the levels of subjective well-being of the unemployed, although their income levels reach those of the employed. Under the budget constraints, creating more jobs than compensating the unemployed will be more effective to improve the level of well-being.

In this regard, for the policy-making as well as economic analysis, studying how unemployment affects people's happiness is very critical. Then, how can we measure people's feeling of subjective well-being, "happiness"? Happiness is usually measured by using data from attitude surveys, which typically ask, "Taken all together, to what extent are you cur-

rently feeling happy?” People’s answers to this question are coded on a 10-point scale ranging from 0 for “very unhappy” and 5 for “neither happy nor unhappy” to 10 for “very happy.”

Happiness, an individual’s subjective feeling of well-being, has not been much studied theoretically and examined empirically by economists because of its subjectivity and difficulty in making comparison between individuals. However, the recent empirical studies on “happiness” and “satisfaction” have revealed that the effects of personal characteristics and economic variables on the level of happiness are quite robust and the significant relations are widely recognized in the international academic filed. For example, Frey and Stutzer (2002) state that the recent empirical studies on happiness have well proved that unemployment has a significant negative effect on happiness even when other factors are controlled for.¹

The effects of unemployment on happiness can be analyzed from two different aspects. One is a personal-level effect that concerns how individuals’ employment state or any experiences of unemployment affect one’s happiness. The other is a macro-level effect that focuses on how the macro-level unemployment rate affects the level of happiness. Increase in the macro-level unemployment rate could affect happiness in two ways: (i) as the number of unemployed people increases, the number of happy people in the entire society decreases; (ii) even for the employed, a rise in the macro-level unemployment rate increases a fear of unemployment, which eventually leads to lowering the level of happiness.

Di Tella, MacCulloch, and Oswald (2001) analyze how the unemployment, the unemployment rate, and the inflation rate affect the level of happiness based on micro data on happiness for 12 European countries. They argue that everything else same, the unemployed are less happy than the employed. Clark and Oswald (1994) also conduct an empirical analysis using the UK micro data, and clarify that unemployment significantly reduces people’s happiness. Wolfers (2003) and Blanchflower and Oswald (2004) find using the US and UK data that unemployment has a negative effect on happiness.

Earlier studies on the relation between unemployment and happiness may have some limitations if they are based on cross-sectional data. The negative correlation between unemployment and happiness does not necessarily indicate that unemployment has a cause-and-effect relationship with happiness. For example, unhappy people may be more likely to become unemployed and in this case, the causality runs in the opposite direction. One possible approach to overcome this problem is to analyze fluctuations in the level of happiness of the same individual, or to treat the time invariant happiness level as the fixed effect. With this method, the adverse relation that people who feel less happy by nature are more likely to jobless can be explained as the fixed effect. Then, the actual effect of unemployment on happiness can be analyzed. Using the German panel data, Winkelmann and

¹ Hamermesh (2004) made a critical review of the economic analysis that use subjective indicators.

Winkelmann (1998) analyze unemployment and its effect on happiness by eliminating the fixed effects. Their results indicate that even when the fixed effect of individuals is taken into consideration, unemployment still has a large, negative effect on happiness. In other words, the negative correlation between unemployment and happiness is not attributed to the reverse causality that those who are unhappier than average tend to be easily unemployed; rather, the negative correlation is resulted from the fact that becoming unemployed has a negative effect on people's happiness.

Does the effect of unemployment on happiness differ by the circumstances of the unemployed? For example, if people become unemployed in the situation where the unemployment rate is high, and unemployment is a common occurrence or an unusual event, the effects of unemployment may differ. Many studies in the United Kingdom show that unemployment has a smaller effect on happiness in high unemployment areas than in low employment areas. Clark and Oswald (1994) find that the negative effect size of unemployment on happiness is small among young and elderly people who experience a high unemployment rate, compared with the 30-49 age group who has a low unemployment rate. However, Winkelmann and Winkelmann (1998) conduct the empirical analysis using German panel data and present a quite different result that young people suffer most from the unemployment and they report the lowest happiness. This remarkable difference may be an indication of the possibility that for some countries, being unemployed at a young age acts as a permanent shock to the person but not for other countries.²

Di Tella, MacCulloch, and Oswald (2001) and Wolfers (2003) analyze the effect of the macro-level unemployment rate on happiness, in addition to the effect of individuals' unemployment on subjective well-being. They report that a rise in the macro-level unemployment rate reduces individuals' happiness. The magnitude of the negative effect caused by increasing unemployment rate at macro level is bigger than that caused by increasing inflation rate. Wolfers (2003) further discovers that fluctuations in the unemployment rate also have a negative effect on the level of happiness.³

Comparatively, there have been only few studies on the effect of economic variables on people's level of happiness in Japan.⁴ This paper, in this regard, aims to fill this gap by examining how unemployment affects individual happiness, using Japanese data. Two sets of data are used for this study. One is the data collected from the Questionnaire Survey on Lifestyle and Society (2002), conducted independently by the author. This survey investigates the level of happiness of individuals and their employment status. The other is the data from the National Survey on Lifestyle Preference (1978-1999), conducted by the Economic Planning Agency. This survey asks the level of happiness throughout all survey years and also includes a question on the perceived level of fear of unemployment. The main estimated results based on these two data are: (i) with level of income held constant, the unem-

² Korpi (1997) conducted an empirical analysis using data of young people in Sweden.

³ For macroeconomics and happiness, see Darity and Goldsmith (1996), Oswald (1997).

⁴ For the study on happiness and inequality, see Ohtake and Tomioka (2002, 2003).

ployed are less happy than those with jobs; (ii) the fear of unemployment reduces people's happiness.

Section II explains two data sets used for this study, and Section III reports the results of the empirical analysis on the effect of unemployment on happiness. Section IV presents conclusions and discusses future issues.

II. Data

1. Questionnaire Survey on Lifestyle and Society

The first data used for the analysis of the relation between happiness and unemployment are collected from the Questionnaire Survey on Lifestyle and Society (hereafter, QSLs) (2002), conducted independently by the author during the period 13-26 February 2002. A sample of 6,000 people aged between 20 and 65 was drawn by two-phase stratified random sampling. The questionnaires were sent to respondents by mail. The total number of responses collected was 1,943, among whom 1,928 were valid responses (valid respondent rate: 32.1%). The questions can be roughly divided into the following categories: (i) Japanese economy (determining factors of income level and normative evaluation thereof, past and future changes in income distribution, opinions on income redistribution policy); (ii) respondent's financial situation (current income, assets, expected income, expected inflation rate, experience of unemployment, level of happiness, class consciousness); (iii) respondent's utility function (time preference, risk aversion rate); (iv) other individual characteristics (e.g., gender, age, individual and parental educational attainment).

Studies on the effect of unemployment on happiness using cross-sectional data have limitations to completely control for personal characteristics, which makes it difficult to eliminate the adverse cause-and-effect relationship between unemployment and happiness. The analysis using the QSLs may pose the same problem, but the main difference from previous studies is that this study adds an indicator for the degree of risk aversion to better control for individual characteristics.

The degree of risk aversion is constructed by subtracting from 100% the individuals' responses to the question "When you go out, how high a probability of rainfall makes you carry an umbrella (0~100%)?": high values implies a tendency to avoid taking risks. This indicator is advantageous because it uses the day-to-day situation which is easily understandable for the Japanese respondents and the continuous variable is simply generated from answers for the probability of rainfall. The risk aversion measured from the "reservation price of a hypothetical lottery ticket" may be affected by the respondent's income level or asset level. If that happens, the degree of aversion with the same risk level may not be accurately measured. Another limitation is that there may be some respondents who have difficulties in making self-assessment of risk attitudes regarding the hypothetical lottery question. The potential problem posed by the rainfall indicator, on the other hand, is that the magnitude of disutility from being caught in a rain may itself vary depending on the res-

pondent's age, gender, income and other individual characteristics. However, in multiple regression analysis, we can estimate the net effect by controlling for any other factors.

2. National Survey on Lifestyle Preference

Another data used in this paper are collected from the National Survey on Lifestyle Preference (hereafter NSLP). This survey has been carried out by the Economic Planning Agency (currently the Cabinet Office) every year, and the survey includes a time-series component every three years for a chronological comparison. The successive waves of the NSLP survey with the interval of three years have asked the same question on happiness. This paper uses individual data from time-series survey collected at 8 points in time between 1978 and 1999. The NSLP has a nationwide sample of both sexes from the age of 15 to 75 drawn by two-phase stratified random sampling and the drop-off survey method is used. The total sample size is 30,007 across the eight successive surveys. In contrast to the cross-section data from the QSLs, the data from the NSLP make it possible to analyze the effect of changes in the macro-level unemployment rate on happiness. However, it was not possible to examine the effect of individual unemployment on happiness because the NSLP does not include questions about a respondent's job search activities. Instead, this survey asks, "To what extent are you currently satisfied with the following aspect of your job: *work without fear of unemployment*." Using this question, how "fear of unemployment" affects individual happiness can be analyzed. Responses to this question are given in the form of a 5-point rating scale running from "hardly sufficiently satisfied" to "sufficiently satisfied." Reported results are converted to a binary variable: those who answered either "not very satisfied" or "hardly satisfied" are defined as persons who have "fear of unemployment (=1)."

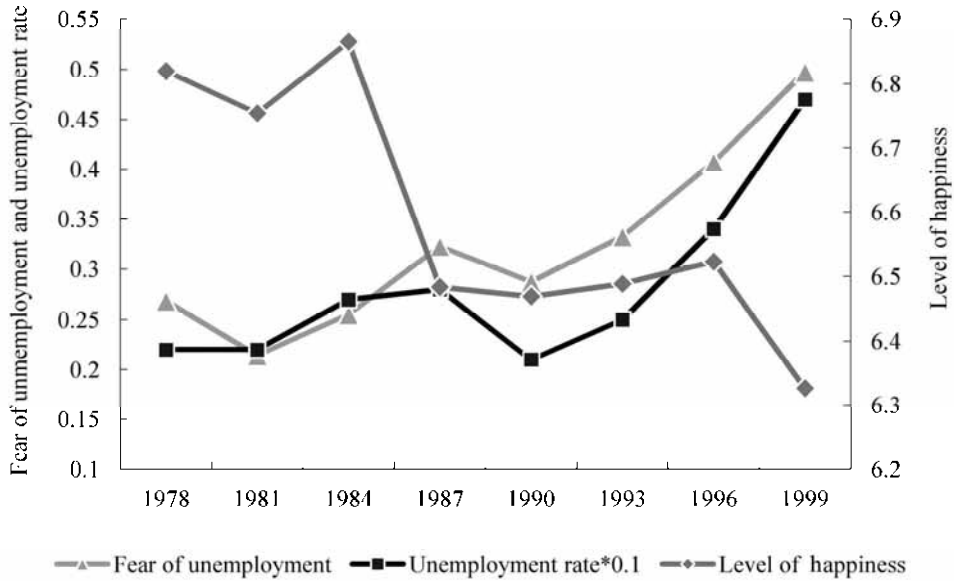
3. Descriptive Statistics

Trends in Time-Series

Figure 1 shows the trend in the mean level of happiness calculated from the NSLP. The average happiness level declined until 1987, remained nearly flat between 1987 and 1996, and then further declined thereafter. The change in unemployment rate shown in Figure 1 corresponds to a slow increase of the percentage of people who have fear of unemployment. The decline in happiness over time and the increase in unemployment rate (fear of unemployment) suggests that there is a negative correlation between happiness and the rest of two.

Distribution of the Level of Happiness

The QSLs and the NSLP were conducted by the method of mailing survey and household drop-off survey respectively and obtained different response rates. Due to these differences in survey method and responses rate, two surveys may provide different



Sources: Level of happiness and fear of unemployment are calculated by the author from the NSLP and unemployment rate is from the Labor Force Survey.

Figure 1. Level of Happiness, Unemployment Rate, and Fear of Unemployment

distribution of the level of happiness. Figure 2 to 4 enable us to compare the distribution of happiness level. Figure 2 and Figure 3 show the distribution of average happiness based on the QSLs and the NSLP, respectively. Figure 4 shows distributions of happiness level by successive survey year between 1987 and 1999. Similar patterns in the shape of the distribution of happiness are observed from both surveys. First, the distribution is skewed to the right of the median of “neither happy nor unhappy.” Next, the distribution has two peaks at level 5 and level 7-8, while relatively small number of respondents answered level 6. The QSLs, despite a lower response rate, has a fair number of responses below level 4 or lower, so it is unlikely that data are too skewed to the responses with higher happiness levels. Figure 4 ensures that these patterns in the shape of distribution are stable over time.

Unemployment and Happiness

Table 1 to 3 report the happiness levels of people who are unemployed, who have ever experienced unemployment, or who currently have fear of unemployment in comparison with their counterparts. First, Table 1 compares the levels of happiness between the unemployed and the others. Here, happiness levels measured on a 10-point rating scale are divided into three categories: “happy” for level 6 and higher; “unhappy” for level 4 and

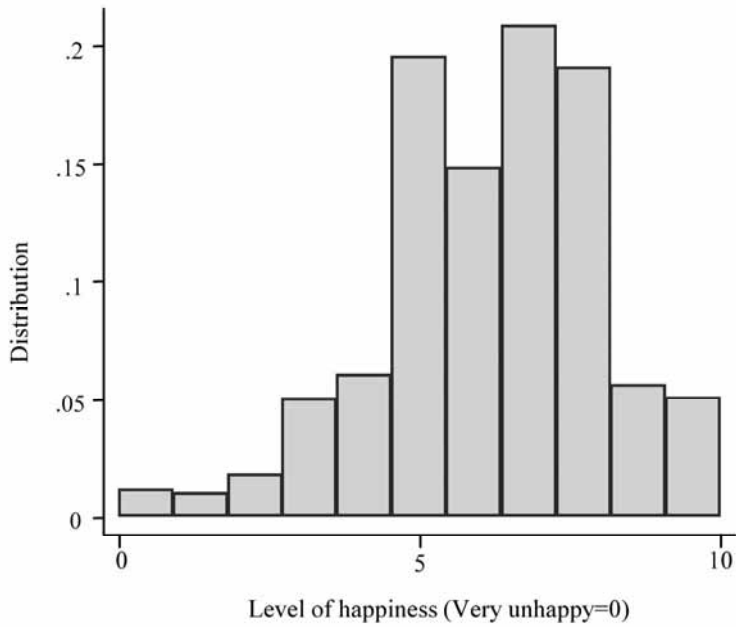


Figure 2. Distribution of the Level of Happiness (QSLs)

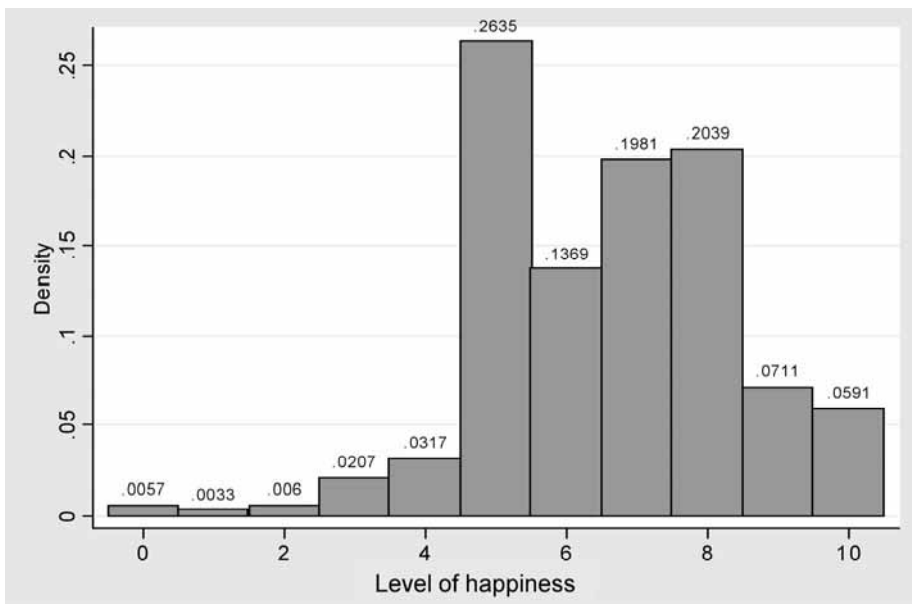


Figure 3. Distribution of the Level of Happiness (NSLP; 1978-1999)

