
Labor Turnover and Movement

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I. Introduction

As of January 2011, the number of employed persons in Japan was 44.44 million. Of this number, 14.4%, or 6.41 million people, separated from their jobs during 2011.¹ The fact that 14.4% of employed persons left their jobs in the course of one year supports the perception that Japan is a country in which few people leave their jobs, even when compared to other developed countries.

The general view concerning Japan's labor market is one that sees a low unemployment rate and stable employment. Even as stability in the labor market fluctuates in line with economic fortunes, this view may still be valid in the case of Japan.

Nonetheless, the number of job changers in Japan's labor market is growing compared to past years, and even large enterprises, which previously only hired new school graduates, have become actively involved in mid-career hiring in recent years. Moreover, dismissals by enterprises, and particularly small- and medium-sized enterprises (SMEs), happen more frequently than is thought.

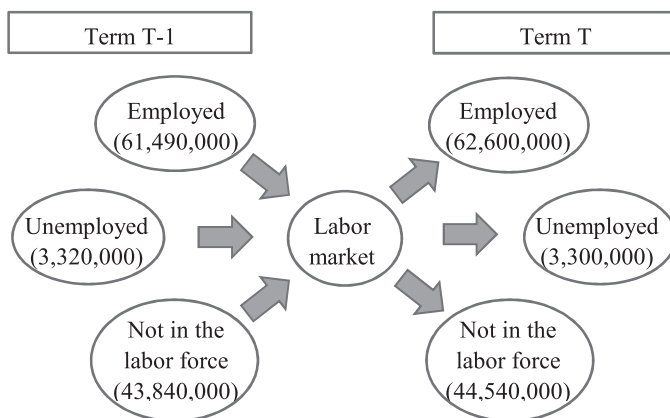
This manuscript presents the Labour Force Survey (Statistics Bureau, Ministry of Internal Affairs and Communications [MIC]) and Survey on Employment Trends (Ministry of Health, Labour and Welfare [MHLW]), which are the main statistical surveys that provide clues to understanding job turnover and movement in Japan.

II. The Stock and Flow of Employment

Figure 1 provides an illustration of job movement in the labor market. The figure shows the labor force status² of people in term T and term T-1. People in each of the terms are employed, unemployed, or not in the labor force. The possibility of change in labor force status from T-1 to T is high. The arrows in the figure signify movement in labor force status. For example, given that it is common in Japan for new school graduates to enter companies in April, these people will move from "not in the labor force" to "employed." At the same time, given that many people who have reached mandatory retirement age will retire in March, those that are retiring will move from "employed" to "not in the work

¹ Here, "separate from job" includes cases of workers' leaving their jobs voluntarily and cases of workers' leaving their jobs at the convenience of the company, such as due to dismissal or closure of a business office.

² The term "labor force status" as it is used here does not refer to an individual's status during employment. Instead, it refers to the status of people included in the working-age population in terms of one of three categories: "employed," "unemployed," and "not in the labor force."



Source: Statistics Bureau, MIC, *Labour Force Survey 2010*.

Note: Figures in parentheses are actual numbers of people.

Figure 1. Illustration of Labor Movement

force.” Generally speaking, it is possible that people who were employed in T-1 are continuing employment in T, or that they are unemployed because they quit or lost their job. It is also possible that they are no longer in the labor force. On the other hand, it is possible that people who were unemployed or not in the labor force in T-1 are now employed in T, or that they remain unemployed or not in the labor force.

In this way, changes in labor force status from T-1 to T can be identified in three tracks each for employed, unemployed, and not in the labor force. This results in a total of nine tracks. The numbers of people in the labor movement of these nine tracks are estimated in the Labour Force Survey.³ An indicator called “transition probability” that is calculated using these estimates is presented in Table 1. For example, the probability that people who were employed in T-1 would still be employed in T is 98.2%. This figure is arrived at by dividing the number of employed people in T by the number of employed people in T-1.

Incidentally, the Labour Force Survey is positioned as the most basic of statistical surveys when analyzing the labor market. This statistical survey is conducted at the end of each month for the purpose of ascertaining the number of employed people, number of unemployed people, and the size of the labor force, and it estimates the labor force participation rate, unemployment rate, etc. The labor force participation rate and unemployment rate respectively show the percentage of people participating in the labor force among people aged 15 years or older and percentage of unemployed people in the labor force participation rate at the time of the survey. They are called stock indicators because they show percentages that reflect labor force conditions at a particular point in time. On the other hand, the above-mentioned transition probability shows the degree of movement of workers from one

³ There are some who claim that figures indicating transition in labor conditions as surveyed in the Labour Force Survey are problematic. For a detailed discussion, see Ota and Teruyama (2003).

