



Munich Personal RePEc Archive

**Secular trends in the Japanese labour
market during the lost decades: A reply
to Andrew Gordon**

Blind, Georg and Lottanti von Mandach, Stefania

10 August 2017

Online at <https://mpra.ub.uni-muenchen.de/80812/>
MPRA Paper No. 80812, posted 16 Aug 2017 15:57 UTC

Secular trends in the Japanese labour market during the lost decades:

A reply to Andrew Gordon

Georg D. BLIND and Stefania LOTTANTI VON MANDACH

University of Zurich and University of St. Gallen

Abstract [169 words]

In a recent contribution (2017) Professor Gordon takes a very critical stance on our earlier article titled “Decades not lost, but won” (Blind and Lottanti von Mandach 2015), which he sees as ‘revisionist’ and as applying ‘too low a standard’. Professor Gordon provides a selection of granular data that might be understood as refuting two of our earlier findings, and attempts replication of the analysis underlying our third finding, but finds diverging evidence. While his labelling of our research is unpleasant, the implicit and explicit questioning of our results is troubling.

This reply demonstrates that the evidence in Professor Gordon’s article does not challenge our earlier findings on aggregate developments during the ‘lost decades’ and provides explanation for the diverging results in Professor Gordon’s replication effort. We argue that the results of his replication only apply to the fraction of non-regular employees working full time, while ours applies to the large majority of part-time employees.

Keywords: Gender economics; labour force and employment; wage differentials; Japan

JEL codes: J16, J21, J31

1. Introduction

In a reappraisal of long-term labour market developments in Japan, we have provided evidence on three central questions. First, desire not need was the major cause of the rise in non-regular employment. Second, regular employment has not been replaced by non-regular employment in aggregate perspective. And third, wage gaps between men and women, as well as between regular non-regular employees have narrowed significantly between 1988 and 2010. In his recent article “New and Enduring Dual Structures of Employment in Japan: The Rise of Non-Regular Labor, 1980s–2010s” (2017) Professor Gordon variously offers a strongly critical view on our work. Namely, ‘revisionist’ and ‘applying too low a standard’ are labels unpleasant to receive on one’s research,

particularly so when they come from a historian and highly-ranked academic. The revisionist label is inappropriate inasmuch as our article does not attempt to *revise*, but to broaden what we consider a calamitously narrow account of the Japanese labour market in recent social science and public discourse.

For a start, let us explain why we see the current representation of Japanese labour market as calamitously negative. Such negative portrayal may become part of a vicious circle and effectively worsen the prospects for positive change as it contributes to shaping public perception. As recently shown in a study on the determinants of anxiety in Japanese individuals aged 25 to 34 (Hommerich 2016), perceptions of the gap society are a significant influencing factor, even considerably more important than their personal experience. As we firmly believe that science has a responsibility to inform public perception in the least interpretative way possible, the following sections review Professor Gordon's objections relative to the three central questions initially raised.

2. Need versus desire to work in non-regular employment

Understanding of a higher share of non-regular employment as an absolute indicator of undesired labour market outcome is in itself a normative interpretation (compare the likening of contemporary labour market structure to the 1920s in Gordon 2017:18). If, however, the recent surge in non-regular employment in Japan reflects a desire rather than a need, such indicator would not be appropriate. As suggests our earlier analysis (2015:76-79) as well as survey data (MHLW 2015) most of the increase in regular employment has originated from a *desire*, and not from a *need* to do so (which arguably represented the major motivation in the 1920s).

In our article we chose an aggregate perspective for two reasons. First, we wanted to provide a 'big picture' perspective. Second, we wanted to mitigate the risk of missing out on relevant context when selecting examples. In contrast, Professor Gordon has chosen to provide more detail. For instance, citing a 2010 MHLW report he notes that 38-55% of non-regular men of prime working age would prefer to work as regular employees. For assessing the relevance of this number, we expand the 3.6% share of these individuals in total employment (calculated from MHLW 2015a) by the average 46.5% (simple mean of 38 and 55%) desiring regular employment. Doing so, we find that this particular piece of evidence pertains to a mere 1.69% of employed individuals. While it is deplorable that

these 1.69% of employed individuals in 2010 could not enjoy their preferred working conditions, we argue that non-regular employment is still far better than being unemployed (which is a much likely alternative in a more rigidly regulated labour market). In any case, we see this example as detrimental to developing an understanding of the ‘big picture’.