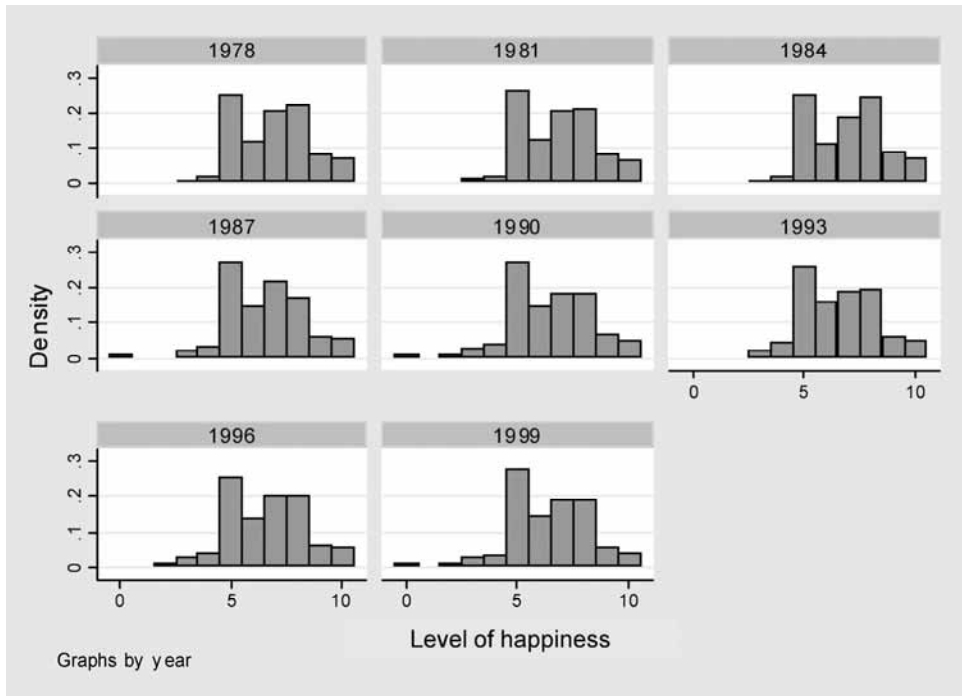


Figure 4. Distribution of the Level of Happiness by the Successive Survey Year between 1978 and 1999 (NSLP)

lower; and “neither happy nor unhappy” for level 5. The unemployed are defined as those who have no job and carry out job search activities. 43% of the unemployed answered that they were unhappy, which is in strong contrast to their counterparts; only 8% of the others answered that they were unhappy. The difference between these two groups is more evident under the “happy” category. While only 27% of the unemployed answered they were happy, but more than half of the others answered that they were happy.

Table 2 compares the level of happiness between people who have ever been unemployed for the past five years and the others. Those with the past experience of unemployment account for 20% of all respondents. Their average “unhappy” (23%) is higher than those without the unemployment experience (6%), although it is not as high as those who are currently unemployed (43%). It means people who have ever been unemployed feel unhappier than those without unemployment experience, but those who feel much happier is people who do not have a job now.

The fear of unemployment has a negative effect on the level of happiness (Table 3). The fear of unemployment is measured from the following question: “There is a possibility that someone in your family become unemployed in the next two years.” Among those who responded “yes,” about 16% answered that they were unhappy, while only 5% of people who responded “no” answered that they were unhappy.

Table 1. Unemployed People and Their Level of Happiness

	Level of happiness			Total
	Unhappy	Neither happy nor unhappy	Happy	
Other than the unemployed	8.43	37.45	54.13	100
The unemployed	43.33	30	26.67	100
Total	9.31	37.26	53.43	100

Source: QSLs (2002).

Table 2. Experience of Unemployment and Level of Happiness

Experience of unemployment over the past five years	Level of Happiness			Total
	Unhappy	Neither happy nor unhappy	Happy	
No unemployment experience	6.18	36.54	57.28	100
Have unemployment experience	22.57	40.27	37.17	100
Total	9.31	37.26	53.43	100

Source: QSLs (2002).

Table 3. Fear of Unemployment and Level of Happiness

Possibility that someone in your family become unemployed in the next two years	Level of Happiness			Total
	Unhappy	Neither happy nor unhappy	Happy	
No	4.93	34.23	60.85	100
Yes	15.92	41.83	42.25	100
Total	9.31	37.26	53.43	100

Source: QSLs (2002).

III. Estimation Models and Estimation Results

Unemployment is not the only factor that affects people's happiness. To see the net effect of unemployment on happiness, other determinants of happiness are being controlled for. In this section reports the empirical results of estimating ordered probit equations in which individual happiness levels are regressed on unemployment and other individual characteristics.

Table 4. Descriptive Statistics from the QSLs

Variables	Mean value	Standard deviation
Level of happiness	6.312	2.009
Gender (male=1, female=2)	1.453	0.498
Age	44.937	12.267
Age squared	2169.646	1074.348
Marriage (unmarried=1, married and have a spouse=2, married but no spouse due to divorce, separation or death=3)	1.884	0.468
Have an undergraduate or postgraduate degree	0.301	0.459
Currently unemployed	0.067	0.250
Have experienced unemployment over the past five years	0.201	0.401
Currently unemployed or have experienced unemployment over the past five years	0.231	0.422
Have a fear that someone in the family become unemployed in the next two years	0.400	0.490
Unemployment rate by prefecture	5.051	1.009
Value of real estate	2188.303	2781.213
Last year's income growth rate	-0.958	3.827
Last year's consumption growth rate	0.469	4.003
Expected income growth in the next five years	-2.021	4.148
Household income	746.144	398.279
Financial assets	1054.627	1343.617
Home ownership	0.728	0.445
Single-person household	0.096	0.295
Head of household	0.427	0.495
Inflation expectation	-0.11	4.748
Self-employed	0.065	0.247
Degree of risk aversion	0.496	0.196
Number of observations: 1167		

1. Estimation Results Based on the Questionnaire Survey on Lifestyle and Society

Table 4 presents descriptive statistics obtained from the QSLs and Table 5 reports the estimation results for the determinants of happiness. First of all, the effects of individual characteristics on happiness correspond to those found in the previous overseas studies: (i) those with higher household income and assets are happier; (ii) the level of happiness is higher among women than men; (iii) the lowest level of happiness is observed among people aged around 40. In addition, the coefficient sizes of woman (=1) and female-headed household (=1) are nearly equal but opposite in sign. This suggests that the happiness level of women become similar to that of men if the women are the head of household. Secondly, being unemployed, unemployment experience, and fear of unemployment have substantial

Table 5. Estimation Results Based on the QSLS

	Model 1	Model 2	Model 3
Woman	0.384 ***	0.405 ***	0.408 ***
Age	-0.078 ***	-0.08 ***	-0.096 ***
Age squared	0.001 ***	0.001 ***	0.001 ***
Have spouse	0.687 ***	0.704 ***	0.762 ***
No spouse	0.369 **	0.413 **	0.436 **
Undergraduate/postgraduate	0.149 **	0.160 **	0.119 *
Currently unemployed	-0.522 ***	-0.521 ***	-0.580 ***
Experienced unemployment	-0.256 ***	-0.261 ***	-0.309 ***
Fear of unemployment	-0.300 ***	-0.310 ***	-0.243 ***
Real assets (10 million yen)	0.013	0.012	0.013
Household income (1 million yen)	0.052 ***	0.051 ***	0.049 ***
Financial assets (10 million yen)	0.092 ***	0.098 ***	0.093 ***
Home ownership	0.208 ***	0.222 ***	0.235 ***
Head of household	0.137	0.139	0.165
Woman who is the head of household	-0.409 **	-0.432 **	-0.455 **
Self-employed	0.003	-0.075	-0.080
Degree of risk aversion		-0.39 ***	-0.377 **
Last year's income growth rate			0.010
Last year's consumption growth rate			0.009
Expected income growth rate			0.021 ***
Expected inflation rate			-0.003
Number of obs	1419	1381	1262
Pseudo R2	0.0599	0.0619	0.0677

Notes: Other explanatory variables include the dummy for the structure of family who live together.

***: 1%-level of significance.

**: 5%-level of significance.

*: 10%-level of significance.

negative effects on happiness, even when individual characteristics such as household income, gender, and age are being controlled for. These results do not change when expectations about future income growth and the degree of risk aversion are additionally included in the model. This suggests that even when keeping all economic variables of the income change rate, household income and assets held constant, the unemployment, experiences of unemployment, and fear of unemployment significantly reduce people's happiness. Thirdly, those with the high degree of risk aversion feel less happy. This result can be interpreted in a way that under the same uncertainty, risk-averse people may feel unhappy.

2. Estimated Results Based on the National Survey on Lifestyle Preference

Table 6 and Table 7 report descriptive statistics of the NSLP data and estimation results, respectively. As explained in the section 2-2, the NSLP data do not include a question as to whether the subjects are currently unemployed or not. Thus, with the NSLP data, this study analyzes the effect of the “fear” of unemployment, instead of “being” currently employed, on happiness.

Main estimation results are as follows (Table 7). First, in Model 1, the effects of income, age, and gender on happiness are qualitatively the same as those found with the QSLs data. High-income earners, women, the highly-educated report higher level of happiness, while those aged around 40 report the lowest level of happiness. In addition, the recent decline in the level of happiness, with income and age held constant, is observed from the movements of year dummy variables in Model 1.

Model 2 indicates that people’s levels of happiness significantly declines if they have fear of unemployment or they think that equality of income and property has not been achieved. In particular, the negative effect of the fear of unemployment on happiness remains significant even when household income level or the expectation for income growth is being controlled for. In other words, even when people have high income or expect the continuous income growth, their happiness declines if they are aware that there is fear of unemployment in society. If people think that inflation will rise, it also has a negative effect on happiness. In contrast, those who are healthy and have less stress in life feel happier. When these self-consciousness variables included into the model, the decline in the coefficient sizes for year dummies are reduced by about 0.1 point. This suggests that the cause of the recent decline in the level of happiness can be partly accounted for by the increase in the fear of unemployment or sense of inequality.⁵ After self-consciousness variables are being controlled for, however, the declines in coefficient sizes of the recent year dummies are still observed. This might indicate that other important variables are also important in explaining declines in happiness of the Japanese.

In Model 3, the unemployment rate replaces year dummies as an additional explanatory variable. Even though the results should be interpreted with caution because the data were collected only at eight points in time, it is found that the rise in the unemployment rate has a negative effect on the level of happiness. Model 4 includes quadratic time trends in the inflation rate and unemployment rate. The quadratic terms of unemployment rate and inflation rate are both negative. The peak of happiness occurs at 4.5% of the unemployment rate and 3.3% of the inflation rate. This suggests that the level of happiness will decline if the unemployment rate rises from the 2003 level, whereas the rise in the inflation rate up to 3.3% will raise the level of happiness. This interpretation still requires caution because the empirical results are based on limited time-series data.

⁵ When both independent (happiness level) and dependent variables (the sense of inequality or fear of unemployment) are self-consciousness variables, there may be a potential cause-effect specification problem .

Table 6. Descriptive Statistics Based on the NSLP

	Mean	S.E.
Level of happiness	6.593	1.782
Sex (Male = 1, Female = 2)	1.511	0.499
Age group (five dummies)	6.309	2.955
Have a spouse	0.764	0.424
No spouse	0.066	0.248
High school graduate	0.576	0.494
Undergraduate/postgraduate	0.135	0.342
Logarithmic household income	6.222	0.623
Home ownership	0.684	0.464
Fear of unemployment	0.336	0.472
Sense of inequality	0.483	0.499
Inflation	0.570	0.495
Health	0.390	0.487
Stress	0.308	0.461
Unemployment rate	2.862	0.866
Square value of unemployment rate	8.944	5.940
Rate of increase in consumer price index	1.824	1.630
Square value of rate of increase in consumer price index	5.986	6.321
Income growth	0.167	0.373
Number of observations	24354	

Fear of unemployment: in response to the question "To what extent are you currently satisfied with the following aspect of your job: *work without fear of unemployment?*," those who answered either "hardly satisfied" or "not very satisfied."

Sense of inequality: in response to the question "To what extent are you currently satisfied with the following statement: *there is not much inequality in terms of income or property?*," those who answered either "hardly satisfied" or "not very satisfied."

Income growth: In response to the question "To what extent are you currently satisfied with the following statement: *your income "certainly" increases every year?*," those who answered either "nearly satisfied" or "somewhat satisfied."

Inflation: In response to the question of "To what extent are you currently satisfied with the following statement: *your income or property does not decrease in value due to an inflation?*," those who answered either "hardly satisfied" or "somewhat unsatisfied."

Health: In response to the question of "To what extent are you currently satisfied with the following statement: *you attempt to maintain or improve your health?*," those who answered either "nearly satisfied" or "somewhat satisfied."

Stress: In response to the question of "To what extent are you currently satisfied with the following statement: *you do not suffer much mental strain, e.g., irritation, stress?*," those who answered either "hardly satisfied" or "somewhat unsatisfied."

Table 7. Determining Factors of Happiness, Based on the NSLP

	Model 1	Model 2	Model 3	Model 4
Have a spouse	0.453 ***	0.472 ***	0.483 ***	0.476 ***
No spouse	0.152 ***	0.162 ***	0.172 ***	0.163 ***
High school	0.055 ***	0.053 ***	0.048 ***	0.051 ***
Undergraduate	0.222 ***	0.223 ***	0.218 ***	0.220 ***
Female	0.234 ***	0.244 ***	0.244 ***	0.243 ***
Logarithmic real household income	0.391 ***	0.350 ***	0.342 ***	0.347 ***
Home ownership	0.106 ***	0.086 ***	0.095 ***	0.088 ***
Aged 20-24	-0.090 **	-0.045	-0.039	-0.044
Aged 25-29	-0.109 ***	-0.065	-0.058	-0.063
Aged 30-34	-0.282 ***	-0.243 ***	-0.240 ***	-0.243 ***
Aged 35-39	-0.350 ***	-0.309 ***	-0.311 ***	-0.310 ***
Aged 40-44	-0.415 ***	-0.387 ***	-0.394 ***	-0.390 ***
Aged 45-49	-0.476 ***	-0.457 ***	-0.463 ***	-0.461 ***
Aged 50-54	-0.427 ***	-0.431 ***	-0.440 ***	-0.434 ***
Aged 55-59	-0.369 ***	-0.394 ***	-0.407 ***	-0.399 ***
Aged 60-64	-0.198 ***	-0.247 ***	-0.268 ***	-0.248 ***
Aged 65-69	-0.160 ***	-0.250 ***	-0.276 ***	-0.255 ***
Aged 70 and higher	-0.030	-0.146 ***	-0.175 ***	-0.152 ***
Fear of unemployment		-0.135 ***	-0.139 ***	-0.136 ***
Sense of inequality		-0.104 ***	-0.107 ***	-0.105 ***
Increase in income		0.258 ***	0.266 ***	0.261 ***
Expected inflation		-0.047 ***	-0.040 ***	-0.044 ***
Health		0.232 ***	0.244 ***	0.236 ***
Stress		-0.281 ***	-0.287 ***	-0.284 ***
Unemployment rate			-0.049 ***	0.556 ***
Unemployment rate squared				-0.062 ***
Inflation rate				0.210 ***
Inflation rate squared				-0.030 ***
Year 1981	-0.035	-0.036		
Year 1984	0.055 **	0.078 ***		
Year 1987	-0.216 ***	-0.119 ***		
Year 1990	-0.204 ***	-0.086 ***		
Year 1993	-0.228 ***	-0.103 ***		
Year 1996	-0.272 ***	-0.096 ***		
Year 1999	-0.356 ***	-0.174 ***		
Log likelihood	-44832	-44019	-44053	-44024
Number of obs	24354	24354	24354	24354
Pseudo R2	0.0282	0.0458	0.0451	0.0457

Note: ***: 1%-level of significance.

