

3 Regional Employment Trends

Regional Disparities in the Employment Situation

Japan as a whole is unmistakably in the midst of an economic recovery, but there remain regional disparities in the extent of recovery. For example, as shown in Fig. 1, the effective ratio of job offers to applicants is low in the Tohoku (northeastern Honshu) region, Hokkaido, Shikoku, Kyushu, and Okinawa compared to the central areas of the country, one example of disparities among regions in terms of the employment situation. Gaps in the total unemployment rate and wage levels exist as well.

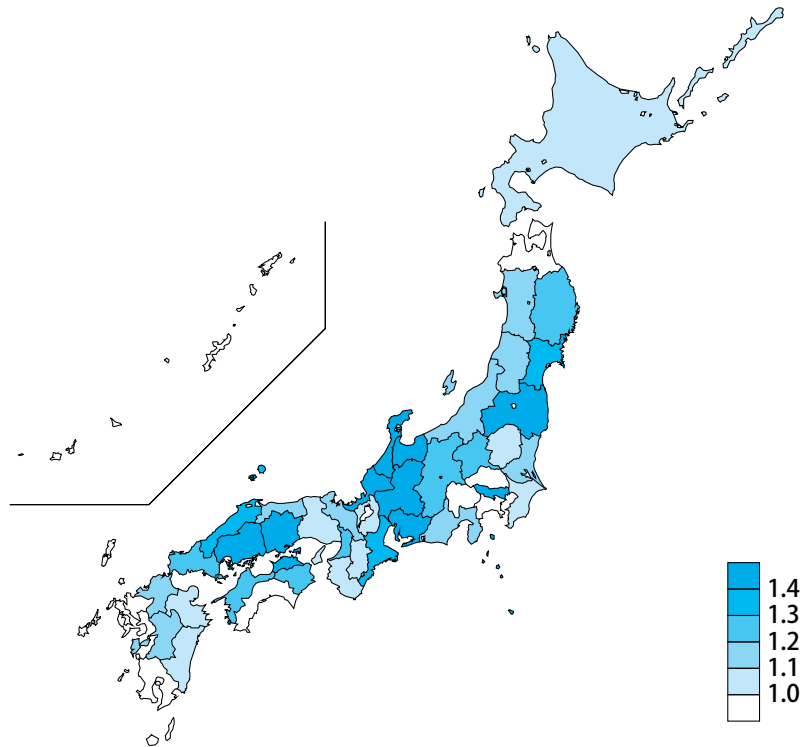
Regional disparities in the employment situation have existed for a long time, and during recession periods in particular, government demand, such as for public works projects, has propped up employment in parts of Japan outside major urban areas. During the 1990s, following the collapse of the economic bubble, the government's expansion of public works projects appears to have prevented the recession's impact on these areas from being too severe.

In the first half of the 2000s, export-oriented industry drove an economic recovery in major urban areas, but during the same period the Koizumi administration's policies of cutting public works projects and reducing overall government spending led to economic stagnation in regions dependent on these projects for employment, and the disparities

between major urban areas and other regions became more pronounced. The 2008 global financial crisis also caused serious damage to employment in areas outside major cities, and amid yen appreciation and increasingly fierce cost competition with other countries in Asia, an increasing number of companies in the manufacturing sector closed factories and ceased operations in provincial areas of Japan. While many companies ensured continued employment by transferring workers to other plants, a significant number of workers were forced to quit due to circumstances such as inability to move to distant locations. This trend toward closures, cessation of operations, and downsizing struck a heavy blow to employment in less urbanized regions, which depend heavily on manufacturing, and there were calls for emergency employment measures in various regions of Japan.

In addition, the Great East Japan Earthquake of March 2011 not only devastated the three Tohoku-region prefectures (Iwate, Miyagi, Fukushima) undergoing direct, heavy damage from the quake and tsunami, it also caused electricity shortages that forced suspensions of manufacturing operations throughout Japan, worsening the employment situation. Although the economic climate has improved since then, regional disparities in employment opportunities remain.