In another instance, Professor Gordon cites a 2012 *Sômushô* report that finds considerable shares of new entrants to the labour market (29% of men and 49% of women) who took non-regular employment for their first post-graduation job between 2007 and 2012. Common sense arguably suggests that a vast majority of young individuals prefers regular employment. However, as data from the Labour Force Survey reveals, less than half of non-regular employees aged 25-34 in 2015 were non-regular out of *need*, i.e., through a perceived absence of regular alternatives (MHLW 2015:1). Expanding the figures cited by Professor Gordon with the respective ratios of involuntary non-regular employment (40.0% for men, 19.4% for women), one understands that about 11.6% of young men and 9.5% of young women are possibly working in non-regular employment due to the perceived absence of a regular alternative.

‘Perceived’ is an important limitation to the validity of this survey-based data. This is because the job-to-applicant ratio for regular employment of new entrants has been above 1 since 2014 and currently figures at a historically high 1.34 (MHLW 2017). Essentially, this means that regular employment would literally be available for all recent new graduates. It would imply, however, compromise in terms of preferred location, industry, and effort in terms of own skill level. Findings of a narrowing wage gap between urban and rural areas (Abe and Tamada 2008) indicate that the geographic dimension might actually be critical in bringing about this mismatch.

3. The rise of non-regular employment: Worsening conditions or employment growth

It further seems to us that the relative share of non-regular employment as a normative measure of labour market outcomes may have guided Professor Gordon’s understanding of the rise of non-regular employment as a ‘turn’ or ‘shift’ rather than an ‘expansion’. Admittedly, he acquiesces the aggregate *expansion* of employment beyond the 1988 labour market structure as documented in our 2015 article, but disqualifies as ‘too low a standard’ our criterion of non-regular employment being normatively superior to no employment being created (2017: 15). In our view, if a status change from non-working to working as

non-regular employee originates from a corresponding desire (as evidenced in the previous section), our choice of criterion seems fairly adequate.

In contrast, it seems to us that Professor Gordon's own standard may not be entirely appropriate for judging such development. This becomes obvious from the said expansion of employment by 6.9 million *more* women (and 3.0 million men) in non-regular employment than was to be expected based on the 1988 labour market structure. Professor Gordon qualifies this development as a 'loss' (p. 26). From our perspective, however, this could only qualify as loss, if these women had formerly been working as regular employees. But, importantly, they have not been working at all. Taking this line of thought one step further, one understands that the share of regular employment cannot adequately serve as measure of labour market outcomes: If women working part-time representing a loss relative to not working at all, this would imply that they had been better off not working at all.

The normative label of 'loss' is present in another instance where Professor Gordon remarks that women in manufacturing industries have "lost far more jobs" than men (p.19). As above, such label would need to rely on evidence that women had preferred to keep these jobs. But without further evidence, the opposite is equally possible: Women may just have been more successfully adapting to structural change than men. Against that background it seems to us that Professor Gordon's conclusion of women in manufacturing as constituting "a disposable buffer of 'non-regular regular' employees" is not warranted.

4. Persistent or closing gaps?

Drawing "on the same Basic Survey" (p. 29) as in our 2015 article, Professor Gordon finds that the gap between regular and non-regular wages has been narrowing only for "women in small firms of a limited age range". Accordingly, he finds "a persistent and large wage gap" (p.30).

As we infer from his Graphs 18 and 19 (p.31), his analysis is based on wage data for *fulltime* non-regular employees. This category, however, corresponds to an average of 18.7% of all non-regular employees in the 1988-2010 period analysed in our article (calculated from MHLW 2015a). In contrast, in our analysis we have chosen to use data

for hourly wages (p. 79)¹ as these reflect the development as faced by the 81.3% majority of individuals in non-regular employment. As Professor Gordon finds no major widening of pay gaps in fulltime non-regular employment, we can correspondingly amend our earlier finding: The wage gap between regular and non-regular fulltime employees has narrowed substantially², overwhelmingly driven by increases in hourly wages of part time employees. Against this background we believe that the attribute ‘persistent’ is not appropriate.

Whether the gap has to be considered ‘large’ is a matter of perspective. Professor Gordon refers to a JIL report to point out that the fraction of 57% of wages earned by non-regular employees relative to regular employees was lower than for “major European countries” (ibid:31). Drawing on the same source (JIL 2015:177), one may want to add that this corresponds to almost double (!) the ratio of the US (30.5%). If one further corrects the Japanese data for unpaid overtime of regular employees estimated at 30 hours per month (Ogura and Sakaguchi 2004:26), the adjusted ratio for Japan would figure at about 68%, which is roughly in line with Italy and the United Kingdom (JIL 2015:177). It seems, to us, therefore, that the wage gap is neither persistent, nor exceptionally large.