Table 1. Transition Probability of the Labor Market

Current employment status (term T)	Employment status of previous year (term T-1)			
	Employed persons (Employees)	Unemployed persons	Not in the labor force	
Employed persons	6001 (98.2%)	36 (10.0%)	81 (1.8%)	
(Employees)		5149 (98.5%)	31 (8.6%)	55 (1.2%)
Unemployed persons	33 (0.5%)	28 (0.5%)	257 (71.4%)	30 (0.7%)
Not in the labor force	80 (1.3%)	50 (1.0%)	36 (10.0%)	4240 (96.2%)

Source: Statistics Bureau, MIC, *Labour Force Survey (Detailed Tabulation) 2012*.

Note: Figures on the top row are actual number of people (10,000 people). Figures in parentheses are transition probability.

term to another term. Thus, it is called a flow indicator. The labor force participation rate and unemployment rate, which are stock indicators, are highly significant as statistical indicators; however, transition probability, which is a flow indicator, is no less significant.

This is because using transition probability makes it possible to analyze movement in the unemployment rate in terms of “employment to unemployment,” “unemployment to unemployment,” and “not in the labor force to unemployment.” For example, when the unemployment rate is rising, a case in which “employment to unemployment” rises and in which “unemployment to unemployment” rises would represent a completely different set of labor market conditions. If only “employment to unemployment” rises, this could suggest that, although many people have lost their jobs, the possibility exists that employment will be created when the economy recovers, thus eliminating unemployment. On the other hand, rising “unemployment to unemployment” would mean that the number of long-term unemployed people is increasing, and this may suggest that creation of employment will be smaller than loss of employment, or that forces that adjust supply and demand in the market are not functioning and therefore generating a growing mismatch. Accordingly, using this flow indicator makes it possible to roughly identify whether variations in the unemployment rate are caused by variations in lost employment and created employment or result because adjustment of supply and demand in the labor market is not functioning correctly.

III. Reasons for Job Separation

Why does labor movement occur? Let us examine this question by first looking at the reasons why people leave their jobs.

One reason people leave their jobs is movement due to the circumstances of their companies. For example, if a company closes a factory as part of a restructuring program and dismisses employees as a result, the people who worked at that factory would be forced to undergo labor movement. Even if the factory's closure does not result in dismissal, there are likely cases in which employees must move to another business office. Additionally, employees who have reached a mandatory retirement age set independently by the company must undergo labor movement.

On the other hand, there are some who resign from their jobs to search for other jobs that offer better conditions. Such cases represent movement due to personal circumstances. And even today there are still many women who leave their jobs for marriage or childbirth; such cases are also movement due to personal circumstances.

So then, which happens more often, movement due to circumstances of the company or movement due to personal circumstances? Two statistical resources are useful in examining this question. One is the Labour Force Survey (Detailed Tabulation) and the other is the Survey on Employment Trends.

First, the special questionnaire⁴ of the Labour Force Survey asks workers directly for the reason they left their previous job. Respondents are permitted to choose from the following as the reason they left their job: "Bankruptcy or close down of office," "personnel retrenchment or encouraged retirement," "slump in business and uncertain future," "retiring age or the term of your employment agreement ended," "to find a better job," "for marriage or childbirth and child-rearing," "for caring aged or sick family member," "for housework or schooling, and because of poor condition of health," and "other." Of these, "bankruptcy or close down of office," "personnel retrenchment or encouraged retirement," "slump in business and uncertain future," and "retiring age or the term of your employment agreement ended" represent job separation due to circumstances of the company. All of the other reasons represent job separation due to personal circumstances.

Figure 2 shows calculated percentages of reasons given for job separation by people whose previous employment was "non-agricultural employee" and who resigned within the past three years, using Labour Force Survey (Detailed Tabulation), which summarizes the results of the Special Questionnaire. According to the figure, some 40% of all resigned workers resigned due to circumstances of their company, and the remainder did so due to personal circumstances.

On the other hand, the Survey on Employment Trends surveys the numbers of the entrances of new employees or resigned workers, circumstances concerning job accession and job separation, and circumstances of unfilled vacancies at targeted business offices in order to clarify the actual circumstances of labor movement and unfilled vacancies. As for

⁴ The questionnaire for the Labour Force Survey comes in two forms, a Basic Questionnaire and a Special Questionnaire. The former surveys the same two months in two successive years, while the latter is used in the second month of the second year. For details, see Annual Report on the Labour Force Survey and the website of the Statistics Bureau, MIC.