** : 5%-level of significance.

IV. Conclusion

This paper empirically analyzes what determines the level of happiness with particular focus on the effect of unemployment, using the individual data obtained from the QSLs and the NSLP. The main finding from the empirical analysis is that being unemployed, experiences of unemployment and fear of unemployment reduce people's happiness. This might appear to be common knowledge, but it should be noted that the same results are obtained when the income level is being controlled for in the analysis. In other words, even with the same income, those who are currently looking for jobs are less happy than those who are engaged in their jobs. The analysis also reveals that people who have a high degree of risk aversion and who recognize income inequality feel less happy. The level of happiness of the Japanese substantially declined in late 1980s, which can be partly accounted for by the growing fear of unemployment and increasing degree of inequality.

Based on the results of the empirical analysis, this study concludes that in order to raise people's level of subjective well-being (happiness), it is more effective to spend budget in creating jobs than to redistribute the budget to the unemployed.

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Recession, Unemployment, and Suicide in Japan*

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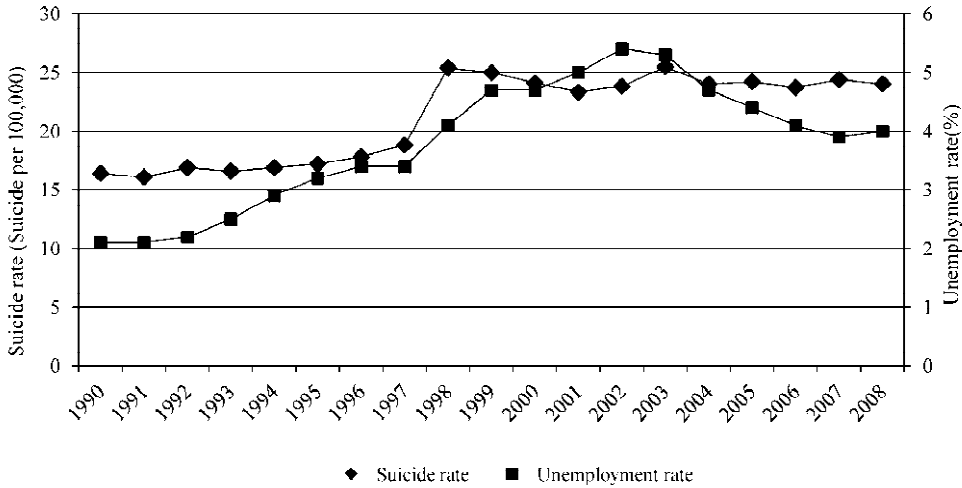
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Unemployment has become one of the most serious issues in the current labor market in Japan, and empirical studies from the viewpoint of theoretical economics have progressed significantly with regard to determinants for employment and unemployment in Japan. However, empirical studies into various costs of unemployment incurred by individuals, households, and society as a whole have not necessarily been sufficient due to a lack in available individual data in the country. In particular, a strong correlation between the unemployment rate and the suicide rate has been observed in Japan, which suggests that public and private safety nets against unemployment are not functioning well enough. This paper considers the background of the strong correlation between unemployment and suicide in Japan and what sort of strategic responses should be taken from the perspective of labor market policies and social security policies, mainly focusing on three points of view. Firstly, we focus on the characteristics of suicide in Japan, i.e. the sharp increase in the total number of suicides from 1997 to 1998, the fact that the annual number of suicides has remained at a constant level in excess of 30,000 for the more than ten years since 1998, and the gradual increase in younger suicide victims over years. Secondly, the paper introduces research that clarifies the correlation between suicide and unemployment in Japan, based on cross country data, in comparison with other OECD countries. Here, the comparison revealed the fact that in Japan, the suicide rate shows an especially strong correlation with the unemployment rate. Thirdly, the paper demonstrates a strong correlation between the suicide rate and the unemployment rate among men in Japan, based on domestic panel data by prefecture. The association between non-regular job status and suicide are also investigated using a quinquennial panel data. After discussing these three points, the final section provides a consideration on preferable countermeasures against suicide to be taken in the future.

I. Introduction

Unemployment has become one of the most serious issues in Japan's current labor market. The overall unemployment rate in postwar Japan had maintained an extremely low level compared with other OECD countries, but as shown in Figure 1, it showed a sharp rise from 1997 to 1999, in particular. During the economic slowdown in 2001 and 2002, the unemployment rate began to rise again, and following the subsequent decline, it started to

* This paper is an extended version of Sawada, Choi, and Sugano (2010).



Sources: Suicide rates show the number of suicide victims (among 100,000 people), obtained from *Vital Statistics of Japan* by the Ministry of Health, Labour and Welfare. Unemployment rates show overall, nationwide unemployment rates for people aged 15 or over in all industries, and were obtained from the *Labor Force Survey* by the Ministry of Internal Affairs and Communications.

Figure. 1 Changes in Suicide Rates and Unemployment Rates in Japan

rise at the end of 2008, reaching 5.6% in July 2009. Although the rate slightly declined to 4.9% in January 2010, it has remained at a relatively high level. By age group, for both men and women, the overall unemployment rates among those aged between 15 and 24 and those aged between 25 and 34 continued to rise from 1990 to 2003, and reached 10.1% and 7.1%, respectively, in July 2009. The jobs-to-applicants ratio also has declined sharply since 2008, with a rapid expansion of employment adjustments, including the termination of dispatched and non-regular employees' employment contracts.

Under such circumstances, empirical studies from the viewpoint of theoretical economics have progressed significantly with regard to determinants for employment and unemployment in Japan (Genda 2004; Imai et al. 2007; Ohta, Genda, and Teruyama 2008; Esteban-Pretel, Nakajima, and Tanaka 2009; Genda, Kondo, and Ohta 2010). These are of importance as research aiming to empirically clarify structures of the Japanese labor market that faced rapid changes in the 1990s, such as increases in the unemployment rate and the number of young people without jobs, expansion of temporary and other non-regular employment, and decreases in self-employed workers and small and medium-sized enterprises. However, empirical studies into various costs of unemployment incurred by individuals, households, and society as a whole have not necessarily been sufficient, due to a lack of available individual data in Japan. If unemployment insurance or other public safety nets, or

various private safety nets including support against unemployment offered by individuals, households, or organizations are functioning well, the costs of unemployment incurred by individuals who have lost their jobs should not be too large. On the other hand, if such public or private safety nets are not functioning well enough, the costs of unemployment are likely to become intensively focused on individuals, often in excess of their capacity. Such intensive imposition of the costs of unemployment may lead to disastrous results, such as suicide.

Hamermesh and Soss (1974) is a pioneering research article in the field of economics on the theme of suicide. They consider suicide as an action resulting from a rational choice, and conclude that a person chooses to commit a suicide when his/her expected lifetime utility falls below his/her personal threshold. Based on such a model, a higher unemployment rate is expected to increase suicides since unemployment not only causes difficulties in the short-term living environment but also increases uncertainties over income that preclude a clear future forecast and creates a decline in lifetime income (Suzuki 2008). Furthermore, unemployment is often associated with mental or physical disorders, which increases the risk of suicide in a complex and serious manner. In reality, many empirical studies have demonstrated a correlation between high unemployment rates and high suicide rates (Platt 1984; Chen et al. 2012; Sawada and Sugano 2009).¹ As can be observed in Figure 1, the correlation between the unemployment rate and the suicide rate is especially strong in Japan. Furthermore, Chen, Choi, and Sawada (2009) indicate that this correlation is larger in Japan than in other OECD countries.

This paper considers the background of the strong correlation between unemployment and suicide in Japan and what sort of strategic responses should be taken from the perspective of labor market policies and social security policies. The composition of this report is as follows. In Section II, the socioeconomic characteristics of suicide in Japan are compiled and their correlation with unemployment is outlined. In Section III, the correlation between suicide and unemployment in Japan is clarified, based on cross country data, in comparison with other OECD countries. In Section IV, their correlation is further analyzed, based on domestic panel data by prefecture. In the final section, preferable countermeasures against suicide are discussed.

II. The Sharp Increase, the Consistency in Subsequent Numbers, and Increasingly Younger Victims: Socioeconomic Characteristics of Suicide in Japan

According to the *Overview of Suicide in 2008* published by the National Police Agency in May 2009, the total number of suicide victims in 2008 was 32,249 (of whom 22,831 were men). The number of suicide victims increased sharply in Japan from 1997 to

¹ See Chen et al. (2012) for an extensive survey of economic studies on suicide.

1998, and thereafter over 30,000 people have killed themselves every year for 11 years in succession. In other words, approximately 90 people died from suicide every day for over ten years. Suicide in Japan has three characteristics, i.e. the sharp increase in the total numbers from 1997 to 1998, the fact that the annual number of suicides has remained at a constant level in excess of 30,000 for the more than ten years since 1998, and the gradual increase in younger suicide victims over the years (Chen et al. 2009b).

Due to such characteristic features, suicide is recognized as one of the most serious social problems in Japan, and various measures to prevent it are now being implemented. As it is widely known that the most frequent factor directly leading to suicide is depression, suicide in Japan has been treated as a problem mainly caused by mental illness such as depression. Based on the aforementioned report by the National Police Agency, the causes or motives of suicide were identified for about 23,000 out of the 32,249 suicide victims in 2008. The most common cause was health problems for about 15,000 victims, followed by financial or life-related problems, family problems, and job problems. Among the 15,000 victims who committed suicide because of health problems, for the largest number, or around 6,000 of them, the reason was depression. Given these facts, various measures have been taken mainly from a psychiatric viewpoint to clarify the mechanism of suicide and prevent it from occurring. On the other hand, the causes of suicide have rarely been explored in great enough depth to touch on the social context that brings about mental illness.

However, as analyzed in detail in the *2008 White Paper on Suicide*, causes of suicide are not limited to depression, but involve various risk factors, and it is highly possible that the socioeconomic structure in itself is a part of the problems that generates such risk factors. These include discord in the family, debt, physical illness, poverty, working environment, and unemployment. The *2008 White Paper on Suicide* points out that each victim had four risk factors on average, and these factors formed a chain that led him/her to commit suicide. Therefore, unless measures to eliminate such risk factors are taken along with treatment for depression, efforts to prevent suicide could be less than effective. In reality, health problems and depression are considered to be at the very final stages leading to suicide, and socioeconomic context or problems with the socioeconomic structure that drive a person to commit suicide often tend to be hidden. Unless these context and structures are clarified, it will likely be impossible to establish any effective measures to prevent suicide.

1. The Sharp Increase in the Total Number of Suicides

One of the characteristics observed in the trends of suicide rates in Japan as shown in Figure 1 is the sharp increase in the total number of suicide victims during the financial crisis from 1997 to 1998, as the number rose by around 35%, from 24,391 to 32,863 suicides.² Due to the prolonged recession after the burst of the bubble economy, Yamaichi Securities Co., Ltd. collapsed into bankruptcy in 1997, and Long-Term Credit Bank of

² Based on the *Overview of Suicides in 2008* (May 2009) by the National Police Agency.

Table 1. Decomposition of Suicide Growth Rate from 1997 to 1998
(The Number of Suicide Victims by Job Type)

	Year	
	1997	1998
Number of suicide	24,391	32,863
Suicide growth rate		34.73%
Self-employed		5.44
Managial officials		0.81
Employed		9.28
Housemakers		2.02
Jobless people		15.07
Students		0.82
Unknown		1.29

Source: Suicide Analysis Project Team (2008).

Japan failed in 1998. The increase in the number of suicides was especially noticeable in March of 1998. March is the closing month of the fiscal year, and in particular in 1998, the financial authorities strengthened their inspections into financial institutions' capital adequacy ratios, which precipitated many financial institutions into credit crunches or credit withdrawal, triggering the bankruptcy of a number of small and medium-sized businesses and micro-enterprises. According to empirical studies by Watanabe et al. (2006) and by Kyoto University (2006) that analyzed monthly time series data of male suicide victims from July 1997 to December 2004, monthly changes in the number of completely unemployed men and the bankruptcy of companies with total liabilities of 10 million yen or more have an extremely strong correlation with monthly changes in the number of male suicide victims. These studies show that the number of male suicide victims increased sharply in March 1998, in particular, in tandem with increases in unemployment and corporate bankruptcies around the close of the fiscal year. This sharp increase in the number of suicide victims in Japan at the time of the financial crisis from 1997 to 1998 suggests the significance of correctly ascertaining the socioeconomic context of suicide.

What age group and job category brought about the dramatic 35% increase that occurred during 1997 and 1998? We decompose the increase in the number of suicides by the contribution ratio of each group for quantitative understanding and consideration (Suicide Analysis Project Team 2008; Chen et al. 2009a).³ When breaking down the increase from 1997 to 1998 by age group, around 25% of the aforementioned 35% was due to the 45 or

³ See Mori et al. (2011) for the decomposition techniques.

Table 2. Decomposition of Suicide Growth Rate from 1997 to 1998
(The Number of Suicide Victims by Motive)

	Year	
	1997	1998
Number of suicide	24,391	32,863
Suicide growth rate		34.73%
Family		3.36
Health		12.75
Economic or financial		10.26
Employment related		2.65
Relationship		0.68
School		0.31
Others		2.24
Unknown		2.48

Source: Suicide Analysis Project Team (2008).

over age group, showing the significant contribution of middle-aged victims to the overall increase in the suicide rate. Table 1 shows the breakdown of contribution ratios by job category among the rate of increase (34.73%). The highest is the contribution ratio of unemployed people, at 15.07%, followed by that of employed people at 9.28%, and that of self-employed people at 5.44%. It should be noted that the unemployed here include elderly retirees, but these results imply that the sharp increase in the number of suicides at the time of financial crisis in Japan was closely related to unemployment.

Table 2 also shows the breakdown of contribution ratios by motive among the rate of increase. Out of the 34.73% increase, 12.75% of suicides were due to health problems and 10.26% were due to financial or life-related problems. This is in line with the fact that the most common direct cause of suicide in Japan is depression, but at the same time, the significant contribution ratio of financial or life-related problems matches with the possibility that socioeconomic context and structural problems, such as unemployment, debt, poverty, and working environment, are hidden factors behind depression.

