Labor Market Programs and Policies for Risk Management

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Environmental Change of Japanese Labor Market

- Globalization
- Off-shoring of production
  Head and Ries (2002)
- Increased competition with import from developing countries
  Sakurai (2004)
- Penetration of Information Technology
  Kawaguchi (2006)
Trend of Male Wage Distribution

- Wage had been stable for 15 year until 2003. (Kambayashi, Kawaguchi and Yokoyama (2008))
- Why so stable regardless of demand shift for high-skilled workers?
Kawaguchi and Mori (2008)

Increase of high-skilled workers contributed to the stability of wage distribution regardless of the demand shift for skilled-workers.
So, No Problem for Japan?

• Once the speed of supply shift of skilled worker declines, the wage distribution will become dispersed.
• What about the quantity of employment?
• What about the stability of employment?
Trend in Male Unemployment Rate

Source: Labor Force Survey
Younger workers face higher risk of unemployment
Declining Regular Employment among Male Workers

Source: Labor Force Survey
Younger workers becomes more likely to be non-regular workers
Implication and Policy Measures

• The effect of youth unemployment and non-regular employment persists over the life cycle. (Kondo (2007), Genda, Kondo and Ohta (2007))

• Subsidy for training participation. (Documented in Ohtake (2004))

• Increase of minimum wage.
Are the Policies Effective?

- Only workers covered by unemployment insurance for a certain period is covered by training subsidy.
- The subsidy is not well targeted to high risk group of workers. (Ohtake (2004))
- Minimum wage hike may reduce employment. (Kawaguchi and Yamada (2007))
- Not much policy evaluation is done for the job search assistance by local employment offices.
What do we need to do?

- Learn from foreign experiences, the success of earned income tax credit in the US and UK in the welfare reform.
- Rigorous policy evaluation.
- Evidence based policy making.
- Release public use micro data of government statistics to academics.
- Contribution to the global knowledge creating process through policy evaluation.
References