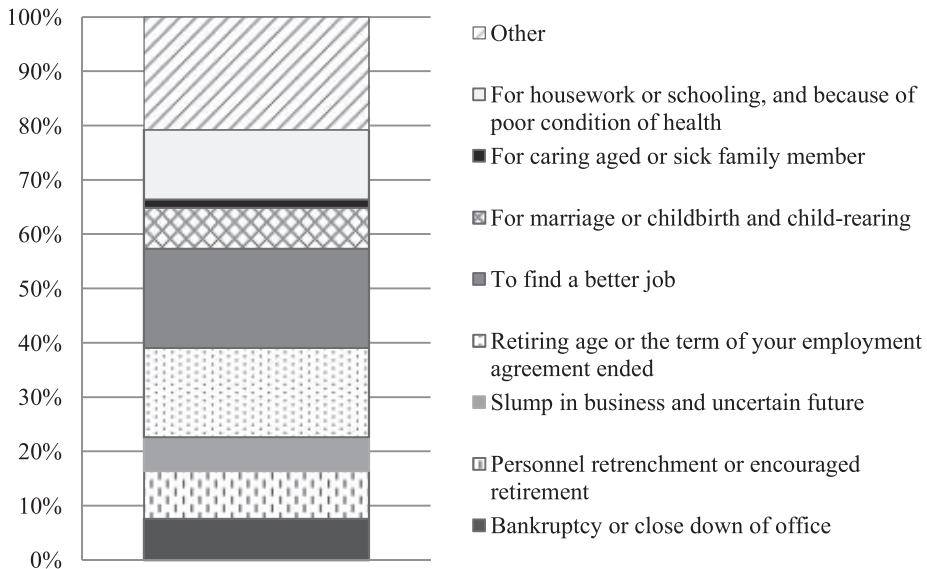


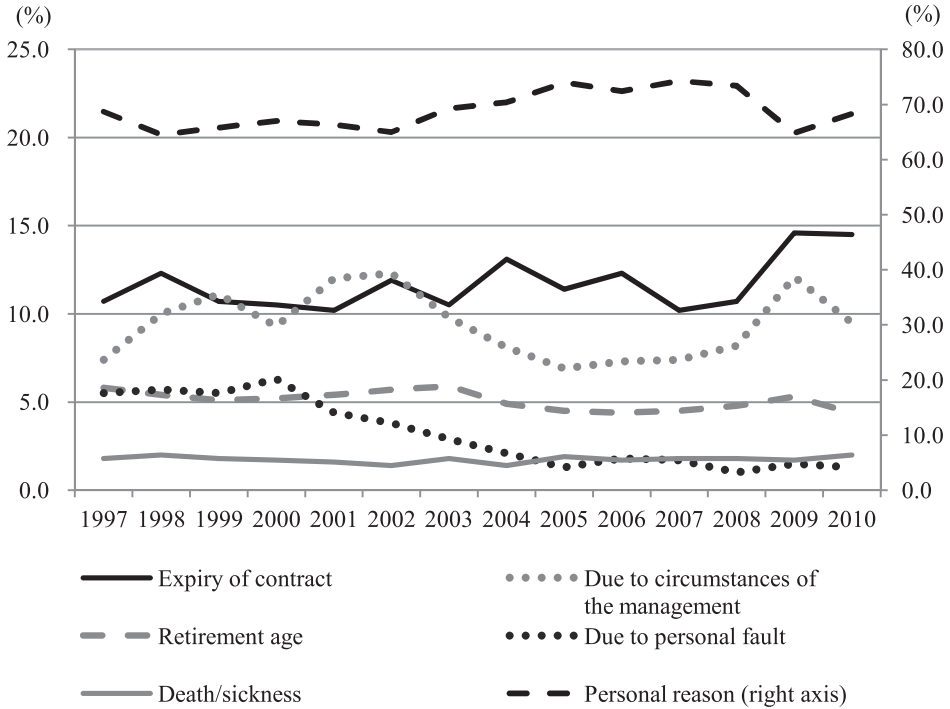
Figure 2. Percentages of Separation Reasons of People Who Resigned from Previous Job within the Past Three Years (Totals of Men and Women)

job separation reasons given by people who left an establishment,⁵ respondents⁶ selected from “expiry of the contract,” “due to circumstances of the management (including management circumstances, secondment, reinstatement, etc.)” “retirement age,” “due to personal fault,” “personal reasons (including marriage, maternity/child care, long-term care, and others),” and “death/sickness.” The options offered here differ slightly from those of the Labour Force Survey. Looking at options that are not included in the Labour Force Survey, “due to personal fault” assumes punitive dismissal and thus is not considered to be leaving a job due to circumstances of the company, and “death/sickness” is considered to be neither due to the circumstances of the company nor due to personal circumstances.