2. The Consistently High Numbers and Increasingly Younger Victims

Secondly, it is effective to analyze trends in suicide rates after the sharp increase from 1997 to 1998 so as to ascertain another feature, the fact that the annual number of suicides has remained at a constant level in excess of 30,000 for the more than ten years since 1998. Table 3 shows the breakdown of the growth rate of the number of suicide victims from 1998 to 2007 (-1.918%) by age group. The overall rate decreased slightly, but the suicide rate for

Table 3. Decomposition of Suicide Growth Rate from 1998 to 2007
(Suicide Rate by Age Group and Population)

Suicide growth rate	Aged 00-19	Aged 20-39	Aged 40-59	Aged 60-79	Aged 80 or over
-1.918%	-0.659	2.606	-4.393	0.796	0.167

Source: Chen et al. (2009a).

middle-aged people, which had played a central role in the increase from 1997 to 1998, contributed negatively, subduing the overall number and rate of suicides. Instead, the suicide rates for those in their 20s and 30s have increasingly contributed to the overall increase and offset the negative contribution of the middle-aged group. This is the third feature of suicide in Japan, i.e. an increase in younger suicide victims, which has worked to produce the second feature, the consistency in the number of suicides in Japan.

III. Characteristics of Suicide and Unemployment in Japan and Comparison with Other OECD Countries

According to the World Health Organization (WHO), approximately 3,000 people commit suicide every day, and about every 30 seconds, one suicide-related death is reported.⁴ Furthermore, based on the tabulation by the WHO, Japanese suicide victims amounted to 24 per 100,000 people in 2004 (35.6 per 100,000 men and 12.8 per 100,000 women), more than double of the figures for the United States for 2002 (11 per 100,000 people; 17.9 per 100,000 men and 4.2 per 100,000 women), and representing a significantly higher level than other developed countries.⁵ We tried to clarify the correlation between suicide and unemployment in Japan through such international comparison.

Chen, Choi, and Sawada (2009) clarified determinants and characteristics of suicide in Japan based on data for 21 OECD countries from 1980 to 2000 that allow for an international comparison. More specifically, multiple linear regression analysis is conducted by using the suicide rate as a dependent variable and various socioeconomic indices as explanatory variables.⁶ These explanatory variables include per capita GDP levels, per capita GDP growth rates, unemployment rates, female labor participation rates, birthrates, divorce

⁴ WHO (2007) "World Suicide Prevention Day," on September 10, 2007 (<http://www.who.int/mediacentre/news/statements/2007/s16/en/index.html>).

⁵ The highest figures in the world for 2004 were those for Lithuania (40.2 per 100,000 people; 70.1 per 100,000 men and 14.0 per 100,000 women). For Russia, the figures for 2004 were 34.3 per 100,000 people (61.6 per 100,000 men and 10.7 per 100,000 women). These figures are based on WHO (2007) "Country Reports and Charts Available" (http://www.who.int/mental_health/prevention/suicide/country_reports/en/index.html).

⁶ See Chen, Choi, and Sawada (2008 and 2009) for data sources.

rates, and the Gini coefficient, which shows inequality of income.⁷ Furthermore, this paper makes its estimates presuming that these factors affect Japan differently than other countries, and the international comparison based on multiple linear regression analysis has revealed the following three points. Firstly, correlation between socioeconomic variables and the suicide rate varies by gender and age group. In particular, compared with the suicide rate for men, the rates for women and older people show a weaker correlation with socioeconomic variables. Secondly, the suicide rates are generally lower in countries with better economic conditions, which have achieved high economic growth or whose people enjoy high income, as well as in countries where income equality has been achieved. Thirdly, it became clear that the suicide rate in Japan has a stronger correlation with economic conditions compared with other OECD countries. In Japan, economic variables, such as recessions, high unemployment rates, and income inequality, are more closely related to the suicide rate than social variables, such as the divorce rate, birthrate, female labor participation rate, and alcohol consumption.⁸

Based on the regression coefficient employed by Chen, Choi, and Sawada (2009), the positive correlation observed between high unemployment rates and high suicide rates in Japan, i.e. that for men, a 1% point rise in the overall unemployment rate is accompanied by an approximately 25-per-100,000-person increase in the number of suicide victims, is statistically significant. While the correlation is not statistically significant for women, it is for men, and particularly for men aged 65 or over, who show a high coefficient for the unemployment rate of 39 per 100,000 people. According to the Oaxaca analysis conducted by Chen, Choi, and Sawada (2009), around 19% of the differences in suicide rates between Japan and other OECD countries from 1980 to 2000 can be explained by stronger influence of the unemployment rate on the suicide rate in Japan.

In addition, the female employment rate and the suicide rate show a positive correlation in Japan, with the tendency being especially notable among older men and younger women (aged 25 to 44). Kohara (2007) indicates that when the head of household (husbands) lose their jobs against their will, their spouses' (wives') labor supply is apt to increase, in particular, among poor households with low levels of financial assets. The female employment rate can therefore be used as an indicator to show households' poverty levels, and the positive correlation between the female employment rate and the suicide rate observed here may accurately indicate economic difficulties caused by unemployment of their

⁷ Furthermore, in order to eliminate false correlations due to time trends and features unique to individual countries, fixed effects for countries and yearly linear trends are also added. See Chen, Choi, and Sawada (2009) for data sources.

⁸ Per capita GDP shows a negative correlation with the suicide rate for both men and women. That is, low income is closely related to high suicide rates. Such a tendency is especially notable in middle-aged and older men (those aged 45 to 64 and those aged 65 and over). Furthermore, low economic growth rate shows a strong correlation with high suicide rates, and this is especially notable with middle-aged and older men (those aged 45 to 64 and those aged 65 or over) and women aged 25 to 44. These groups are highly likely to be vulnerable to the risk of income reduction.

spouses, or a correlation between the suicide rate and the poverty of single-female-parent households.

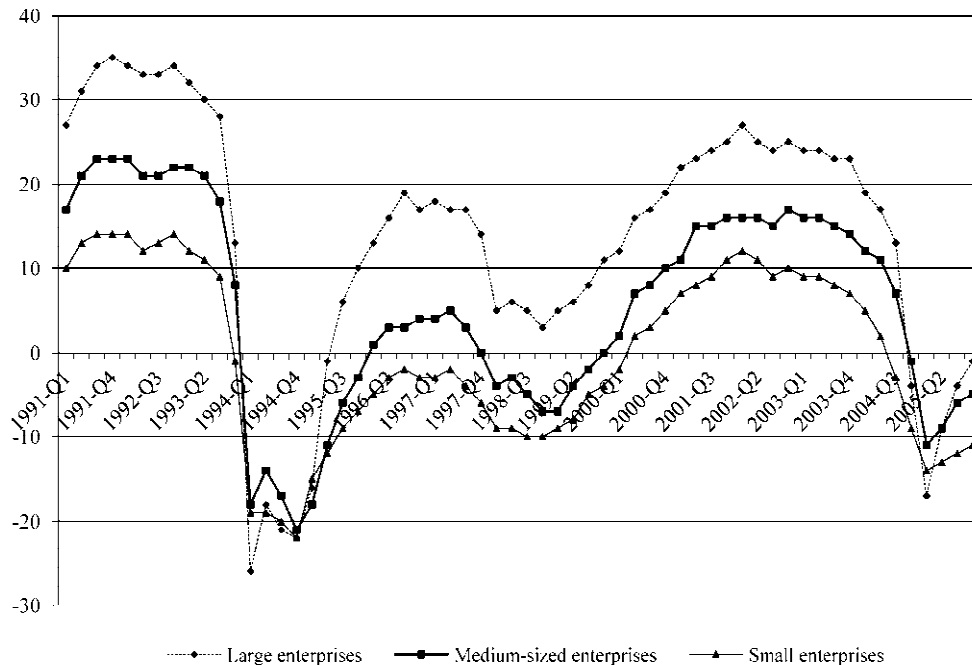
These study results suggest that quantifiable socioeconomic variables are correlated to the suicide rate more strongly in Japan than in other OECD countries, and that there is a high possibility that suicides in Japan are brought about by financial factors, in particular. The unemployment rate has been identified as one of the most significant of those financial factors. This means that the national government should play a more significant role through measures to counter unemployment, setting observable indices as its policy targets.

IV. Correlation between Suicide and Unemployment in Japan after the Financial Crisis

Let us further analyze the characteristics of suicide in Japan, i.e. the sharp increase in the total number, the consistency in the subsequent numbers, and the increase in younger suicide victims. As a means to examine how the credit crunch occurred, as this is considered to be the characteristic feature of the financial crisis from 1997 to 1998 in Japan, it is effective to utilize the Short-Term Economic Survey of Enterprises in Japan (*Tankan*), a statistical survey of enterprises conducted and published quarterly by the Bank of Japan. Figure 2 shows the results obtained, based on the *Tankan* survey, by subtracting the contribution ratios (%) of enterprises responding that financial institutions' lending attitudes were "sever" from the contribution ratios (%) of enterprises responding that they were "accommodative." Lower figures indicate severer attitudes on the part of financial institutions. In the first quarter of 1998, the index showed a dramatic drop, which is considered to reflect the occurrence of the credit crunch and credit withdrawal. Similar tendencies can be observed in the DI relating to target enterprises' financial positions.

The rise in the suicide rate in Japan since 1998 has come in tandem not only with the rise in the unemployment rate as shown in Figure 1, but also with the deterioration of debt problems caused by the credit crunch and credit withdrawal, as shown in Figure 2. In March 1998, in particular, the number of male suicide victims increased significantly along with the increase in unemployment and corporate bankruptcies around the close of the fiscal year. Careful analysis is further required to conclude whether the credit crunch and credit withdrawal actually had a *causal connection* with the increase in suicides of small and medium-sized business owners and self-employed workers at the beginning of 1998 and the increase in suicides among the jobless, which had increased due to corporate downsizing, but there is clearly a strong *correlation* among these variables.

Therefore, let us proceed to clarifying the correlation between the suicide rate and the unemployment rate and corporate bankruptcies through regression analysis, using panel data by prefecture. Here, we use two types of data, i.e. quarterly panel data and annual panel data.



Source: Short-Term Economic Survey of Enterprises in Japan (Bank of Japan).

Figure 2. DI of the Lending Attitudes of Financial Institutions

1. Analysis Using Quarterly Panel Data by Prefecture

The quarterly data used here are for the two years from the first quarter of 1997 to the fourth quarter of 1998. The dependent variable is the number of male suicide victims per 1,000 people by prefecture, based on data from the National Police Agency. As explanatory variables, we obtained overall unemployment rates by prefecture from reference materials for the *Labor Force Survey*, and the monthly number of bankruptcies among small and medium-sized enterprises by prefecture from data of the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN. Furthermore, in order to diminish the endogeneity bias caused by the correlation between the bankruptcy variable and error terms in the regression analysis, the DI of the lending attitudes of financial institutions and the DI of financial positions from the *Tankan* survey are used as manipulated variables for the bankruptcy variable. We obtained the DIs from each branch of the Bank of Japan and allocated the same figures to the prefectures covered by each branch to use them as panel data by prefecture. These diffusion indices vary significantly depending on supply-side factors that fluctuate due to changes in the system, such as the strengthening of capital adequacy requirements imposed on financial institutions by the financial authorities. They are thus considered to have a weaker correlation with the suicide rate and can be used as

Table 4. Regression Analysis of Suicide Rates Using Quarterly Panel Data
(Dependent variable: Number of male suicide victims per 1,000 people)

	(1)	(2)	(3)	(4)
	Fixed Effect Regression	Fixed Effect Regression	IV (lending attitude DI)	IV (financial position DI)
Unemployment rate	0.42426*** [0.106]	0.35452*** [0.106]	-0.09331 [0.180]	-0.13141 [0.191]
N of bankruptcy#		0.07200*** [0.023]	0.75033*** [0.133]	0.81379*** [0.149]
Constant	0.01273*** [0.004]	0.00807** [0.004]	-0.01759** [0.008]	-0.02043** [0.009]
Prefecture fixed effect	YES	YES	YES	YES
Quarter fixed effect	YES	YES	YES	YES
Observations	376	376	301	301
R-squared	0.083	0.111		
Number of prefectures	47	47	39	39

Note: Figures in parentheses are robust standard errors. *, **, and *** represent levels of 10%, 5%, and 1%, respectively, showing statistically significant figures. # represents the endogeneity variable and the instrumental variables (IV) used are the DI of the lending attitudes of financial institutions in (3) and the DI of financial positions in (4). Both of these diffusion indices were collected from data from each branch of the Bank of Japan.

manipulated variables. In addition, in order to diminish the bias from under specification, estimates including fixed effects (FE) by prefecture are also presented.

Analysis results are compiled in Table 4. The model that excludes the number of bankruptcies shows a strong correlation between the overall unemployment rate and the suicide rate. On the other hand, when the number of bankruptcies is taken into consideration, the number itself represents a strong positive correlation with the suicide rate, but the correlation between the overall unemployment rate and the suicide rate disappears. This can be construed as meaning that the strong positive correlation between the sharp rise in the unemployment rate and the credit crunch and increasing bankruptcies brought about the sharp rise in the suicide rate from 1997 to 1998. During this period, the bankruptcy of small and medium-sized enterprises, in particular, seems to have been closely related to suicide.

2. Analysis Using Annual Panel Data by Prefecture

Next is an analysis using annual panel data by prefecture from 1997 to 2005. As in the case of the analysis using quarterly data, the dependent variable is the number of male

Table 5. Regression Analysis of Suicide Rates Using Annual Panel Data by Prefecture

	(Dependent variable: Number of male suicide victims per 1,000 people)					
	(1)	(2)	(3)	(4)	(5)	(6)
	Fixed Effect Regression	Fixed Effect Regression	IV (lending attitude DI)	IV (financial position DI)	IV (lending attitude DI)	IV (financial position DI)
Unemployment rate	4.12399*** [0.276]	2.82208*** [0.468]	3.97797*** [0.394]	4.14139*** [0.316]	2.68050*** [0.567]	2.45169*** [0.755]
N of bankruptcy#	-0.01675 [0.019]	0.04527*** [0.017]	0.36487*** [0.109]	0.09230 [0.074]	0.23708 [0.179]	0.45709 [0.362]
Constant	0.19194*** [0.013]	0.17153*** [0.016]	0.10055*** [0.032]	0.16867*** [0.023]	0.13167*** [0.046]	0.07860 [0.090]
Prefecture fixed effect	YES	YES	YES	YES	YES	YES
Year fixed effect	NO	YES	NO	NO	YES	YES
Observations	423	423	364	364	364	364
R-squared	0.373	0.654				
Number of prefectures	47	47	42	42	42	42

Note: Figures in parentheses are robust standard errors. *, **, and *** represent levels of 10%, 5%, and 1%, respectively, showing statistically significant figures. # represents the endogeneity variable and the instrumental variables (IV) used are the DI of the lending attitudes of financial institutions in (3) and (5) and the DI of financial positions in (4) and (6). Both of these diffusion indices were collected from data from each branch of the Bank of Japan.

suicide victims per 1,000 people by prefecture, based on data from the National Police Agency. As explanatory variables, we obtained overall unemployment rates by prefecture from reference materials for the *Labor Force Survey*, and the annual number of bankruptcies among small and medium-sized enterprises by prefecture from data from the Organization for Small & Medium Enterprises and Regional Innovation, Japan. Herein also, the bankruptcy variable is treated as the endogeneity variable, and the DI of the lending attitude of financial institutions and the DI of financial positions from the *Tankan* survey are used as manipulated variables for this.

Analysis results are compiled in Table 5. In all cases, the overall unemployment rate shows a strong positive correlation with the suicide rate, but no correlation can be observed between the number of bankruptcies and the suicide rate. This indicates a strong correlation between the unemployment rate and two characteristics of suicide from 1997 to 2005, i.e. the consistent numbers and the increase in younger suicide victims.