Our earlier analysis of wage gaps has further documented a substantial narrowing of the gender wage gap both in regular, and in non-regular employment (2015:section 4). This coincides with OECD statistics, which document that Japan has experienced one of the largest reductions in gender pay gap of all OECD countries (OECD 2017) in the course of the ‘lost decades’. In light of these findings Professor Gordon’s statement of gender as a “more prominent source of division than before” (p. 30) is difficult to apprehend.

The analysis of wage gaps is not only insightful in its own right, but is also meaningful for understanding aggregate supply and demand movements in the labour market. If demand for non-regular labour increases, wage hikes relative to regular employment (as documented by the narrowing gap; this section) are necessary to create the supply needed to satisfy demand, i.e., to convince more individuals to join the workforce

¹ Professor Gordon’s footnote 13 (2017:29) reads: “It is not clear whether Blind and Mandach (2015) include bonuses in their calculations.” Eventually, our calculations do include bonuses, which we have explicitly mentioned (ibid:79).

² As our analysis spans some 20 years, we generally share Lise, Sudo et al.’s 2014 assessment that the “overall trends are not sensitive” to the 2006 change in definitions (590). Eventually, our 2015 data on regular workers includes less than 7% full-time non-regular workers (number of contract workers relative to total number of regular employees including executives by the post 2005 definition). Yet, as Professor Gordon’s 2017 analysis implies wages of full-time non-regular employees have seen an almost perfect correlation with that of regular employees. Thus, our 2015 analysis is not affected at all from the inclusion of contract workers for the post 2005 period, and negligibly only for the pre 2005 period.

(as seen from general employment growth; section 3). In turn, convincing individuals to join the work force means to instil a corresponding *desire* to earn a wage (section 2).

5. Conclusion

As variously acknowledged in our earlier contribution, quite some issues remain to be solved or improved in the Japanese labour market such as further efforts in bringing down the still substantial gender wage gap (Kato, Kawaguchi, and Owan 2013; Chiang and Ohtake 2014), increasing female participation in regular employment beyond birthgiving (Cooke 2010; Abe 2011; Macnaughtan 2015)³, or alleviating gender differences in career tracks (Nemoto 2013; Chiang and Ohtake 2014).

However, assessing our findings (2015) in the light of Professor Gordon's recent article, we conclude that the lost decades have seen at least three positive developments. (1) The rise of non-regular employment was mainly driven by desire, not need. (2) In aggregate perspective, the rise of non-regular employment originates from an expansion of employment, not a replacement of regular by non-regular jobs. (3) Wage gaps between regular and non-regular employment have significantly narrowed, mainly driven by strongly increasing wages in part-time employment. To this adds further evidence on a strongly narrowing gender wage gap (OECD 2017), and an alleviation of the urban-rural divide in wages (Abe and Tamada 2008).

Obtaining more detail is instrumental for developing a better understanding of these issues. Against that background, the rich data provided in Professor Gordon's article such as on the composition of the aggregate expansion of non-regular work as resulting from increases and decreases in particular industries (2017:18-22) is very insightful. However, where detail feeds general conclusion with relevant context being omitted (as discussed in sections 2 and 4), we see methodological risk as materialising.

If such conclusions live on in the academic sphere, they may turn into what has come to be known as 'stylised facts'. These, for their part, may become further disseminated even without giving reference (e.g., as "increasingly polarized regular-non-regular gap in wages" in North 2017:8). While such development may be deplorable in

³ Important cues about this issue may be drawn from Abe (2013a) who finds significant regional variation in female regular employment rates. Findings from regions with high participation may indicate measures for improvement in other regions.

science, it may be detrimental if it impacts on public perception via mechanisms such as a reduced propensity to consume, etc.

In closing, we would like to suggest a conjectural explanation for social movements as having ‘unfortunately’ remained ‘quiet’ (p. 35) around the issue of non-regular employment. In the days of “Contests for the Workplace” (Gordon 1993), a large majority of workers took their jobs for necessity (not desire). In contrast, this only holds for a minority of non-regular employees in present day Japan. However, a negatively affected majority may be decisive in reaching the critical mass required to spark social movement as can be seen from the regional examples of pacifist and anti-nuclear protest.