Figure 3 shows changes in percentages of job separation reasons since 1997. The percentage of job separation due to circumstances of the company, which is the total of “expiry of contract,” “due to circumstances of the management,” and “retirement age,” is slightly lower than that of the Labour Force Survey, while “personal reasons” is slightly higher than those due to personal circumstances of the Labour Force Survey. This appears to be because the Survey on Employment Trends is a survey of business offices, and thus responding persons at the targeted business offices may have hesitated to say that a separation

⁵ The questionnaires used by the Survey on Employment Trends are a questionnaire for business offices, a questionnaire for resigned workers, and a questionnaire for new employees. The questionnaires for business and resigned workers are filled out by businesses. For details, see the Survey on Employment Trends Summary Report and MHLW website. Notations in this section are based on the questionnaire for resigned workers.

⁶ Respondents are not workers but rather personnel officers of targeted enterprises.



Source: MHLW, Survey on Employment Trends 2010.

Figure 3. Change in Percentages of Job Separation Reasons

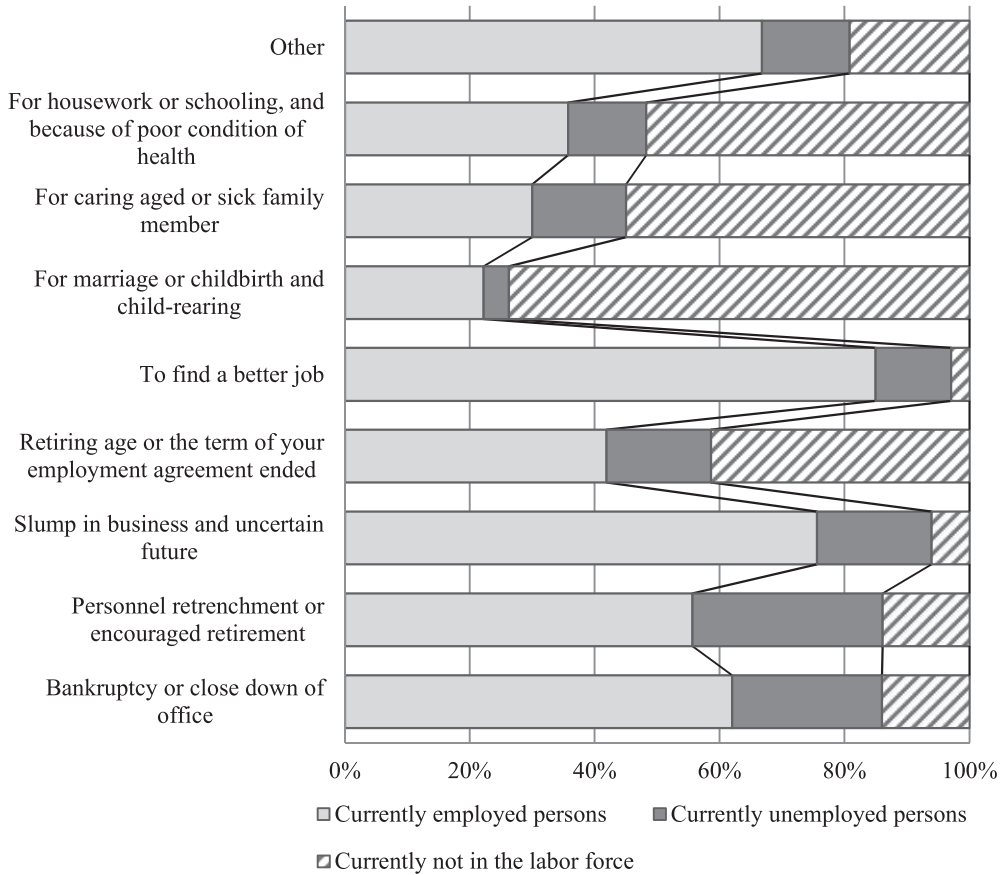
was due to circumstances of the company or did not know the actual circumstances because they did not pursue the reason for separation to the point of discovering that it was for personal reasons.

IV. After Job Separation

After people leave their jobs, their status should be one of the following: They have looked for a new job and become “employed,” are looking for a new job but are currently “unemployed,” or are not looking for a new job and are “not in the labor force.”

So what influences people to look for a job or not?