3. Employment Status and Suicide

The panel regression analysis for the association between non-regular job status and suicide of men aged 25 to 39 and aged 40 to 54 is conducted. In the past two decades, the number of the workers who engage in non-regular jobs has been increasing since 1990s. Employment status of non-regular workers is relatively insecure and they tend to be paid less than regular workers. Hence, the hypothesis that suicide rate increases as the fraction of non-regular workers increases is tested.

The dependent variables are the numbers of suicides of men aged 25 to 39 and aged 40 to 54 per 1,000 persons taken from *the Vital Statistics*. The key explanatory variable is the fraction of regular workers in the total number of workers for each age group, obtained from the Employment Status Survey by the Ministry of Internal Affairs and Communications in 1992, 1997, 2002, and 2007. The fraction of workers in the total population for each age group is included as well, as a proxy for unemployment rate.⁹

The first four columns of Table 6 show the results of the regression analysis for men aged 25 to 39. The ratios of regular workers to workers and workers to population for 25 to 39 are negatively associated with the suicide rates as expected. The coefficients, however, become insignificant when time fixed effects are used. The results in the last two specifications where the indices for age 40 to 54 are controlled to mitigate the bias due to omitted variables, show the same results for fixed effect specifications.

In columns (5) - (8) of Table 6, the results of the regression analysis for men aged 40 to 54 show a similar pattern as in Table 6. However, the coefficient of the fraction of non-regular workers becomes insignificant when the indices of younger generation are controlled.

⁹ This ratio is by definition smaller than unemployment rate due to the larger denominator. For men in working ages, however, the two indices exhibit quite strong correlation.

Table 6. Regression Analysis of Suicide Rates Using Quinquennial Panel Data by Prefecture

Dependent variable:	Number of suicide victims male aged from 25 to 39 per 1,000 people				Number of suicide victims male aged from 40 to 54 per 1,000 people			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fraction of workers in population (male aged 25-39)	-0.70168** [0.299]	-0.18250 [0.455]	-0.88635** [0.385]	-0.35272 [0.471]			-2.27521*** [0.522]	-1.09507* [0.614]
Fraction of regular workers (male aged 25-39)	-1.02957*** [0.172]	-0.10528 [0.401]	-1.10315*** [0.214]	-0.18227 [0.415]			-0.45634 [0.291]	-0.36943 [0.542]
Fraction of workers in population (male aged 40-54)			0.37460 [0.489]	0.78198 [0.557]	-5.01350*** [0.418]	-0.91153 [0.697]	-2.20331*** [0.664]	-0.47925 [0.727]
Fraction of regular workers (male aged 40-54)			0.06924 [0.364]	0.07418 [0.389]	-1.02577** [0.461]	0.13159 [0.495]	-0.25657 [0.495]	0.29502 [0.508]
Constant	1.85441*** [0.188]	0.60031 [0.591]	1.67917*** [0.336]	0.02873 [0.689]	6.08558*** [0.376]	1.28467 [0.810]	5.30626*** [0.456]	2.06327** [0.900]
Prefecture fixed effect	YES	YES	YES	YES	YES	YES	YES	YES
Year fixed effect	NO	YES	NO	YES	NO	YES	NO	YES
Observations	188	188	188	188	188	188	188	188
R-squared	0.530	0.558	0.532	0.565	0.646	0.739	0.705	0.746
Number of prefectures	47	47	47	47	47	47	47	47

Note: Figures in parentheses are robust standard errors. *, **, and *** represent levels of 10%, 5%, and 1%, respectively, showing statistically significant figures.

These empirical results provide several implications. First, the ratio of regular workers does exhibit a significant correlation with suicide of younger generation. This might explain recent trend of increasing younger suicide victims in Japan. The result becomes, however, insignificant when time fixed effect is controlled. This may come from limited information due to the lack of continuous time series data. Therefore, further investigation is needed to confirm the causal relationship. Second, the relationship between regular work status and suicide is not necessarily significant for men aged 40 to 54.

V. Conclusion

Lastly, we would like to discuss effective measures to counter suicide, taking into consideration the correlation between the unemployment rate and the suicide rate that has been verified through the abovementioned analyses. Regarding the necessity of countermeasures against suicide, the large number of suicide victims in Japan should in and of itself be evidence of the need for prompt action, and the significant damage that suicide causes to society cannot be overlooked, either. Firstly, suicide causes a financial loss to the whole society, in that the contribution that victims would have made to production activities is lost forever. The Suicide Analysis Project Team 2008 estimated this financial loss by calculating the total amount of wages that suicide victims would have acquired thereafter if they had not died. Based on this calculation, the accumulated loss of profit due to the suicides of people aged 20 to 65 for the ten years from 1998 to 2007 amounts to around 22 trillion yen. This 22 trillion yen, which does not include any loss in a broader sense, such as the emotional distress of the bereaved, should be considered to be the minimum financial loss. Secondly, according to Chen et al. (2009b), there are approximately five bereaved family members per suicide in Japan; the total number of minors who have lost a parent due to suicide is around 90,000 and the total number of surviving family members is around 3 million. This means that one in every 40 people has lost a family member due to suicide in Japan. These survivors often suffer from severe mental strain, but are left isolated and with various legal and financial burdens. Such social costs related to suicide, or external diseconomy, make it even more valid for the national government to get actively involved in preventing suicide.

Japan's Basic Act on Suicide Prevention came into force in October 2006, and the framework under which the national government responsibly promotes measures to prevent or counter suicide started to function. However, measures have so far been promoted mainly in the field of psychiatric treatment, and comprehensive countermeasures have not been properly taken based on the idea that financial situations and other social factors may trigger suicide attempts. As mentioned in this paper, economic and financial conditions are closely related to suicide in Japan. If problems with employment or unemployment or problems related to finances, multiple debts, or cosigners drive people into depression or suicide attempts, it is indispensable to resolve those financial problems, just as it is to provide such

people with psychiatric treatment of depression (Chen, Choi, and Sawada 2007).

Especially since the so-called Lehman Shock in September 2008, Japanese society has been struggling in a recession, and this kind of deterioration in the economic environment makes it crucial to have countermeasures against suicide. As mentioned above, the overall unemployment rate in Japan marked a record high in July 2009. According to the *Tankan* survey by the Bank of Japan, as shown in Figure 2, the DI of the lending attitudes of financial institutions deteriorated rapidly, especially for small and medium-sized enterprises, from the fourth quarter of 2008 to the first and second quarters of 2009, which is reminiscent of the financial crisis from 1997 to 1998. All these facts mean that Japan is now in a socioeconomic environment that carries a heightened risk of suicide. In order to take countermeasures at an early stage under such circumstances, the national government needs to actively cope with employment/unemployment problems and the financial problems of small and medium-sized enterprises, as well as to design and implement complete policies that will effectively prevent suicide.

As pointed out by Shimizu (2009), concrete support measures for unemployed people contain the following problems at present. For example, if a person loses his job and his house, incurs multiple debts, and eventually comes to suffer from depression, he will need to receive psychiatric treatment for his depression, visit and consult with a legal professional about paying off his debts, and apply for temporary housing and look for a job at a public job-placement office. It is unrealistic to expect a person who is jobless and suffering from psychological problems to handle these things all by himself. Therefore, it is indispensable to integrate these services and establish counters for mental health consultations and free legal services at such places as public job-placement offices, and to take comprehensive measures to prevent suicide among the unemployed.

From such point of view, the “one-stop service” provided at the end of 2009 as one of the measures for unemployed people deserves further attention. Its aim was to provide comprehensive services at the counter of a public job-placement office, enabling people to handle all of the procedures for livelihood support in one stop, from the job search, applications for housing and public assistance, and loan applications, to mental health consultations. Promoting these comprehensive measures will require not only the efforts of the national government and local officials in charge of welfare policy; the cooperation of NPOs and other private bodies will also be indispensable. Further strengthening coordination among such related parties will be one of the challenges in promoting measures to prevent suicide among the unemployed.

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A Study Concerning the Promotion of Migration to Regions outside the Three Major Metropolitan Areas and the Activation of Endogenous Employment Creation by Using Migrants*

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The objectives of this study are (A) to consider the promotion of migration from Japan's three major metropolitan areas to regions outside those areas, and (B) to examine the potential for the activation of endogenous employment creation in regions outside the three major metropolitan areas, using those migrants. The issues behind this are concerns that, due to external diseconomies and other factors, population decrease in regions outside the three major metropolitan areas and economic disparities with the three major metropolitan areas will not be resolved smoothly, unless some form of policy is put in place. The factors inhibiting migration include work-related aspects and aspects relating to relocation; with regard to (A), methods of increasing the probability of finding a job and the probability of being able to relocate are discussed. Moreover, with regard to (B), this paper discusses matters such as what kind of companies located in regions outside the three major metropolitan areas value migrants highly and what kind of migrants are valued. The results obtained from this study imply what kind of responses are possible in order to resolve the aforementioned problems in regions outside the three major metropolitan areas.

I. Introduction

In recent years, economic disparities between the three major metropolitan areas and regions outside the three major metropolitan areas have continued to expand, as a result of which, the population exodus from the latter has showed no sign of diminishing.¹ The economic disparities between the three major metropolitan areas and other regions have existed for quite a long time, and the situation of excessive population outflow from those other regions has continued for more than the last ten years.

Why has this situation occurred? If it conformed to the arguments of standard economic theory, the existence of economic disparities would be resolved through the migra-

* This study is a considerably scaled-down version of Japan Institute for Labour Policy and Training (2011). Accordingly, please refer to that study for a detailed discussion of the issues. This paper focuses solely on the major discussion points. Section III was written by Igawa, while the rest was written by Otani.

¹ As explained below, the term "the three major metropolitan areas" refers to the areas centering on the three metropolises of Tokyo, Osaka and Aichi (the region with Nagoya as its capital), while the term "regions outside the three major metropolitan areas" refers to all regions outside those areas.

tion of people or companies, and the population exodus should also be curbed as a result of the elimination of those economic disparities.

The causes of this situation are the fact that the population exodus is accompanied by external diseconomies (Genda, Oi and Shinozaki 2005), and the fact that the expansion of companies into regions outside the three major metropolitan areas has not yet progressed sufficiently (Higuchi (2005). If the problems of economic disparities between the three major metropolitan areas and other regions, and population exodus, which are two sides of the same coin, are not resolved smoothly through market mechanisms, some form of policy-based response will be necessary.

Hitherto, response measures adopted in this kind of situation have included such methods as government-funded employment creation initiatives and measures to attract companies to specific areas. However, in light of the necessity of fiscal reconstruction and the advance of globalization, there are limits to the extent to which both of these means can continue to be used in the future. Therefore, it will become important to consider some form of alternative.

Accordingly, this study examines measures for promoting migration to regions outside the three major metropolitan areas and the potential for the activation of endogenous employment creation in these regions by using migrants, from the perspective that promoting such migration could contribute to curtailing and resolving the problems of economic disparities and population decline.

Considering the former issue not only directly relates to the problem of population decline in regions outside the three major metropolitan areas, but could also lead to an improvement in employment conditions through an increase in consumption within each region. If consideration of the latter issue demonstrates that migrants can also be of use in endogenous employment creation, it can be anticipated that the promotion of migration would curtail and resolve economic disparities through this kind of effect.

In this study, the three areas centering on major metropolises listed in Table 1 as “4. Southern Kanto,” “6. Tokai” and “8. Keihanshin” are deemed to be the “three major metropolitan areas,” while regions outside those areas are deemed to be “regions outside the three major metropolitan areas.”

The structure of this study is as follows. The next section discusses what kind of responses would be possible in order to promote migration from the three major metropolitan areas to other regions. Section III examines the potential for the activation of endogenous employment creation in regions outside the three major metropolitan areas by using migrants. Finally, section IV summarizes and provides a conclusion regarding the results obtained hitherto in this paper.

Table 1. Categorization of the Three Major Metropolitan Areas and Regions outside the Three Major Metropolitan Areas

1. Hokkaido (Hokkaido only)
2. Tohoku (Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima)
3. Kita-Kanto, Koshin (Ibaraki, Tochigi, Gunma, Yamanashi, Nagano)
4. Minami-Kanto (Saitama, Chiba, Tokyo, Kanagawa)
5. Hokuriku (Niigata, Toyama, Ishikawa, Fukui)
6. Tokai (Gifu, Shizuoka, Aichi, Mie)
7. Kinki (Shiga, Nara, Wakayama)
8. Keihanshin (Kyoto, Osaka, Hyogo)
9. Sanin (Tottori, Shimane)
10. Sanyo (Okayama, Hiroshima, Yamaguchi)
11. Shikoku (Tokushima, Kagawa, Ehime, Kochi)
12. Kita-Kyushu (Fukuoka, Saga, Nagasaki, Oita)
13. Minami-Kyushu, Okinawa (Kumamoto, Miyazaki, Kagoshima, Okinawa)

II. Concerning the Promotion of Migration from the Three Major Metropolitan Areas to Regions outside the Three Major Metropolitan Areas

This section discusses what kind of policies would be effective in promoting migration from the three major metropolitan areas to other regions.

Studies of interregional migration in Japan have been conducted previously, but most of these looked at the migration patterns between regions and the factors regulating that migration, and there were hardly any studies that narrowed down the focus to what could be done to promote migration.²

In considering measures to promote migration, the method adopted involves focusing on those wishing to migrate from the three major metropolitan areas to other regions, and comparing the difference between those who have already achieved this migration and those who have not. However, as there are no data that make such a comparison possible, a questionnaire survey has been carried out of those who have already migrated and those who wish to do so but have not yet done so. The survey results have been collated and consolidated into a form that permits comparison, and the resultant data are analyzed.

As the factors inhibiting migration can be broadly categorized into work-related issues and issues relating to relocation, the factors involved in finding a job and the factors involved in realizing relocation are analyzed.

Firstly, this section provides an explanation of the data used in the analysis. This is followed by empirical analysis; and finally, this section is summarized.

² Studies dealing with interregional migration patterns include the aforementioned Genda, Oi and Shinozaki (2005). Studies that analyzed the factors regulating migration include Inoki and Suruga (1981).

1. Data Used

The data used in the analysis here form part of the data obtained from surveys of those who have migrated and those who have not,³ and consist of data from those who wish to migrate from the three major metropolitan areas to other regions, focusing on those who have already achieved this migration (hereinafter referred to as “migrants”) and those who have not yet achieved it (hereinafter referred to as “would-be migrants”).

To define it in greater detail, the category of “migrants” signifies those people wishing to migrate from the three major metropolitan areas to other regions, who are (a) “those who have both been hired by a company and have relocated already.” In contrast, the category of “would-be migrants” consists of two groups: those people wishing to migrate from the three major metropolitan areas to other regions, who are either (b) “those who have already found a job, but have not yet relocated,” or (c) “those who have not yet found a job or relocated.”

Consequently, by comparing groups (b) and (c), it becomes possible to identify the factors involved in finding a job, while comparing groups (a) and (b) allows the factors involved in realizing relocation to be examined. Comparing these groups in this way makes it possible to distinguish properly between factors involved in realizing relocation and factors involved in finding a job, while considering the factors promoting and inhibiting migration.

2. Empirical Analysis

(1) Analysis of the Factors Involved in Finding a Job

Of the factors involved in finding a job and the factors involved in realizing relocation, this section firstly examines the former. In beginning to analyze the factors involved in finding a job, it is first of all necessary to obtain estimates of desired annual income.⁴ This is because, although it is thought that desired annual income should be used as an independent variable when considering the factors involved in finding a job, it is not the case that the desired annual income of all those in groups (b) and (c) is visible.

