
Introduction

Long-Term Unemployment: Current Status and Countermeasures

In June 2013 the administration of Japanese Prime Minister Shinzo Abe released a long-term growth strategy, which included the target of reducing the number of the long-term unemployed (persons who have not worked for six months or more) by 20% over five years. With Japan in recovery following the global financial crisis of the late 2000s, and emerging at last from many years of deflation, the labor market is steadily gaining strength. Some sectors, such as construction, are actually suffering from understaffing, with not enough workers to fill the available positions as the country rebuilds infrastructure following the 2011 Great East Japan Earthquake and prepares for the 2020 Tokyo Olympics. With a resurgent economy and shortages of workers in some industries, enterprises, especially major corporations, have agreed to significant wage increases during the last two years' annual springtime labor-management negotiations. Thanks to an increasingly robust economy, the total unemployment rate had fallen to 3.4% in March 2015, according to the Labour Force Survey by the Ministry of Internal Affairs and Communications (MIC), putting the nation close to universal employment. However, while the overall drop in the unemployment rate is cause for celebration, the picture is more sobering when one more closely examines which workers are managing to exit the pool of the unemployed, and which are not. A cause for anxiety is the number of the long-term unemployed.

According to the article herein by Takehisa Shinozaki, the percentages of the long-term unemployed (who have not worked for six months or more) have been declining over the past few years, but as of 2014 still stood at 2.4% of men and 1.4% of women. In 2010, with Japan reeling from the financial crisis, these figures stood at 3.5% (men) and 2.0% (women).

It is obvious that job-seeking support for the long-term unemployed is even more important and necessary than for their short-term unemployed counterparts. Long periods of unemployment result in declining incomes, growing poverty, and an accompanying rise in public assistance payouts and other social welfare costs. They can also cause *hikikomori* (withdrawal from society) and loss of self-esteem, making it that much more difficult for the long-term unemployed to rejoin society and return to work. In addition, long-term unemployment causes human capital accumulated over the years to deteriorate and productivity to decline, meaning that even when people are hired it is only at low-wage jobs with uncertain terms of employment. As discussed in the article by Naoki Mitani, "unemployment exit probability" is negatively dependent on duration of unemployment. In other words, the longer the duration of unemployment, the lower the probability of exiting unemployment becomes, meaning it is all the more vital to provide job seekers with support so they can achieve re-employment before entering the ranks of the long-term unemployed.

Before formulating measures to combat long-term unemployment, it is vital to iden-

tify the characteristics of the population in question. Mitani's article notes the high incidence of long-term unemployment among younger people, who constitute 30–40% of the long-term unemployed, an incidence that has been trending upward over the past two decades regardless of changes in economic conditions.

This special edition aims to clarify the current status of long-term unemployment, related challenges, and effective countermeasures. The first half contains an outline and theoretical examination of problems on long-term unemployment, and a chronological overview of long-term unemployment in Japan, with the relevant issues identified. The second half discusses the country's measures to combat long-term unemployment.

Mitani's article presents a theoretical survey of mechanisms behind the occurrence of long-term unemployment, including labor demand factors, labor supply factors, and institutional factors. Within the framework of the analytical method known as duration analysis, two main factors are identified: overall unemployment rates and negative duration dependency in the probability of exit. The article focuses in particular on the second factor, and theoretically outlines the mechanism behind this negative duration dependency. When adopting a labor demand side approach, factors that emerge are labor markets with asymmetric information that are disadvantageous to the long-term unemployed during screening of recruits, and the ranking rule in which companies hire the worker with the shortest unemployment duration. On the labor supply side, the article notes an equilibrium in which unemployment periods are prolonged by deterioration of human capital, for which there is strategic compensation through market externality. It also discusses the impact of unemployment insurance systems and employment regulations on long-term unemployment. Finally, the article summarizes problems caused by long-term unemployment in terms of impact on wages, persistence of unemployment, and happiness levels.

The article by Shinozaki, based on a 2004 paper by the same researcher, tracks changes in long-term unemployment from 2004 and particularly after the financial crisis through the Labour Force Survey and the Basic Survey on Employment Structure (MIC), and performs an analysis of factors behind the rise in the number of the long-term unemployed after the financial crisis. Key factors contributing to this rise were an increase in long-term unemployment in particular, an increase in the unemployment rate in general, and the growth of the labor force population. According to Shinozaki's analysis, the second factor (growth of the overall unemployment rate) is the primary driver of rising numbers of long-term unemployed, with a $\frac{3}{4}$ contribution weight, while the weight of contribution of the first factor (increase in the long-term unemployment rate) was also $\frac{1}{3}$ to $\frac{1}{4}$. The article also notes that the long-term unemployment rate is higher in Japan's three main metropolitan areas than in more rural areas. However, there are significant numbers of long-term unemployed in rural regions as well, and long-term unemployment there tends to be more persistent than in cities.

Based on the above-described situation in Japan today, the second half of this special edition examines the impact of long-term unemployment on the nation, countermeasures by

Public Employment Security Offices, and efforts to combat long-term unemployment from a legal standpoint.

The article by Atsushi Sannabe identifies decreasing rates of occupational inheritance as one factor behind rising long-term unemployment and worklessness. Inheritors (children) acquire human capital, physical capital, and human networks from their parents, making it less likely they will become unemployed or jobless. There is a strong relationship between human networks and long-term unemployment, in that loss of employment disrupts human networks, contributing to prolongation of unemployment, while those who have never had strong human networks to begin with have difficulty in securing re-employment once unemployed, exacerbating long-term unemployment. In short, forming and maintaining ties with others is of crucial importance.

Eiichi Nomura's article gives an overview of the Comprehensive Support Project for the Long-term Unemployed, led by the Ministry of Health, Labour, and Welfare (MHLW), and its effects. In this project, public Employment Security Bureaus have teamed up with private-sector employment placement businesses to provide job-seeking support for the long-term unemployed. The project is characterized by its two-pronged approaches, with concurrent job-seeking support and employment opportunity development, and joint support from Public Employment Security Offices and private-sector employment placement businesses. Another feature is follow-up support for stabilization in the workplace after job seekers have been matched with employers. In fiscal 2013 the number of job seekers receiving support was 4,120, of which 3,050 achieved job placement.

Finally, Yasuyuki Konishi's article examines the question of how the legal system should be improved so as to reduce long-term unemployment. Article 27 of the Constitution of Japan is interpreted as obliging the Japanese government to provide work opportunities suited to individual aptitudes and abilities. However, due to an employment system encouraging workers to accumulate human capital that only has value within internal labor markets, and the failure of skills to keep pace with the rapid advance of technological innovation, an increasing number of workers are not receiving these constitutionally guaranteed employment opportunities. These workers are prone to unemployment, which is apt to be prolonged if they are supported by public assistance. As for approaches to tackling long-term unemployment, two changes to the labor environment are required. One is to create an environment where workers can increase their employability by adapting flexibly to the labor market and obtaining the skills that the market currently requires, and the other is to foster an environment where workers can autonomously achieve professional self-fulfillment.

The above is a summary of this special edition.

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