Figure 4 uses the Labour Force Survey to show the percentages of each labor force status after job separation by reason for separation. The reason with the highest percentage of employed people is “to find a better job,” followed by “slump in business and uncertain future.” The percentages of people who are employed in “bankruptcy or close down of business” and “personnel retrenchment or encouraged retirement” are slightly lower. However, when people who are currently looking for employment are included, the percentages of people in the labor force for people whose reason for job separation was “slump in

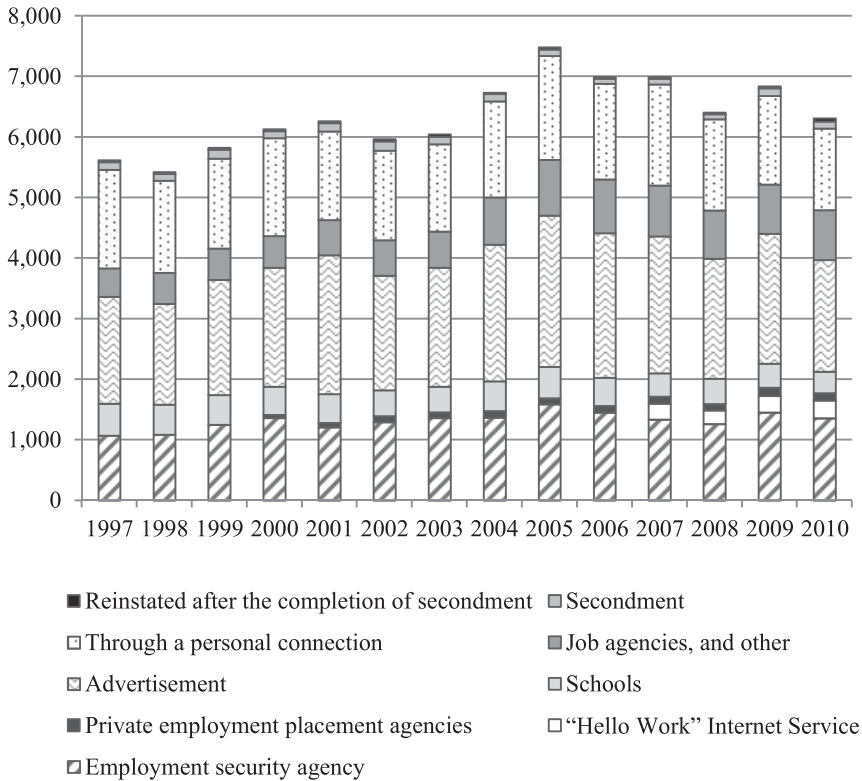


Source: Statistics Bureau, MIC, *Labour Force Survey (Detailed Tabulation) 2010*.

Figure 4. Percentages of Separation Reasons of People Who Resigned from Previous Job within the Past Three Years (Totals of Men and Women)

business and uncertain future,” “bankruptcy or close down of office,” and “personnel retrenchment or encouraged retirement” are high compared to those who resigned for other reasons. Conversely, the percentage of the status “not in the labor force” is extremely high for people whose reason for separation was “for marriage or childbirth and child-rearing.” The percentage of “not in the labor force” is also high for people whose reason was “for housework or schooling, and because of poor condition of health.”

Thus, there is a connection between reason for job separation and labor force status, and this connection is consistent with results predicted by (economic) theory. In other words, the reservation wages (paid for work) of people who left employment for reasons of marriage, childbirth, or long-term nursing care are predicted to be relatively higher than market wages, and consequently the labor force participation rate of such people is low. On the other hand, the reservation wages of people who left employment to find a better job or



Source: MHLW, *Survey on Employment Trends 2010*.

Figure 5. Changes in Number of New Employees by Route to New Employment (1,000 people)

