

Abstracts

Business Cycles and Labor Market

Hiroaki Miyamoto (Former University of Tokyo)

This study documents stylized facts about the cyclical behavior of the labor market and surveys existing theoretical studies that examine labor market fluctuations over business cycles. To examine the cyclical behavior of the labor market is important for not only economists but also policymakers. In this paper, methods to analyze the cyclical behavior of economic variables based on data are explained, and how Japan's labor market variables fluctuate over business cycles is overviewed. Then, two important models for analysis of labor market fluctuations over business cycles—a real business cycle model and a search and matching model—are introduced. This paper examines the availability of the two models for analysis of the observed cyclical properties of the labor market.

Revisiting UV Curve and Wage Phillips Curve from the DSGE View

Masataka Eguchi (Komazawa University) , **Kazuhiro Teramoto** (New York University)

This article examines the outward shift in the Beveridge curve and flattening of the wage Phillips curve after 1990 in Japan through the lens of the DSGE model. The characteristic of Japan's labor market in recent years is that it is difficult to lower the unemployment rate even if there are more job openings, and wages are sluggish despite the declining unemployment rate. We incorporate search and matching labor market friction into a medium scale DSGE allowing a wide variety of structural shocks, such as technology, monetary policy, and matching efficiency shocks. The aim of this article is to understand how these shocks have impact on the shape of the Beveridge curve and the wage Phillips curve through simulating a model. The main findings are as follows. First, the matching efficiency shock is the only shock to shift the Beveridge curves by moving job openings and unemployment rates in the same direction. Second, the matching efficiency shock is also the only one that creates a flat wage Phillips curve, whereas the other shocks result in a downward curve. Thus, only matching efficiency shocks will result in both UV curve shifts and flat wage version Phillips curves. However, since other shocks create UV curves with a breadth, as long as the UV curve and the wage Phillips curve fluctuate within the range of width, we cannot judge whether matching efficiency has changed. Therefore, it will be necessary to estimate the models with data and identify what shocks have driven the fluctuation of unemployment for more precise analysis of Japanese labor market.

The Role of a National Shock in Fluctuations in Japanese Employment

Keiko Tamada (Fukuoka University)

The unemployment rate in Japan varies from region to region. The source of variations in unemployment between regions is unobservable. If national shocks mostly explain the total shocks, implementing a common national employment policy is desirable. However, if regional shocks mostly explain the total shocks, implementing region-specific employment policies is desirable. Thus, analyzing the role of a national shock in employment fluctuations is important to understand whether to implement a national employment policy or region-specific employment policies. We extract employment data by regions from the Labour Force Survey over the period 1983: Q2–2016: Q4. We break down the sources of fluctuations in employment by region into national shocks, international shocks, and region-specific shocks. We use the Space-state model to estimate unobserved national shocks. Our results show that national shocks and international shocks are less significant than region-specific shocks in every region. National shocks in the Kitakanto-Koshin region account for 24% of the variation in total shocks, and the Minamikanto region explain only 2%. We also estimate time variations in national shocks' share using rolling estimation, and find that national shocks' share explains about 3%–15% on average. Therefore, our analysis suggests that region-specific employment policies are desirable for the Japanese labor market.

Long-term Trends of Employment: A Historical Review

Masaki Nakabayashi (The University of Tokyo)

Non-farm male employment grew rapidly from the 1920s to the 1960s in the absolute amount and in the portion of the workforce, accompanied by the movement from rural to urban areas and from the farm sector to the non-farm sector. Meanwhile, mobility within similar industries and that from and to similar jobs in the non-farm sector was active, and the thick mid-career recruiting market took an essential role as a channel for workers to gain industry specific skills and as a means of employment adjustment. Mirroring the structure of the labor market, surveillance by the Ministry of Labour in 1971 showed that the primary means of employment adjustment then was a reduction in mid-career recruitment. Further, since the market of full-time workers was flexible, a shock absorption by a reduction in temporary workers was not an important means of employment adjustment. Since then, after the "simultaneous recruitment of new graduates at the beginning of the fiscal year" became a predominant channel of recruitment and the midcareer recruiting market diminished accordingly, a reduction in midcareer recruitment has never been a primary means of employment adjustment and a reduction in overtime has been.

Environmental Fluctuation surrounding Business and Labor Law

Atsushi Honjo (Shizuoka University)

This paper focus on the various issues in labor law, among the environmental fluctuations surrounding business, due to cycle-related or structural factors. In Japan, in correlation with fluctuations in environment surrounding business, companies have emphasized that employment of so-called regular employees, as typical workers of large companies, should be maintained while recognizing significant flexibility of personnel affairs within a corporate organization. However, as future uncertainty increases, in light of the position that emphasizes the choice of each individual and his/her personal career, it is preferable to impose incentives to encourage renegotiation. This means the reassessment of "consent" in service contracts, including employment. As the method for companies to procure their labor force is not limited to employment, and expansion of independent contractors is also realistic, it is appropriate to seek better regulations not only from the viewpoint of labor law in a narrow sense, but also from viewpoint of broadly defined "work-rules" including for the self-employed.

Organizational Flexibility and Human Resource Management in Japanese Firms

Tomoyuki Shimanuki (Hitotsubashi University)

Recent progress in employment diversification has resulted in changes in human resource management in Japanese firms. Accordingly, this study explores the characteristics of these changes in the early 2010s from the perspective of organizational flexibility. The study examines whether Japanese firms, by utilizing not only standard employees but also nonstandard employees (e.g., part-time employees and temporary agency workers), have complementary or substitutional relationships between functional flexibility and numerical flexibility. Functional flexibility was operationalized as practices of job rotation and training programs and numerical flexibility was operationalized as the proportion of nonstandard employees and practices of employment adjustment (e.g., dismissal of nonstandard employees and hiring freezes of new standard employees). Survey data from more than 3,000 private firms with over 30 employees were analyzed and results suggested a) *negative* relationships between functional flexibility of standard employees and numerical flexibility of nonstandard employees, b) *positive* relationships between functional and numerical flexibility of standard employees, and c) *positive* relationships between functional and numerical flexibility of nonstandard employees. These findings imply a substitutional relationship between functional flexibility of standard employees and numerical flexibility of nonstandard employees and also complementary relationships between functional and numerical flexibility of standard employees and of nonstandard employees. There is a possibility that, currently, Japanese firms are trying to increase both functional and numerical flexibility of standard employees and of nonstandard employees.