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## 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.

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