Figure II-10 Effective Ratio of Job Offers to Applicants, by Prefecture (Aug. 2015)



(Excluding new graduates, including part-time workers. National average = 1.23X)
 Source: Ministry of Health, Labour and Welfare, *Report on Employment Services*

Factors Underlying Regional Disparities

A major factor underlying regional disparities in the employment situation is the uneven geographic distribution of industries with significant employment absorption capacity. According to an analysis of the industrial structure from a macroeconomic perspective by Ito et al. (2008), in regions with few employment opportunities, accumulation of manufacturing enterprises is sparse, while on the other hand there is a high proportion of tertiary industry such as wholesale and retail, dining and accommodations, and the service sector, as well as government-driven industries such as construction reliant on public investment and healthcare and welfare reliant on health and nursing care insurance. By contrast, heavy weighting toward the manufacturing sector is a characteristic of regions with abundant job opportunities.

The accumulation of manufacturing-sector businesses in areas outside major cities has a significant impact in terms of job creation. For this reason, local governments take active steps to attract

these businesses by developing infrastructure and offering incentives such as tax breaks. However, this strategy also entails the risk of plants being built in the region only to close or move operations elsewhere, which can have a tremendous negative impact on communities. Indeed, there have been many reports of exactly this phenomenon in recent years, providing evidence of the perilousness of a regional job creation strategy that is heavily dependent on attracting manufacturing enterprises to the region. For this reason, it is vital that regions avoid excessive reliance on such a strategy, and instead utilize local resources to vitalize industry and generate employment.

In official Japanese parlance, the regions outside the major urban centers are referred to collectively as *chihoken* (“regional areas”), but this is a broad term encompassing both provincial cities and agricultural or rural areas, and circumstances are somewhat different in these different areas. In recent years there have been notable labor shortages even in the *chihoken*, and the generalization that areas outside

major cities suffer from a lack of employment opportunities is not sufficient to get an accurate picture of the situation. For example, in provincial cities where a certain amount of industry has accumulated, it is not that the absolute volume of job opportunities is insufficient, but rather that there is a pronounced disconnect between the jobs companies are offering and the types of jobs people are looking for. On the employers' side, an increasing number of industrial and occupational categories are experiencing labor shortages. This is not limited to long-understaffed industries like construction and nursing care, but in some regions extends to a wide range of sales and service categories. However, while there is a lack of human resources in these industries and occupations, a large number of job seekers are pursuing office jobs, of which there are an insufficient number. Underlying the widespread hunger for office jobs is the strong desire for daytime, weekday work with Saturdays and Sundays off. This sort of profound mismatch of what employers are offering and what the labor force is seeking, rather than a lack of job opportunities in absolute terms, is the key cause of the employment issues facing provincial cities.

Meanwhile, there is a different situation in rural and agricultural regions where primary industry dominates. In these regions there is indeed a job shortage, with few opportunities outside primary industries and public institutions, and a strong need for more jobs in purely quantitative terms. However, disadvantageous locations make it impossible to attract many corporations, and instead efforts are underway to market local agricultural products effectively, and to vitalize industry and generate employment in the fields of product processing, sales, and so forth.

Young Long-term Residents and the Regional Employment Situation

Regional disparities in the employment situation, and quantitative and qualitative problems affecting employment opportunities in parts of Japan outside major urban centers, are issues that need to be addressed in and of themselves. In addition, the disparity in employment opportunities is causing an outflow of the labor force from less urban areas to

more urban ones, which has the potential to weaken local communities and develop into a full-blown crisis. This makes the regional employment situation an even more crucial policy issue for the broad swath of Japan that lies outside its major cities.

In recent years the excessive concentration of young people in the Tokyo region, and the flip side of this problem – the exodus of young people from provincial areas – have been the focus of growing concern, and measures to encourage youth to remain in, or relocate to, less urbanized areas of Japan pose a nationwide policy challenge. Broadly speaking, the migration of the nation's youth from rural to urban areas has repeatedly emerged as an issue ever since the postwar period of rapid economic growth from the mid-1950s through the mid-1960s. Recently, the birth rate has been very low throughout Japan, and the population of working-age adults capable of upholding local communities is in free-fall, prompting concern about the very continued existence of these communities and thrusting the rural-to-urban migration issue back into the spotlight.

It has been pointed out that both uneven regional distribution of educational opportunities (universities, etc.), and regional disparities in employment opportunities, underlie the outflow of youth from non-urban areas. In terms of initiatives to combat this phenomenon, job creation in Japan's less populated areas is a central concern. How to generate attractive employment opportunities in these areas and motivate young people to remain or relocate there will continue to be a crucial matter for discussion and policy formation.

References

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