Those whose desired annual income is not visible are, firstly, all of those who belong to group (b). This is because this group was not asked the question about desired annual income in the first place. Secondly, there are those in group (c) who did not respond in specific terms about their desired amount. Those in group (c) were asked the question about desired annual income, but there were those who responded “I don’t have a particular preference,” rather than answering with a specific desired amount, so their desired annual income is not visible.

As the desired annual income of those in group (b) is not visible, it is not possible to use them as a sample in estimating desired annual income. Consequently, those who are not in group (b), that is to say, those in groups (a) and (c), will be used as a sample. Those in

³ For details of the actual questionnaire, please see Otani (2010a).

⁴ This refers to the annual income that the individual wishes to receive in the job in the prefecture to which they have relocated, at a point in time before relocating.

group (c) were asked about desired annual income, as described above, and those in group (a) were also asked about desired annual income in the same way as those in group (c). In other words, the desired annual income of all those in groups (a) and (c) is visible, except in the case of those who responded “I don’t have a particular preference.”

However, if only those in groups (a) and (c) whose desired annual income is visible are used in making estimates, a bias will arise in the estimated values. This is because there are variations in attributes that cannot be observed between those who had (have) a desired annual income and those who did (do) not, so it is thought that these have an impact on desired annual income.⁵

Accordingly, the Heckman two-stage estimation procedure has been used, with an estimate concerning whether or not there was a desired annual income being carried out in the first-stage estimation, and an estimate of the desired annual income function being carried out as the second-stage estimation. By doing so, it is hoped to obtain estimated values for desired annual income.⁶

Let us now provide a more concrete explanation of the estimation of desired annual income. The more interesting part of this estimate is the second-stage estimation, so we would like to focus on an explanation of this.

The dependent variable is desired annual income.⁷ What we would like to focus on here are the “reasons for relocation” dummy variables, which are the independent variables. More specifically, these are the “to take over the family business” dummy, the “because I like that prefecture or region” dummy, the “because the housing conditions are good” dummy, the “because I have many relatives/friends/acquaintances there” dummy, and the “because it is a good environment in which to bring up children” dummy.⁸

The reasons for relocation may include aspects that try to compensate for any decrease in the utility level based on lower annual income in the place to which a migrant re-

⁵ Whereas the survey of migrants asks about matters in the past, the survey of would-be migrants asks about their thoughts at the time of the survey. Consequently, the expressions appropriate to the would-be migrants are given in brackets, along with those appropriate to the actual migrants, in the form “had (have) a desired annual income.” The same approach is adopted in all cases described hereinafter.

⁶ The authors have referred to Higuchi, Kurosawa, Ishii, and Matsuura (2006) regarding the aforementioned method.

⁷ These are figures derived by expressing the median value for the amount of desired annual income selected from among twenty options as both a logarithm and in real terms. However, the responses “Less than 1 million yen” and “10 million yen or more,” which were the minimum and maximum values in the questionnaire, were set at 700,000 yen and 13 million yen respectively before being expressed as a logarithm and in real terms. The reason why the figures are also expressed in real terms is that, as well as the fact that the questionnaire asks about desired annual income at a point before relocation, the precise point in time before relocation differs according to each individual (however, the point in time before relocation in the case of those belonging to group (c) is the same, as it is deemed to be the point at which the survey was carried out, in each case).

⁸ Each of the reasons for relocation dummy variables takes the value 1 if that reason for relocation is applicable and 0 if it is not.

locates, so if those reasons could be identified, there is a possibility that policy-based approaches could be used to guide desired annual income downwards. Moreover, if the analysis of the factors involved in finding a job carried out below shows that it is easier to find a job, the lower one's desired annual income is, this will also lead to a discovery of the potential of a policy-based approach being used to increase the probability of finding a job. On these grounds, we focus on examining the reasons for relocation.

In addition, although it is not possible to predict which of the reasons for relocation will have a compensatory effect, it can be expected that the coefficient of those with a compensatory effect will be negative.

Other than the reasons for relocation, the independent variables that have been used are the "permanent employee before relocation" dummy, the "self-employed before relocation" dummy, the "non-regular employee before relocation" dummy, the "student before relocation" dummy, age before relocation and its square, the "male" dummy, the "graduated from vocational college/junior college/technical college" dummy, the "graduated from university" dummy and the "graduated from graduate school" dummy.

Next, let us touch briefly upon the first-stage estimation. The dependent variable is whether or not there is a desired annual income amount, and the dummy variable is set at 1 if there is a specific desired amount, and at 0 if there is not. In addition to the "permanent employee before relocation" dummy, the "self-employed before relocation" dummy, the "non-regular employee before relocation" dummy, the "student before relocation" dummy, age before relocation, and the "male" dummy, the independent variables that have been used are the "region as a priority" dummy⁹ and the "married before relocation" dummy.¹⁰

The results are shown in Table 2. To explain by narrowing the focus to include only the noteworthy points, in the second-stage estimation, of the reasons for relocation, the "to take over the family business" dummy, the "because the housing conditions are good" dummy and the "because I have many relatives/friends/acquaintances there" dummy were negatively significant. Consequently, one can understand that if the individual has these reasons, the desired annual income becomes lower. That is to say, one can interpret this as meaning that a decline in the utility level due to low annual income at the relocation destination is compensated for by these reasons.

Thus, we have carried out an estimate of desired annual income. Next, let us carry out an analysis of the factors involved in finding a job, using the estimated values for desired annual income obtained in this way as the independent variable. As previously noted, groups (b) and (c) are used in the analysis of factors involved in finding a job.

The dependent variable is whether or not the individual's employment has been determined. More specifically, the dummy variable is 1 if the individual has found a job and 0 if not. Consequently, whereas it is 1 for all those belonging to group (b), it is 0 for all those

⁹ If the lifestyle in the prefecture after relocation was (is) the priority, the variable is set at 1, and if being hired for a job was (is) the priority, it is set at 0.

¹⁰ If the respondent was married before relocation, the variable is set at 1, and if not, it is set at 0.

Table 2. Analysis of Desired Annual Income

Desired annual income	Coef.	z	P>z
“To take over the family business” dummy	-0.17	-2.01	0.044
“Because I like that prefecture or region” dummy	0.13	2.86	0.004
“Because the housing conditions are good” dummy	-0.12	-1.77	0.077
“Because I have many relatives/friends/acquaintances there” dummy	-0.08	-1.67	0.095
“Because it is a good environment in which to bring up children” dummy	-0.09	-1.45	0.148
“Permanent employee before relocation” dummy	0.36	3.67	0.000
“Self-employed before relocation” dummy	0.45	3.45	0.001
“Non-regular employee before relocation” dummy	-0.07	-0.70	0.483
“Student before relocation” dummy	0.23	1.80	0.072
Age before relocation	0.06	3.95	0.000
Age before relocation squared	-0.001	-3.30	0.001
“Male” dummy	0.20	4.04	0.000
“Graduated from vocational college/junior college/technical college” dummy	0.03	0.37	0.709
“Graduated from university” dummy	0.11	1.78	0.075
“Graduated from graduate school” dummy	0.22	2.39	0.017
Constant term	-0.26	-0.85	0.396
Whether or not there is a desired annual income amount			
“Permanent employee before relocation” dummy	0.11	0.38	0.705
“Self-employed before relocation” dummy	-0.13	-0.35	0.727
“Non-regular employee before relocation” dummy	0.27	0.81	0.415
“Student before relocation” dummy	-0.75	-2.21	0.027
Age before relocation	-0.01	-1.65	0.098
“Male” dummy	-0.14	-0.86	0.388
“Region as a priority” dummy	-0.23	-1.68	0.093
“Married before relocation” dummy	0.34	1.97	0.048
Constant term	1.51	3.50	0.000
Number of obs	472		
Wald chi2	209.60		
Prob > chi2	0.00		
Log likelihood	-403.59		

in group (c).

What we would like to focus on here is the coefficient for desired annual income (estimated value), which is the independent variable. It is thought that the higher the desired annual income, the harder it is for an individual to find a job, so the expected coefficient will be negative.

The other independent variables that have been used are the “permanent employee

Table 3. Analysis of the Factors Involved in Finding a Job

	Coef.	z.	P>z.
Desired annual income (estimated value)	-1.60	-2.79	0.005
“Permanent employee before relocation” dummy	0.66	2.10	0.036
“Self-employed before relocation” dummy	1.29	3.32	0.001
“Non-regular employee before relocation” dummy	-0.20	-0.73	0.467
“Student before relocation” dummy	0.86	2.68	0.007
Age before relocation	0.02	2.28	0.023
“Male” dummy	0.40	2.03	0.042
“Graduated from vocational college/junior college/technical college” dummy	0.17	0.73	0.468
“Graduated from university” dummy	0.59	2.96	0.003
“Graduated from graduate school” dummy	1.18	4.17	0.000
Active opening ratio at the relocation destination	0.01	1.27	0.203
Constant term	0.13	0.22	0.828
Number of obs	446		
L.R chi2	42.49		
Prob > chi2	0.00		
Pseudo R2	0.07		

before relocation” dummy, the “self-employed before relocation” dummy, the “non-regular employee before relocation” dummy, the “student before relocation” dummy, age before relocation, the “male” dummy, the “graduated form vocational college/junior college/technical college” dummy, the “graduated from university” dummy, the “graduated from graduate school” dummy, and the active opening ratio at the relocation destination.

The results are shown in Table 3. Desired annual income (estimated value) was, as expected, negatively significant. In other words, this means that the lower the desired annual income, the easier it is to find a job. Consequently, if one combines this result with the result obtained in the estimate of desired annual income, one can make the following observations.¹¹

Those who gave as their reasons for relocation “because the housing conditions are good” and “because I have many relatives/friends/acquaintances there” tended to have a lower desired annual income, and the lower the desired annual income, the easier it was for an individual to find a job. One can interpret these results as follows.

Those who believe that their housing conditions will improve or that their relatives, friends and acquaintances will increase as a result of relocation set a low desired annual income, because even if they accepted a low annual income at their relocation destination, there would be compensations for this decline in the utility level. In addition, this made it

¹¹ These are observations made after narrowing down the focus to those things that are important in policy terms.

easier for them to find a job.

In that situation, in order to increase the probability of finding a job in regions outside the three major metropolitan areas, it is important to adopt a response that focuses on the points summarized in these reasons for relocation.

For example, developing and publicizing a good living environment would have the effect of increasing the number of people who would not mind a decrease in annual income, because they could enjoy a comfortable lifestyle in regions outside the three major metropolitan areas, so this would have the potential of increasing the probability of finding a job for would-be migrants. Moreover, if it were possible to enable those living in the three major metropolitan areas to make friends and acquaintances living in other regions by promoting interaction between these areas and regions, there is the potential that this would increase the probability of finding a job through the effect of increasing the number of those who are happy to accept a lower level of annual income if they had friends in the region.

(2) Analysis of the Factors Involved in Realizing Relocation

This section considers the factors involved in realizing relocation. The sample used consists of groups (a) and (b). Whereas group (a) consists of those who have already been hired and have relocated, group (b) is composed of those who have not yet relocated, although they have found a job. Accordingly, by considering the differences between the two groups, one can identify the factors promoting and inhibiting relocation.

The dependent variable is whether or not the individual has relocated. More specifically, the dummy variable is 1 if the individual has relocated and 0 if not. Consequently, whereas it is 1 for all those belonging to group (a), it is 0 for all those in group (b).

The independent variables are the “remigration” dummy, the “homeowner before relocation” dummy,¹² the “in employment before relocation” dummy, the “permanent employee before relocation” dummy, the “self-employed before relocation” dummy, the “student before relocation” dummy, age before relocation, the “male” dummy, the “cohabiting with spouse before relocation” dummy, the “cohabiting with child(ren) before relocation” dummy, the “cohabiting with parent(s) before relocation” dummy, migration distance,¹³ the “importance of environment/lifestyle” factor, the “child rearing” factor,¹⁴ the “because I found a job that satisfied my requirements” dummy, the “because it is suitable for starting a business” dummy, the “to take over the family business” dummy, the “to care for a parent/parent-in-law” dummy, the “to cohabit with or live near a parent/parent-in-law” dummy, the “because I was asked to by a family member with whom I cohabit” dummy, and the “for health reasons relating to myself or a family member with whom I cohabit” dummy.¹⁵

¹² If the individual was (is) a homeowner before relocation, the variable is 1, and if not, it is 0.

¹³ This is the distance between the prefecture before relocation and the prefecture after relocation.

¹⁴ Both factors were identified through factor analysis of the reasons for relocation.

¹⁵ The dummy variables listed from the “because I found a job that satisfied my requirements” dummy to the “for health reasons relating to myself or a family member with whom I cohabit” dum-

We would like to add a few things concerning the independent variables. Firstly, the remigration dummy is defined as the variable which is 1 if at least one of the following conditions is met, and 0 if not. A. The relocation destination prefecture is the prefecture from which the individual originally came. B. The relocation destination prefecture is the prefecture in which the individual spent the longest time until graduating from the final educational institution that they attended. C. The relocation destination prefecture is the prefecture from which the individual's spouse originally came. D. The relocation destination prefecture is the prefecture in which the individual's spouse spent the longest time until graduating from the final educational institution that they attended.¹⁶ Consequently, migration by those for whom the remigration dummy is 1 signifies return migration, while migration by those for whom it is 0 signifies other migration.

The expected coefficient is positive. This is because, compared with other migrants, remigrants have a relatively large amount of information about the relocation destination prefecture or region and life there, so it is thought to be easier for them to relocate.¹⁷

Moreover, the variables from the "importance of environment/lifestyle" factor to the "for health reasons relating to myself or a family member with whom I cohabit" dummy are variables relating to reasons for relocation, and they are used to control the "does/does not" relocate effect. Here, we are trying to identify the factors involved in realizing relocation by considering the differences between groups (a) and (b), but the difference between the two groups is regulated not only by the fact that they "can/cannot" relocate, but also by the fact that they "do/do not" relocate. Accordingly, it is also necessary to use factors that regulate the fact that they "do/do not" relocate as independent variables.

The reason why it is thought that the "does/does not" factor can be controlled using the variables relating to reasons for relocation is that it is thought that those who have a reason to relocate immediately do so without delay, while those who do not have such reasons do not hurry to relocate.

Let us now check the results of the analysis (see Table 4). If we explain it with a focus on what is important in policy terms, firstly, we can see that, as expected, the remigration dummy is positively significant. In other words, one can say that, it is easier for remigrants to successfully relocate, compared with others; the main factor behind this is thought to be the fact that it is easier for remigrants to relocate because they have an abundance of information about the relocation destination.¹⁸

my are dummy variables relating to the reasons for relocation. These dummy variables are those of the various dummy variables relating to the reasons for relocation which had a low level of correlation with the "importance of environment/lifestyle factor" and the "child rearing" factor.

¹⁶ Conditions C and D were used only in the event that the individual was (is) married prior to relocation.

¹⁷ Remigrants have the advantage that they can live at their parents' home, but this point is controlled using the "to cohabit with or live near a parent/parent-in-law" dummy.

¹⁸ In fact, it has been ascertained that, compared with others, remigrants have a great deal of information about the relocation destination region and lifestyles, culture and customs there.