References

- Abe, Y. (2011). “The Equal Employment Opportunity Law and labor force behavior of women in Japan.” *Journal of the Japanese and International Economies*, 25(1), 39-55.
- _____ (2013). "Long-Term Impacts of the Equal Employment Opportunity Act in Japan." *Japan Labor Review*, 10(2), 20-34.
- _____ (2013a). “Regional variations in labor force behavior of women in Japan.” *Japan and the world economy*, 28, 112-124.
- Abe, Y. and K. Tamada (2008). “Regional patterns of employment changes in Japan: Evidence from the 1990s”. Working Paper. Available: <http://www3.econ.fukuoka-u.ac.jp/~ktamada/regionalpattern.pdf> (retrieved, April 11 2015).
- Blind, Georg D., & Lottanti von Mandach, S. (2015). “Decades not lost, but won: increased employment, higher wages, and more equal opportunities in the Japanese labour market.” *Social Science Japan Journal*, 18(1), 63-88.
- Chiang, H.-Y., and F. Ohtake. (2014). "Performance-pay and the gender wage gap in Japan." *Journal of the Japanese and International Economies* 34, 71-88.
- Cooke, F.L. (2010). "Women's participation in employment in Asia: a comparative analysis of China, India, Japan and South Korea." *The international journal of human resource management*, 21(12): 2249-2270.
- Gordon, A. (1993). “Contests for the Workplace”. *Postwar Japan as History*. Andrew Gordon (Ed.). Berkeley: University of California Press, 373-394.
- _____ (2017). “New and Enduring Dual Structures of Employment in Japan: The Rise of Non-Regular Labor, 1980s–2010s.” *Social Science Japan Journal*, 20(1), 9-36.
- Hommerich, Carola (2016). “The Gap as Threat”. In: Chiavacci, D. and C. Hommerich (2016). ‘Social Inequality in Post-Growth Japan’. Milton Park: Routledge; pp. 37-54.
- JIL (2015). *2015 Databook of International Labour Statistics*. Tokyo: Japan Institute for Labour Policy and Training.

- Kato, T., Kawaguchi, D. and H. Owan. (2013) "Dynamics of the Gender Gap in the Workplace: An econometric case study of a large Japanese firm." Research Institute of Economy, Trade and Industry Discussion Paper.
- Lise, J., Sudo, N., Suzuki, M., Yamada, K., and T. Yamada (2014). „Wage, income and consumption inequality in Japan, 1981–2008: from boom to lost decades.“ *Review of Economic Dynamics*, 17(4), 582-612.
- Macnaughtan, H. (2015). "Womenomics for Japan: is the Abe policy for gendered employment viable in an era of precarity?." *The Asia-Pacific Journal* 13.13/1.
- MHLW (Ministry of Health, Labour, and Welfare). (2015). Rōdōryoku chōsa. Shōsai shūkei. Hyō II-A-4 Nenrei kaikyū, genshoku no koyōkeitai ni tsuita omona riyū betsu hiseiki no shokuin/jūgyōin sū (Labor Force Survey. Detailed Statistics. Table II-A-4 Number of Non-Regular Employees by Age and Main Reason to Select Current Employment Form). Data file available at: <http://www.e-stat.go.jp/SG1/estat/List.do?lid=000001153286> (retrieved April 11, 2017).
- _____ (2015a). ‘Rōdōryoku chōsa. Chōki Jikeiretsu Dēta. Hyō 9’ (Labour Force Survey; Time Series Data. Table 9). Available at <http://www.stat.go.jp/data/roudou/longtime/zuhyou/lt51.xls> (accessed April 11, 2017).
- _____ (2017). ‘Shokugyō antei gyōmu tōkei’. Hyō 14: Sei’shain rōdōshijō kankei shihyō’ (Statistics of the Employment Stabilisation Office. Table 14: Indicators pertaining to the market for regular employment)’. Tokyo: Ministry of Health Labour and Welfare. Available at: <http://www.e-stat.go.jp/SG1/estat/List.do?lid=000001177203> (Retrieved April 11, 2017).
- Nemoto, K. (2013). "Long working hours and the corporate gender divide in Japan." *Gender, Work & Organization*, 20(5), 512-527.
- North, S. (2017). “Limited regular employment and the Reform of Japan’s Division of Labor.” *The Asia-Pacific Journal Japan Focus*, 12-15-1.
- OECD (2017). “Gender Wage Gap”. Paris: OECD Statistics Division. Longitudinal data available at: <http://stats.oecd.org/index.aspx?queryid=54751> (Accessed April 11, 2017).
- Ogura, K., Sakaguchi, N. (2004). “Nihon no chōrōdōjikan: Fubarai rōdōjikan ni kan suru kōsatsu” (Japan’s long working hours: an inquiry into unpaid working hours). JILPT Discussion Paper No. 04-001.