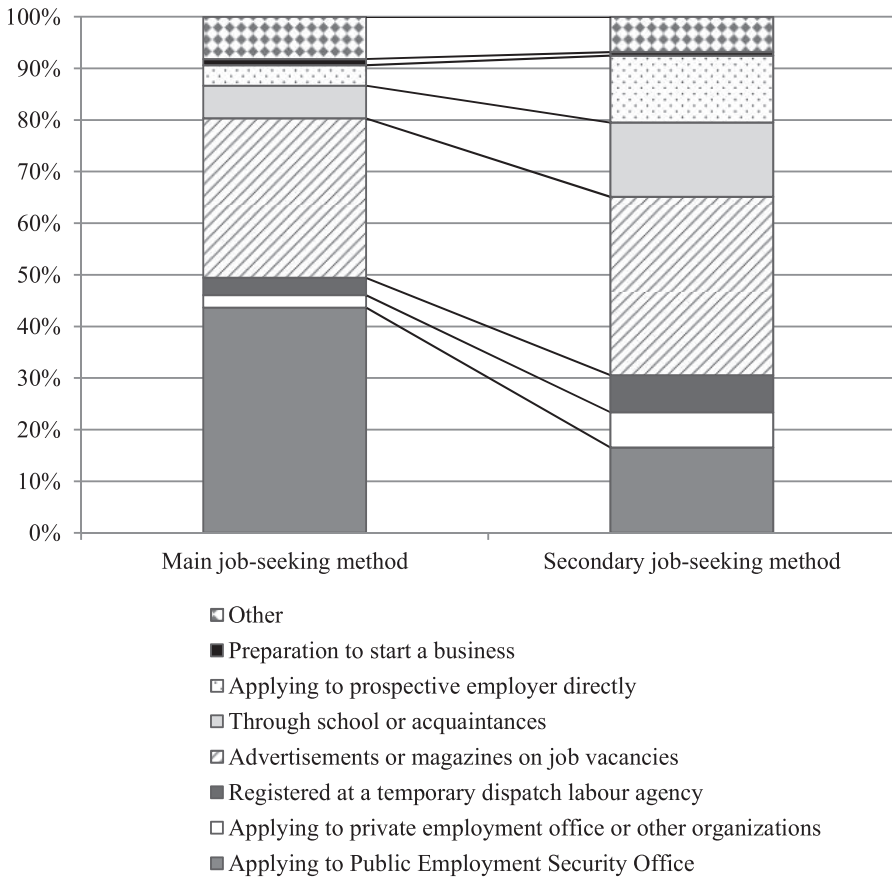
were forced to leave employment due to circumstances of the company are predicted to be lower than market wages, and thus the labor force participation rate of such people is high.

Incidentally, what forms of job-searching do people who have found employment and people who are looking for employment use after job separation?

The Survey on Employee Trends surveys the routes people who successfully found employment used to find employment.⁷ The routes surveyed are use of job agencies in the forms “employment security agencies,” “Hello Work Internet Service,” “private employment placement agencies,” “schools,” “advertisement,” and “others,” and use of personnel connections or secondment in the forms of “through a personal connection,” “secondment,” and “reinstated after the completion of the secondment.”

Figure 5 shows changes in the number of new employees by the route used. Here, the

⁷ Notations in this section are based on the questionnaire for new employees. Please note that the questionnaire for new employees is filled out personally by new employees who have been selected for sampling.



Source: Statistics Bureau, MIC, *Labour Force Survey (Detailed Tabulation) 2010*.

Figure 6. Percentages of Methods Used to Search for Employment

most commonly used route is “advertisement” followed by “through a personal connection” and “employment security agencies.” Since 2000, the percentage of people who found employment through approved private employment placement agencies is growing but still remains extremely small.

On the other hand, the ways in which job-seekers look for employment can be seen in the Labour Force Survey (Detailed Tabulation). The Special Questionnaire Form asks job-seekers to indicate their method of searching for employment by selecting from the following choices: “Applying to Public Employment Security Office,” “applying to private employment office or other organizations,” “registered at a temporary dispatch labour agency,” “advertisements or magazines on job vacancies,” “through school or acquaintances,” “applying to prospective employer directly,” “preparation to start a business,” “other.”

According to Figure 6, the main method for searching for employment (i.e., that having the highest percentage) is “applying to Public Employment Security Office,” followed

by “advertisements or magazines on job vacancies.” It is therefore reasonable to view the trends for job-searching methods identified here as being similar to those seen in the Survey on Employment Trends. It should be noted that the percentage for Public Employment Security Office is higher here compared to the Survey on Employment Trends; however, this percentage may partly be influenced by the need to use such offices in order to receive unemployment benefits.