Table 4. Analysis of the Factors Involved in Realizing Relocation

	Coef.	z	P>z
Remigration dummy	0.39	2.17	0.030
“Homeowner before relocation” dummy	-0.69	-2.29	0.022
“In employment before relocation” dummy	0.39	1.39	0.163
“Permanent employee before relocation” dummy	0.00	-0.02	0.985
“Self-employed before relocation” dummy	-0.45	-1.25	0.211
“Student before relocation” dummy	0.50	0.90	0.367
Age before relocation	-0.04	-4.18	0.000
“Male” dummy	0.49	2.89	0.004
“Cohabiting with spouse before relocation” dummy	0.08	0.35	0.730
“Cohabiting with child(ren) before relocation” dummy	-0.03	-0.12	0.902
“Cohabiting with parent(s) before relocation” dummy	0.39	1.46	0.145
Migration distance	0.00	-0.39	0.694
Importance of environment/lifestyle factor	0.30	3.17	0.002
Child rearing factor	0.11	0.95	0.343
“Because I found a job that satisfied my requirements” dummy	0.38	2.32	0.020
“Because it is suitable for starting a business” dummy	-0.52	-1.74	0.081
“To take over the family business” dummy	0.42	1.54	0.123
“To care for a parent/parent-in-law” dummy	-0.26	-0.53	0.593
“To cohabit with or live near a parent/parent-in-law” dummy	0.70	3.50	0.000
“Because I was asked to by a family member with whom I cohabit” dummy	-0.45	-0.33	0.745
“For health reasons relating to myself or a family member with whom I cohabit” dummy	0.31	0.69	0.491
Constant term	0.48	1.46	0.144
Number of obs	379		
L.R chi2	102.64		
Prob > chi2	0.00		
Pseudo R2	0.20		

Moreover, the “homeowner before relocation” dummy coefficient was negatively significant, there is a possibility that owning one’s own home inhibits relocation.

So what kind of implications can be inferred from this? In light of the effect of the remigration dummy, it is thought that providing a diverse range of detailed information about the relocation destination to those considering relocation is important in increasing the probability of realizing relocation.

Given the effect of the “homeowner before relocation” dummy, it is thought that the probability of realizing relocation can be increased by facilitating the sale of houses owned by those wishing to relocate.

3. Summary

This section has considered what kind of policy-based responses will be necessary in

order to promote migration from the three major metropolitan areas to other regions. The factors promoting and inhibiting migration can be broadly categorized into work-related aspects and aspects relating to relocation, so the factors involved in finding a job and the factors involved in realizing relocation were analyzed individually.

The main results that can be derived from the analysis of factors involved in finding a job are as follows. Those who selected the options “because the housing conditions are good” and “because I have many relatives/friends/acquaintances there” as their reasons for relocation have a lower desired annual income than those who did not select those options; in addition, those with a lower desired annual income find it easier to find a job.

In light of this, in order to increase the probability of finding a job in regions outside the three major metropolitan areas, responses focused on developing and publicizing a good living environment there, and enabling those living in the three major metropolitan areas to make friends and acquaintances in other regions are important.

The following results were obtained from the analysis of factors involved in realizing relocation. Firstly, remigrants have a large amount of diverse information about the relocation destination compared with others, so it is easier for them to relocate. Consequently, it is thought that providing a diverse range of detailed information about the relocation destination to those wishing to relocate can increase the probability of realizing relocation.

Moreover, it was pointed out that there is a tendency for those who own their own homes before relocation to find it more difficult to relocate than those who do not. Consequently, one can say that it is necessary to facilitate the sale of owner-occupied houses.

These were the main results of analysis in this section. Based on these results, one can conclude that promoting interaction between the three major metropolitan areas and other regions is important in promoting migration.

We have pointed out the importance of publicizing a good living environment and enabling those living in the three major metropolitan areas to make friends and acquaintances who live in other regions, for the purpose of inducing a reduction in the desired annual income. Moreover, we have explained that, in order to enable people to successfully relocate, a diverse range of detailed information about the relocation destination is important. These requirements are to be met through interaction. Then, what specific methods can be used to promote interaction? In order to find out more about this, we would like to provide a brief introduction to an example in Shimane Prefecture.¹⁹

The prefectural government and related organizations in Shimane are working together, devoting their energies to a diverse range of projects to promote migration and settlement in the prefecture as permanent residents; from the perspective of how to promote interaction, one can see amongst these endeavors a project called “migration experience.”

The migration experience program aims to create opportunities for migration and in-

¹⁹ The information below is based on an interview with the Hometown Shimane Settlement Foundation (Furusato Shimane Teijuu Zaidan) and the Foundation’s own website.

corporates a range of types of experience, from comparatively simple ones, which focus on tourism whilst interacting with local people and those who have already migrated, to short-term visit support projects aimed at building up experience in the agriculture, forestry or fishery industries whilst staying for a few days to a week, and even full-scale industrial experience programs aimed at building up experience in the agriculture, forestry or fishery industries, or in craft-related fields, whilst staying in the area in the longer term.

As a result of the industrial experience program, which is one of the above, Shimane Prefecture has succeeded in achieving settlement by 582 of the 1,253 people accepted for experience on the program between 1996 and 2010. The term “settlement” signifies that they were living in the prefecture after the program ended, but given that there are quite a few problems involved in finding a job in industry, primarily centered around the agriculture, forestry and fishery industries, and in relocating to the agricultural communities, mountain villages and fishing villages that form the workplaces for those industries, the fact that the program has achieved a settlement rate of approximately 46% is worthy of attention.

There is a difference in that, whereas this example primarily focuses on finding employment in the agriculture, forestry or fishery industries and relocation to an agricultural community, mountain village or fishing village as a result, the preceding part of this section has focused on employment in all occupations and relocation to regions outside the three major metropolitan areas as a result. Nevertheless, we are sure that the reader has been able to gain some level of understanding of specific methods for promoting interaction and the effects thereof.

III. Concerning the Potential for the Activation of Endogenous Employment Creation in Regions outside the Three Major Metropolitan Areas by Using Migrants

This section examines the potential for the activation of endogenous employment creation by using migrants, in regions outside the three major metropolitan areas. More specifically, we have analyzed what kind of migrants companies in these regions value and want to employ in the future, and what kind of companies in these regions value migrants and want to employ them.

This section follows the results and discussion in Otani (2010), which has already used the same data to conduct a fundamental analysis. Moreover, with a growing focus on the decentralization of power and regional economies, a considerable amount of study has been amassed concerning industry creation and employment creation in provincial areas in recent years (Japan Institute for Labour Policy and Training 2008, for example). However, there has not been a great deal of detailed statistical empirical analysis concerning migration. Consequently, this section uses surveys of companies to conduct an econometric empirical analysis of the actual status with regard to how companies in regions outside the three major

metropolitan areas value migrants and their desire to employ them. These are fact-finding studies, but they are believed to be significant.

1. Data

The data used are data obtained from the questionnaire for “Survey Concerning the Employment and Utilization of Workers from Outside the Prefecture and Core Personnel in Small and Medium-sized Enterprises: Towards Facilitating the Securing of Key Personnel.”²⁰ The survey was conducted by post and the targets of the survey were people in charge of personnel at the headquarters of companies. 18,000 questionnaires were distributed and 3,662 valid responses were received (a response rate of approximately 20%). Of those responded companies, 2,980 companies were located in regions outside the three major metropolitan areas.

2. Empirical Analysis

(1) Analysis of Whether or Not There Are Useful Migrants

Firstly, looking at the companies that have employed migrants in the last three years (fiscal 2006 - fiscal 2008), we will clarify in statistical terms what kind of companies responded that “there actually are people with useful skills and qualities that one only finds amongst migrants” (what kind of attributes the company has, and what kind of attributes the migrants that they employ have).

In making estimates, one should bear in mind that the companies that responded to the question “Of the migrants whom you have employed as permanent employees in the last three years, are there actually any with useful skills, qualities or experience that one only finds amongst migrants?” were all companies that had employed migrants. In other words, there were no responses at all from companies that had not employed migrants regarding the question “Are there any useful people?” It would be appropriate to use the Heckman two-stage probit estimation procedure to conduct estimates in light of this fact. That is to say, a probit estimate was carried out to analyze whether or not a migrant had been employed, at the first stage, and whether or not there were any useful migrants, at the second stage. At the first stage (selection), the dependent variable was set at 1 if a migrant had been employed and 0 if not, while at the second stage, the variable was set at 1 if the respondent answered that there was a useful migrant, and 0 if not (nobody useful, cannot judge at the present time, do not know).

Next, let us provide some details about the independent variables. Firstly, the attributes (age, academic background, occupation, etc.) of a migrant who has been employed are believed to have a bearing on whether or not the migrant is useful. From this, one can ascertain “what kind of attributes in a migrant that a company employed lead the

²⁰ For further details of the questionnaire, refer to the aforementioned Japan Institute for Labour Policy and Training (2011) and Otani (2010b).

company to evaluate them as being useful.”²¹

Six options were used for the age brackets at the time a migrant is employed: under 20, 20s, 30s, 40s, 50s, and 60 or over. Eight options were used for the academic background, in regard to the highest level of education attained: junior high school, high school, vocational college, junior college or technical college, university (humanities), university (sciences), graduate school (humanities), and graduate school (sciences). Nine options were used for the occupations pursued: specialist or technical post, managerial post, clerical, sales, service, security, transport or communications, manufacturing process or labor, and other. Dummy variables were created for all of these.

Moreover, the independent variables also include variables relating to the attributes of the company. In other words, from this, one can ascertain “what kind of attributes a company that values migrants as being useful has.”

The variables relating to a company’s attributes are the scale of the company (number of permanent employees and non-permanent employees), ordinary profit, business type, management strategy, policy on the employment of permanent employees, and awareness of the status in regard to human resource surpluses and deficiencies (status of surpluses or deficiencies of permanent employees, status of surpluses or deficiencies of core personnel).

With regard to management strategy, respondents could select up to two options per fiscal year concerning the areas emphasized in their management strategies for fiscal 2006, fiscal 2007 and fiscal 2008, selecting from amongst “diversification of business,” “prioritization of business,” “expansion of the scale of existing business,” “reduction of the scale of existing business,” “adding value to products/services,” “reducing personnel costs,” “maintaining the status quo,” “other,” and “do not know.” Here, if an option was selected even just once during the three years, a dummy variable was created and set at 1.

With regard to the policy on employing permanent employees, respondents selected the most appropriate option for each fiscal year from fiscal 2006 to fiscal 2008 from amongst the following options: “policy of increasing them, with a focus on hiring new graduates,” “policy of increasing them, with a focus on hiring people mid-career,” “policy of maintaining the status quo,” and “policy of reducing them.” Here, if the same policy was maintained throughout the three years, a dummy variable was created and set at 1.

There are 16 options for business type, so in order to prevent the estimates becoming unstable due to an excess of dummy variables, a primary industry dummy, secondary industry dummy (reference group), and tertiary industry dummy were created, in line with the classification used in the national census.

Concerning awareness of the status in regard to human resource surpluses and deficiencies (status of surpluses or deficiencies of permanent employees, status of surpluses or deficiencies of core personnel), respondents were asked to select one option from “defi-

²¹ With regard to age, academic background and the occupation in which a person is employed, it is possible for a company to select multiple options if it has employed more than one migrant as a permanent employee in the last three years.

ciency,” “sufficient,” “surplus,” and a “permanent employee deficiency” dummy was created and used, so if they selected “deficiency” from amongst these options, the variable was set at 1, and if not, it was set at 0. With regard to core personnel, respondents were asked to select one option from “sufficient” and “deficiency,” and a “core personnel deficiency” dummy was created and used, so if they selected “deficiency” from amongst these options, the variable was set at 1, and if not, it was set at 0.²²

Other independent variables to be noted are the “most migrants came from metropolitan areas” dummy and the proportion of migrants employed who were hired mid-career. Regarding the “most migrants came from metropolitan areas” dummy, if respondents were asked “From where did most of the migrants whom you employed as permanent employees over the last three years come?” and answered “Most came from major metropolitan areas, such as Minami-Kanto, Tokai, or Keihanshin areas,”²³ the variable was set at 1; otherwise, it was set at 0.

Furthermore, the independent variables include the route via which migrants were hired. There are 15 options, including “1. Migration fair,” “2. Prefectural settlement promotion organization,” and “3. Public Employment Security Office.”

Let us now provide a brief summary of the variables on which this analysis focuses and the expected effects. Firstly, amongst the independent variables concerning the attributes of companies, it is expected that the “diversification of business” dummy and the “adding value to products/services” dummy, both of which relate to companies’ management strategy, are positively significant. This is because it is thought that such companies are aiming to achieve growth through innovation and the development of new products and business initiatives, so they require a different way of thinking to that adopted previously, as well as creative planning that can break through the existing situation in which they have been placed. Consequently, it is anticipated that migrants (those who differ from local personnel) will be valued and utilized at such companies. Moreover, looking at the situation from this perspective, it is anticipated that this will lead to endogenous employment creation through the use of these migrants.

Next, with regard to the variables relating to the attributes of migrants, it is thought that migrants with a high level of expertise and those with abundant experience will be evaluated as being useful. One can point out the potential for such migrants to contribute to endogenous employment creation.

The main results are shown in Table 5. To summarize, it has been ascertained that migrants whose attributes include being in their 30s or 50s, being employed in managerial posts, and having graduated from vocational college are evaluated as being useful.

²² With regard to core personnel, the questionnaire form defined these as “permanent employees who, irrespective of their position, are in charge of core duties at your company and could not be replaced by another employee. However, this excludes the company representative.”

²³ The other options were “Regions outside the major metropolitan areas,” “About 50:50 major metropolitan areas and other regions” and “Do not know.”

Table 5. Analysis of Whether or Not There Are Useful Migrants

Analysis of whether or not there are useful migrants	Coef.	z	P>z	dy/dx
Occupation pursued by the migrant employed				
Specialist or technical post	0.08	0.53	0.595	0.02
Managerial post	0.53	2.91	0.004	0.10
Clerical	0.06	0.40	0.688	0.01
Sales	-0.10	-0.59	0.558	-0.02
Service	-0.17	-0.70	0.482	-0.03
Transport or communications	-0.39	-1.32	0.188	-0.08
Manufacturing process or labor	-0.33	-1.60	0.111	-0.06
Age of the migrant employed at the time of employment				
Under 20	-0.01	-0.02	0.983	0.00
30s	0.52	4.02	0.000	0.10
40s	0.05	0.37	0.708	0.01
50s	0.55	2.86	0.004	0.11
60 or over	0.31	0.73	0.467	0.06
Highest level of education attained by the employed migrant				
High school	0.05	0.34	0.731	0.01
Vocational college	0.23	1.70	0.089	0.04
Junior college or technical college	-0.07	-0.44	0.660	-0.01
University (humanities)	-0.11	-0.80	0.423	-0.02
University (sciences)	-0.07	-0.53	0.595	-0.01
Graduate school	0.21	1.12	0.264	0.04
Employment route				
Migration fair	0.15	0.65	0.516	0.03
Prefectural settlement promotion organization	0.72	1.75	0.080	0.14
Public Employment Security Office	0.12	0.95	0.342	0.02
Private sector employment/outplacement support company	0.06	0.36	0.721	0.01
Company information session/employment seminar, etc.	-0.07	-0.40	0.686	-0.01
Own company's website	0.17	1.31	0.189	0.03
Job search/transfer magazine	0.04	0.19	0.847	0.01
Newspaper advertisement/leaflet	-0.53	-1.98	0.047	-0.10
Introduction/recommendation by an educational institution/teacher	0.08	0.47	0.638	0.02
Information introduced by a local person	0.30	1.63	0.104	0.06
Information introduced by an employee of the company	0.23	1.58	0.114	0.04
Information introduced by a client	0.08	0.38	0.705	0.02
Other employment route	-0.04	-0.14	0.885	-0.01
Management strategy				
(Reference group: "maintaining the status quo," "other," and "do not know")				
Dummy for responding "diversification of business" even just once during the three years	-0.14	-0.97	0.332	-0.03
Dummy for responding "prioritization of business" even just once during the three years	0.23	1.91	0.056	0.05
Dummy for responding "expansion of the scale of existing business" even just once during the three years	0.41	3.35	0.001	0.08
Dummy for responding "reduction of the scale of existing business" even just once during the three years	-0.58	-1.71	0.088	-0.08
Dummy for responding "adding value to products/services" even just once during the three years	0.34	2.89	0.004	0.07
Dummy for responding "reducing personnel costs" even just once during the three years	0.08	0.54	0.592	0.02
Most migrants came from metropolitan areas	0.16	1.39	0.163	0.03
Mid-career hires as a proportion of migrants	0.37	2.14	0.032	0.07
Constant term	-2.42	-8.38	0.000	

