

Abstracts

The Concept of Mismatch in the Labor Market

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Over the last few years, mismatch in the labor market has been the subject of controversy. In the background, among developed countries, unemployment rates remain stuck at high levels after the Lehman shock. In this paper, we survey the literature on mismatch models of the labor market, and point out that the concept of mismatch is different with each model. First, we argue that the search friction generates mismatch in the labor market. After that, we introduce that there are two types of literature for mismatch. The first type studies mismatch in the labor market and points out that theoretical results heavily depend on when the productivity of the match is revealed. The second type analyzes the mismatch between labor markets and explains the reason why there exist unemployed workers and vacancies at the same time. In this literature, authors argue that some labor markets have excess (unemployed) workers and some have excess (vacant) jobs due to imperfect mobility between different industries. Finally, we discuss how researchers measure the degree of mismatch in the real labor market.

An Analysis of the Difference between Areas of Occupational Mismatch

Hitoshi Sato (Reitaku University)

This paper describes the employment mismatches in the Japanese regional labor market. We measure these mismatches using the mismatch index (see Jackman and Roper 1987). The mismatch index uses regional or industry vacancies rates and unemployment rates, and constructs aggregate indices based on the imbalances between these. In particular, we calculated the mismatch index following Jackman and Roper (1987) for the recent eleven years (2001-2011) by region and occupation. We can observe the downward trend and the expansion of the differences in occupational mismatch in boom periods. On the other hand, we can observe the upward trend and the reduction of differences in occupational mismatch in recession periods. Furthermore, we perform panel data analysis in order to clarify the relationship between the mismatch index, and social and economic factors. We find a very significant contribution from the educational background of the worker, the job opening-to-application ratio and the employment rate.

The Labour Law Policy of Mismatch between Labour Supply and Demand

Keiichiro Hamaguchi (The Japan Institute for Labour Policy and Training)

The basic framework of Japanese labour market legislation is based on the job model in which labour supply and demand are matched by signaling their concrete job skills and working conditions. The mismatches between them should be minimized with measures such as public job exchanges, unemployment benefits and public vocational training. In contrast, in the membership model, which is typical in the regular workers in the larger companies, such measures to minimize mismatch are less effective because the potential ability to perform any job or to be trained is more important. Japanese labour policy had been oriented to the job-model until early 1970s, with measures such as job analysis, vocational training, skill certification and a job-based quota system for middle-and-older workers. After the oil crisis, however, it changed its course to the policy that placed "employment security" above anything else. Its mismatch measures disregard the job and the skills, and are concentrated on the financial support to the companies. The 1990s passed with the slogan of "self enlightenment." In the 2000s, it has been inclined to the job model policy, with measures such as public vocational training and skill certification. Such policy orientation is, however, not shared with major politicians and has been targeted as "useless" in the policy classification.

Mismatch and Labor Market Institution: The Role of Short-time Work Subsidy during the Recent Crisis

Ryo Kambayashi (Hitotsubashi University)

In this article, we examine the labor market mismatch due to the short-time work

subsidy (Koyo Chosei Jyosei Kin) in Japan during the current financial crisis. Although Japan has experienced a large negative output shock since 2008, the unemployment rates have not risen as much as in other OECD countries. As discussed in Hijzen and Venn (2010), a policy of short-time work subsidy can be responsible for the increased labor hoarding during this period. To empirically confirm the effect of subsidy, we employ an endogenous job destruction model according to the text book of Pissarides (2000) that was originally developed by Mortensen and Pissarides (1994). The model suggests that the empirical shift of the Beveridge curve may be affected by the change of threshold productivity of job destruction. If the subsidy disturbed the decision-making of employers to destruct unproductive jobs, the Beveridge curve would have shifted more without the effects of the subsidy. The data in matching markets from the Public Employment Agency between 2008 and 2012 actually imply that the shift in the Beveridge curve is negatively correlated with the short-time work subsidy.

Employment Mismatch and the Doctrine of Abusive Dismissal

Yoichi Shimada (Waseda University)

It is often said that there is a large quantity of employment mismatch in Japanese enterprises and a necessity to dissolve it to make the most of human resources. The article analyzes whether the doctrine of abusive dismissal established by case law is preventing dissolution of employment mismatch in Japanese enterprises. According to this theory, when an employer dismisses an employee, he has to objectively demonstrate reasonable grounds, and is required to exercise the right to dismiss with social adequacy. This theory is strongly influenced by Japanese labor relations as lifetime employment. It is, therefore, proper that the doctrine of abusive dismissal has the function to promote employment security and to maintain employees' jobs. At this moment, it is true that there is not any proof that this doctrine has not been modified by statute law, taking into account the adjustment of employment by Japanese enterprises up to now. But, it is also necessary to modify the doctrine of abusive dismissal in order to accommodate the changes in the economic situation and employment relations since 1990s, though it will take a lot of time to modify the doctrine of abusive dismissal as case law. For that reason, it is appropriate to study legislative design concerning procedures for dismissals as a means of employment adjustment and measures to settle disputes for dismissals other than reinstating the dismissed worker in order to dissolve employment mismatch in enterprises.

Young and Old in the Labor Market : Are They Competing for Jobs?

Souichi Ohta (Keio University)

The Japanese government is now taking steps to enhance employment of workers of 60 years or older by making the continued employment rule stricter, in order to cope with the upcoming aged society. At the same time, it declares that combating joblessness and unstable employment among youth is the top government priority. Little is known about, however, whether there is any trade-off between these two policy goals. This paper addresses this problem. It was first argued that continued employment can affect youth hiring via several different routes. Substitution and complementary nature between the jobs and prolonged average tenure of old workers are the main sources of such effects. After reviewing the relevant literature, this paper empirically investigates the relationship between employment of the elderly and youth hiring, using yearly published data on employment classified by industry (two-digit classification) from the "Employment Trend Survey" between 2004 and 2008. Regressions are run using youth hiring rates as dependent variables and a proxy variable for the aging of employees (the number of workers 60 years or older divided by the number of workers 55 years or older) as an independent variable. The results show that the proxy for aging of male employees is sometimes negatively associated with the hiring of young workers only after 2006. The strongest effects are obtained for part-time workers (mainly female), and for the entire sample period, male workers in the construction industry. Thus, some degree of trade-off seems to exist between the employment of the elderly and the hiring of young workers.

Finally, this paper proposes a remedy to overcome this trade-off: establishing job and wage “sharing” and promoting “a complementary nature” between different generations of workers in each firm.

International Repatriation: An Empirical Investigation of Factors Related to Organizational Readjustment

Yoko Naito (Hokkaido University)

With the expansion of the global economy, the number of expatriates is increasing in Japanese multinational corporations. This study empirically examines factors related to readjustment to multinational corporations in Japan. Reviewing the literature, dependent variables are comprised of three dimensions concerning ‘organizational readjustment’, which are ‘readjustment to the job,’ ‘readjustment to the group and team,’ and ‘readjustment to the style of Japanese companies’. On the other hand, independent variables are derived from ‘individual factors,’ ‘organizational factors related to the institution,’ and ‘organizational factors related to the job’. Based on the results of the multiple regression analysis, we suggest that (1) it is important to pay attention to all factors that affect the three dimensions of ‘organizational readjustment’, (2) ‘organizational factors related to the job’ is a key determinant of ‘organizational readjustment’, and (3) the family of each repatriate needs support for readjusting to life in Japan. Implications of the results for research and practice are discussed.