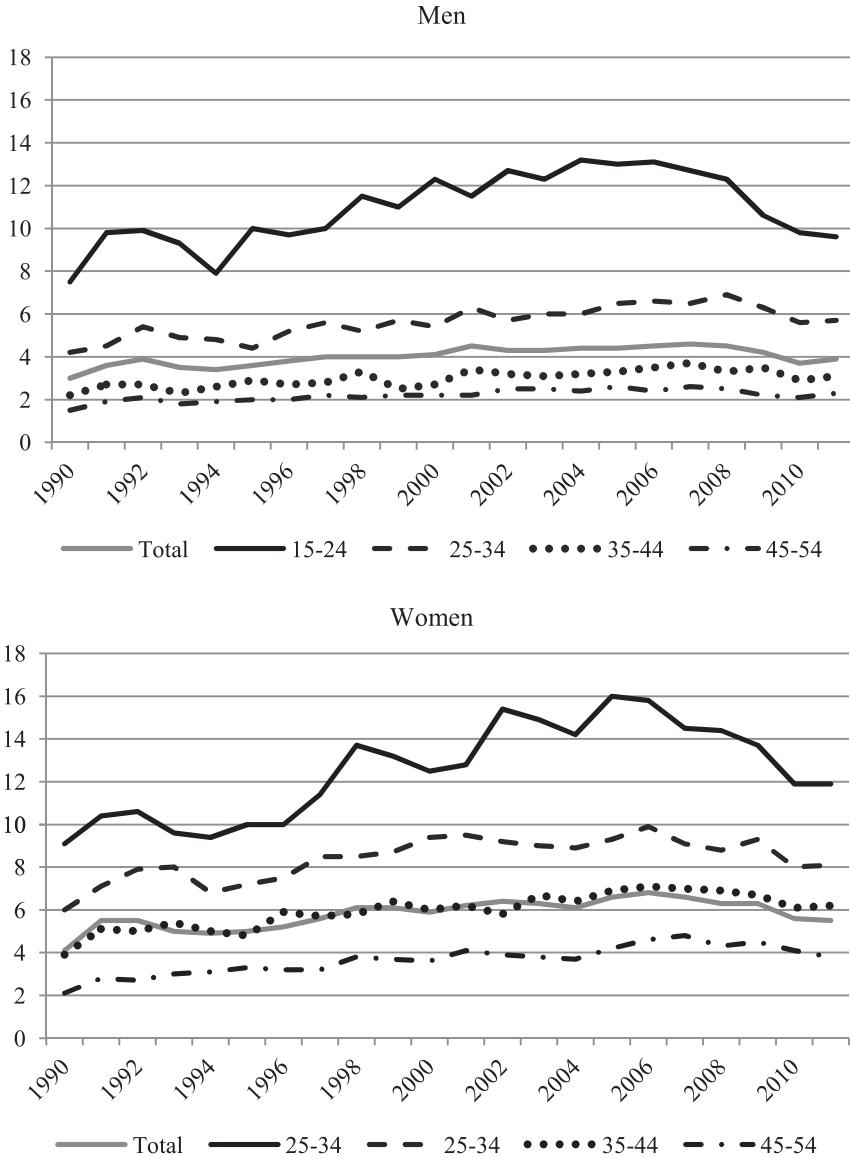
V. Resource Reallocation Functions of the Labor Market

This paper has thus far examined the actual circumstances of labor movement as seen from the standpoint of workers. We would now like to examine labor movement from the standpoint of resource reallocation in the labor market.

In the economy, businesses can go bankrupt and business offices can close at any time due to business fluctuations and changes in the economic structure. Looking at bankruptcies in Japan (liabilities of 10 million yen or more) in 2012, for example, a total of 12,124 bankruptcies with total liabilities of 3.8345 trillion yen occurred (data of Tokyo Shoko Research, Ltd.). Although it is highly likely that employees will be dismissed when companies go bankrupt, it should be possible to reduce wasted human resources if these dismissed employees can change jobs smoothly. At the same time, while it may be true that some occupations are being lost due to technical innovation and other causes,⁸ allowing the people who were employed in such occupations to smoothly move on to different occupations is also important from the standpoint of effective use of human resources. Moreover, realizing smooth job turnover is also desired as a means of utilizing human sources more effectively when people who find employment later voluntarily leave it after realizing that it does not suit them. In this sense, labor movement functions to reallocate human resources so that the right people are employed in the right places. Thus, better fluidity in the labor market will mean that human resources are being reallocated to match changes in the industrial and occupational structures.

So, how well is reallocation of the labor force working in Japan’s labor market? One indicator for seeing this is the job turnover rate. This rate can be calculated from data in the Labour Force Survey. Figure 7 shows changes in the job turnover rate for men, women, and specific age groups. Looking at the figure, it is apparent that the rate differs depending on sex and age. Specifically, the job turnover rate is high regardless of sex for younger age groups but falls with older age groups. Furthermore, when looking at the same age group for men and women, the turnover rate for women is higher than that of men. For example, the job turnover rate in 2011 was 9.6% for men aged 15 to 24 and 11.9% for women of the same age group. On the other hand, the rate was 2.3% and 3.8%, respectively, for the 45 to