Table 5. Analysis of Whether or Not There Are Useful Migrant (*Continued*)

Whether or not the company employed a migrant	Coef.	z	P>z
Permanent employee deficiency	0.09	0.98	0.326
Core personnel deficiency	0.29	4.70	0.000
Management strategy (Reference group: "maintaining the status quo," "other," and "do not know")			
Dummy for responding "diversification of business" even just once during the three years	0.02	0.20	0.840
Dummy for responding "prioritization of business" even just once during the three years	0.00	0.05	0.962
Dummy for responding "expansion of the scale of existing business" even just once during the three years	0.13	1.92	0.054
Dummy for responding "reduction of the scale of existing business" even just once during the three years	-0.24	-1.84	0.065
Dummy for responding "adding value to products/services" even just once during the three years	0.31	4.88	0.000
Dummy for responding "reducing personnel costs" even just once during the three years	-0.08	-1.03	0.303
Permanent employee employment policy (Reference group: "maintaining the status quo")			
Dummy for responding "policy of increasing them, with a focus on hiring new graduates" consistently throughout the three years (2006-2008)	0.20	2.55	0.011
Dummy for responding "policy of increasing them, with a focus on hiring people mid-career" consistently throughout the three years (2006-2008)	0.19	1.95	0.052
Dummy for responding "policy of reducing them" consistently throughout the three years (2006-2008)	-0.12	-0.75	0.452
Number of permanent employees	0.00	9.37	0.000
Number of non-permanent employees	0.00	-0.48	0.634
Ordinary profit	0.00	0.35	0.729
Primary industry	0.41	1.47	0.141
Tertiary industry	0.15	2.31	0.021
Constant term	-1.30	-12.99	0.000
Number of obs	1893		
Censored obs	1253		
Uncensored obs	640		
Wald chi2(39)	103.26		
Prob > chi2	0.00		
Log likelihood	-1420.52		

Moreover, if we look at what kind of companies value migrants, we can see that companies with a high proportion of mid-career hires amongst the migrants whom they have employed, which have the prioritization of business and which are aiming to expand their scale and add value to their products/services as their management strategy, value migrants as useful.

(2) Analysis of the Factors Relating to the Desire to Employ Migrants in the Future

Next, we have analyzed "whether or not the company wants to employ migrants if possible, when hiring permanent employees in the future." This means looking at whether

migrants are valued as being, or are anticipated to be more desirable than local personnel.

With regard to the dependent variable, the dummy variable is set at 1 if the respondent answered “We want to employ a migrant” or “If we had to choose, we would like to employ a migrant” to the question “In the future, when hiring permanent employees, would you like to hire a migrant, or would you prefer to employ someone other than a migrant?,” and at 0 if they answered anything else (“Either is fine,” “If we had to choose, we would prefer to employ someone other than a migrant,” or “We would like to employ someone other than a migrant”).

The independent variable focused on here is “Actually useful ability.”²⁴ This involved respondents answering the question, “In regard to migrant employees with useful abilities unique to migrants, what specific abilities are useful? If you have multiple employees of this nature, please answer based on an average for them.” Respondents were then asked to rate nine abilities on a scale of 1 to 5, according to the degree to which they were applicable. In the estimates, dummy variables were created with regard to these nine abilities, respectively, setting those answering “1. Agree” or “2. Somewhat agree” at 1 and all others at 0. Then, the dummy variables other than those showing strong mutual correlations were used as independent variables.

The abilities are “1. Their experience of having conducted sales activities or trade in regard to large companies is useful,” “2. Their experience of working in a large company is useful,” “3. Their connections or interpersonal networks at companies or groups outside the prefecture are useful,” “4. Their qualifications are useful,” “5. Their business sense, which differs from that of personnel from within the local prefecture, is useful,” “6. Their high level of skill is useful,” “7. Their abundant, wide-ranging knowledge is useful,” “8. Their experience, which personnel from within the local prefecture do not have, is useful,” and “9. Their behavior, unconstrained by local limitations, is useful.”

Moreover, another question about useful skills has been used. This is a question asking “If you were to choose from the following, which specific abilities are actually useful amongst the useful abilities unique to migrants?,” with respondents selecting the most applicable options from 15 possible options (multiple responses possible). Any that were chosen are set as dummy variables with a value of 1. The 15 abilities are “enthusiasm and being proactive,” “being cooperative,” “originality,” “leadership,” “sincerity and steadfastness,” “ability to think logically,” “ability to negotiate,” “ability to take action and get things done,” “sense of responsibility,” “consideration for others,” “communication skills,” “planning ability,” “management ability,” “other” and “nothing in particular.” These were also narrowed down to a number of variables in light of their correlation, before being included in the estimates.

Other independent variables included “the proportion of migrants who are useful.”

²⁴ In the case of this variable, only those companies which responded “The migrant(s) employed is (are) useful” responded. Consequently, only these companies are the target of this analysis.

Table 6. Analysis of Whether a Company Wishes to Employ a Migrant in the Future

Desire to Employ Migrants in the Future	Coef.	z	P>z	dy/dx
Proportion of migrants who are useful	-0.07	-0.86	0.387	-0.02
Actually useful abilities				
Connections or interpersonal networks at companies or groups outside the prefecture	-0.58	-1.46	0.145	-0.13
Business sense that differs from that of personnel from within the local prefecture	0.71	2.59	0.010	0.21
High level of skill	-0.37	-1.23	0.217	-0.11
Actually useful abilities				
Enthusiasm and being proactive	-0.15	-0.53	0.593	-0.04
Originality	-0.14	-0.32	0.748	-0.04
Ability to think logically	0.60	2.00	0.046	0.18
Ability to take action and get things done	-0.08	-0.28	0.776	-0.02
Communication skills	-0.02	-0.05	0.957	0.00
Management ability	0.65	1.91	0.056	0.20
Management strategy for the next three years (Reference group: "maintaining the status quo," "other," and "do not know")				
Diversification of business	0.43	1.15	0.249	0.13
Prioritization of business	0.28	0.84	0.400	0.08
Expansion of the scale of existing business"	0.22	0.59	0.555	0.06
Reduction of the scale of existing business	0.25	0.35	0.723	0.08
Adding value to products/services	0.06	0.19	0.846	0.02
Reducing personnel costs	0.05	0.11	0.912	0.01
Employment policy for the next three years (Reference group: "maintaining the status quo")				
Increasing employees, with a focus on hiring new graduates	0.26	0.73	0.468	0.07
Increasing employees, with a focus on hiring people mid-career	-0.03	-0.06	0.949	-0.01
Reducing employees	0.81	1.61	0.107	0.27
Human resource development policy for the next three years (Reference group: "emphasizing the development of all personnel in the workplace," "no particular emphasis on developing one or the other," and "other")				
Emphasizing the development of permanent employees	0.11	0.30	0.764	0.03
Emphasizing the development of permanent employees who are core person	0.03	0.09	0.931	0.01
Mid-career hires as a proportion of migrants	0.28	0.70	0.484	0.08
Most migrants came from metropolitan areas	0.65	2.30	0.021	0.17
Permanent employee deficiency	-0.15	-0.36	0.721	-0.04
Core personnel deficiency	0.50	1.67	0.094	0.13
Number of permanent employees	0.00	0.45	0.655	0.00
Number of non-permanent employees	0.00	-0.86	0.389	0.00
Ordinary profit	0.00	-0.62	0.537	0.00
Primary industry	-0.09	-0.08	0.936	-0.02
Tertiary industry	-0.11	-0.39	0.700	-0.03
Constant term	-2.04	-2.67	0.008	
Number of obs	162			
LR chi2(30)	42.67			
Prob > chi2	0.06			
Pseudo R2	0.24			
Log likelihood	-69.21			

This asks about the proportion of those who have useful skills, qualities or experience only found amongst migrants, based on a five-stage categorization. Moreover, the independent variables also included the "proportion of migrants employed who were hired mid-career" and the "most migrants came from metropolitan areas" dummy.

The results of the estimate are shown in Table 6. Looking at the variables on which this focuses, we can see that “business sense that differs from that of personnel from within the local prefecture,” “ability to think logically,” and “management ability” are positively significant in regard to the abilities that are actually useful. This demonstrates that the companies which responded that these abilities were useful have a desire to employ migrants in the future as well. Moreover, “most migrants came from metropolitan areas” was also positively significant. With regard to other variables, “core personnel deficiency” was also positively significant. This suggests that the companies with these characteristics wish to employ migrants in the future.

If we interpret these results in terms of the attributes of migrants, we can say that this shows that people with management ability and business sense that differs from that of people from within the local prefecture, people with experience in metropolitan areas, and people who have the potential to become core personnel will be required in the future.

3. Summary

In this section, an econometric empirical analysis was carried out concerning the actual status of the utilization of migrants by companies located in regions outside the three major metropolitan areas, with the main focus being placed on “whether they are useful” and “whether companies would like to employ migrants in the future.” This has clarified what kind of migrants companies located in these regions value and would like to employ in the future, as well as what kind of companies located in these regions value migrants and would like to employ them in the future.

IV. Conclusion

The objectives of this study were to consider the promotion of migration from Japan’s three major metropolitan areas to regions outside those areas, and to examine the potential for the activation of endogenous employment creation in such regions by using migrants. The issues behind this were concerns that, due to external diseconomies and other factors, population decline in these regions and economic disparities with the three major metropolitan areas will not be resolved smoothly, unless a policy-based approach is adopted.

Measures adopted to deal with these problems have included government-funded employment creation initiatives and measures to attract companies to specific areas. However, in light of the necessity of fiscal reconstruction and the advance of globalization, there are limits to the extent to which both of these means can continue to be used in the future.

Based on the awareness of this problem, measures for promoting migration from the three major metropolitan areas to other regions were examined first of all. The implications inferred from this are as follows.

Firstly, one can say that it is necessary to guide desired annual income downwards in order to increase the probability of finding a job, but in order to do so, it is important to

adopt a response focused on developing and publicizing a good living environment, or enabling those living in the three major metropolitan areas to make friends and acquaintances amongst those living in other regions.

Moreover, in order to increase the probability of realizing relocation, as well as providing a diverse range of detailed information about the relocation destination, it is necessary to facilitate the sale of owner-occupied houses in the metropolitan areas.

In addition, based on these implications, this study has pointed out, using examples, the possibility that interaction between those living in the three major metropolitan areas and those living in other regions will be important in promoting migration.

Following on from this analysis, this paper discussed the activation of endogenous employment creation in regions outside the three major metropolitan areas. The implications derived from this are as follows.

Firstly, it was ascertained that the companies which value migrants highly are those which have the prioritization of business and which are aiming to achieve an expansion in scale and add value to products/services as their management strategy. Moreover, the migrants who are valued highly by companies are those in their 30s or 50s, who are in managerial posts, who graduated from vocational college, and who have been hired mid-career.

Consequently, there is the potential to be able to activate endogenous employment creation by promoting “matchmaking” between companies with these kinds of management strategy and migrants in general, as well as promoting migration by people with the aforementioned attributes.

It was also ascertained that the following types of company wish to employ migrants in the future: companies which responded that the “business sense that differs from that of personnel from within the local prefecture” and “management ability” of migrants are useful, companies that have employed a large number of “migrants from metropolitan areas,” and companies that have a “core personnel deficiency.”

Accordingly, there is a possibility that supplying migrants to the aforementioned types of company will activate endogenous employment creation. Moreover, if we interpret this with reference to the attributes of migrants, it suggests that migrants with business sense that differs from that of personnel from within the local prefecture, migrants with experience of working in metropolitan areas, and migrants who can become core personnel are required, so it would seem that it is important to implement some kind of “matchmaking” in regard to such migrants.

This brings to a close the conclusions drawn from this study. If it were possible to promote migration to regions outside the three major metropolitan areas by means of the aforementioned methods, it is likely that this would lead to the reduction or resolution of the problem of population decline in those regions, as well as reducing economic disparities between them and the three major metropolitan areas. Moreover, this study suggests that migrants have the potential to contribute to the activation of endogenous employment creation in regions outside the three major metropolitan areas, so it is possible that one could

expect the promotion of migration to resolve or reduce economic disparities through this kind of effect.

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JILPT Research Activities

International Workshop

On February 28 and 29, 2012, The Japan Institute of Labour Policy and Training (JILPT) hosted the 11th JILPT Comparative Labor Law Seminar in Tokyo, an event used to address the theme of “System of Employee Representation at the Enterprise.” In order to hold cross-national discussions and conduct comparative analyses on the above theme, we invited researchers from ten countries: Australia, China, France, Germany, Korea, Sweden, Taiwan, the UK, the U.S. and Japan. We discussed the issue of employee representation systems focusing on historical and legal frameworks, as well as actual conditions such as the organization, function, dysfunction and relationship with collective bargaining, including the perspectives of evaluation and future trends.

The submitted papers will be published and are scheduled to be posted on the JILPT website (<http://jil.go.jp/english/index.html>) in due course. The list of speakers and submitted papers is as follows:

Hisashi Takeuchi-Okuno (Japan), *System of Employee Representation at the Enterprise in Japan.*

Bernd Waas (Germany), *Employment Representation at the Enterprise in Germany.*

Sylvaine Laulom (France), *System of Employee Representation at the Enterprise in France.*

Jenny Julén Votinius (Sweden), *Employment Representation at the Enterprise in Sweden.*

Ruth Dukes (U.K.), *System of Employee Representation at the Enterprise in U.K.*

Cheol-Soo Lee (Korea), *System of Employee Representation at the Enterprise in Korea.*

Chin-Chin Cheng (Taiwan), *The Labor-Management Council System in Taiwan.*

Shangyuan Zheng (China), *Chinese Staff Congress System: The Past, Present and Future.*

Orly Lobel (U. S. A.), *System of Employee Representation at the Enterprise in U.S.A.*

Anthony Joseph Forsyth (Australia), *System of Employee Representation at the Enterprise in Australia.*

Research Reports

The findings of research activities undertaken by JILPT are compiled into Research Reports (in Japanese). Below is a list of the reports published from November 2011 to January 2012. The complete Japanese text of these reports can be accessed from the JILPT website (<http://www.jil.go.jp/institute/pamphlet/>). We are currently working on uploading abstracts of reports in English onto the JILPT website as well (<http://www.jil.go.jp/english/>).

Research Papers

No.140 *Employment and Economic Autonomy among Single Mothers* (January 25, 2012).

Discussion Papers

- DPS-11-07 *Estimates of Employment Demand in Regional Growth Areas: Electrical and Transport Machinery Production* (December 2011), Satoshi Nakano.
- DPS-11-06 *How Young People Respect Themselves and Career Guidance Giving Due Consideration to Their Self-Respect* (November 2011), Hideo Shimomura.
- DPS-11-05 *Social Networking in Labor Organizations and Restructuring of the Meso-Level Coordination: Future of Industrial Relations, Vocational Training, and Advocacy in the U.S.* (October 2011), Ken Yamazaki.

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