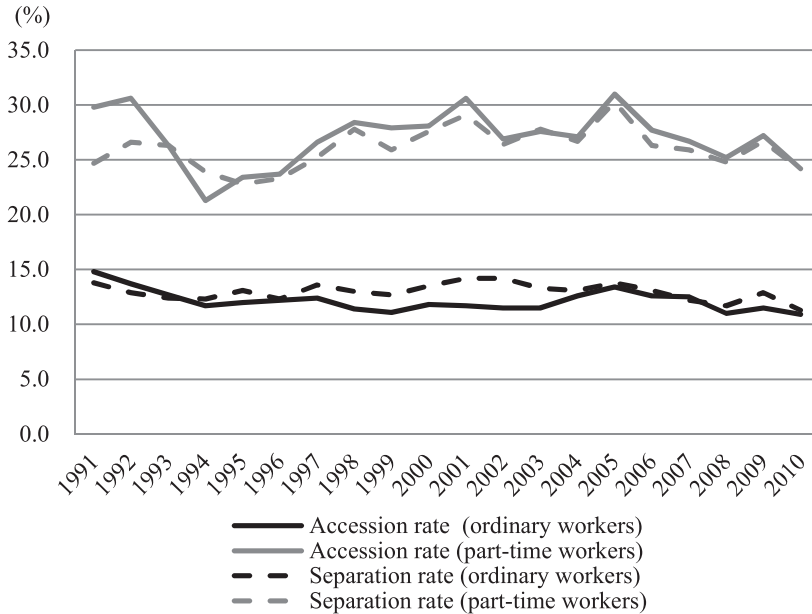
⁸ Examples of nearly extinct occupations that come quickly to mind include “telephone operator,” “typesetter,” and “steam locomotive engineer.”



Source: *Special Survey of the Labour Force* (February of each year); from 2002: *Labour Force Survey (Detailed Tabulation)* (annual average). All issued by the Statistics Bureau, MIC.

Figure 7. Changes in Job Turnover Rate (%)

54 age group. The rate is higher for the younger age groups because they are relatively less skilled, have less experience, and receive lower wages, and tend to engage in “job hopping” to find the jobs that suit them. Furthermore, women have higher rates of non-regular



Source: MHLW, *Survey on Employment Trends* for each year.

Figure 8. Changes in Accession/Separation Rates

employment (e.g., in part-time jobs, etc.) and tend to be less skilled and have less experience compared to men, and it is thought that these are factors behind the higher job turnover rate for women. However, the important point is that, regardless of sex or age, the job turnover rate is tending to increase year by year, and this suggests that reallocation of the labor force is occurring more frequently than before.

Contrary to the results of the Labour Force Survey, the results of the Survey on Employment Trends suggests that reallocation of the labor force has changed little. The accession/separation rates that are calculated in the Survey on Employment Trends serve as one indicator for ascertaining reallocation, and these rates do not show significant change. The accession/separation rates are calculated by dividing the total number of new employees and resigned workers by the number of workers at the beginning of the term. Thus, they indicate the degree to which labor movement occurred within a particular business office during the term. It should be noted that “new employees/resigned workers” does not include people who moved among business offices within the same company.⁹

According to Figure 8, which shows changes in the accession/separation rates, the

⁹ Accession/separation rates can also be calculated using the Monthly Labour Survey. Using this resource allows calculation of the rates for each month. However, care is required, as under this survey, “new employees” includes not only new hires but also transferees, and “resigned workers” includes not only people who were dismissed or retired but also transferees.

rates for part-time workers is high compared to ordinary workers¹⁰; however, no increasing trend in the rates is evident for either. Additionally, the difference between the job accession rate and separation rate indicates net change. In the case of ordinary workers, the separation rate is often higher than the accession rate during this period, which signifies a net decrease in ordinary workers. On the other hand, in the case of part-time workers, the accession rate is often higher than the separation rate, thus showing a net increase in part-time workers.

VI. For More Detailed Consideration of This Topic

This paper presents only a small fraction of available statistics concerning labor movement. The Employment Status Survey (Statistics Bureau, MIC) also presents detailed data on labor movement. And recently, panel surveys such as the Japanese Panel Survey of Consumers (the Institute for Research on Household Economics) that are conducted by private think tanks and universities are also useful.

Moreover, the Japan Institute for Labour Policy and Training processes existing statistical data to prepare indicators that are effective in ascertaining labor movement. Interested persons should refer to “*Yusufuru Rodo Tokei: Rodo Tokei Kako Shihyoshu* [Useful labor statistics: processed indicators for labor statistics]” and “*Gyomu Tokei wo Katsuyo Shita Shinki Shihyo* [New indicators using business statistics]” (Japan Institute for Labour Policy and Training 2008, 2012).

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¹⁰ “Ordinary worker” refers to workers other than part-time workers; it does not necessarily refer to regular employees. “Part-time worker” refers to workers whose daily prescribed working hours are less than those of ordinary workers in the same business office or, if said hours are the same, whose weekly prescribed working days are less than those of ordinary workers; it does not necessarily refer to non-regular employees.