Labor Market Adjustment to Globalization:
Long-Term Employment in the U.S. and Japan

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September 13, 2006
Changes in the Global Economy

• Increased competition from lower-wage countries.

• Improvements in production technology.

• Improvements in information technology.

• Countries such as Korea, Mexico, Brazil, and China can produce higher quality goods.
Pressure on Japanese and U.S. Labor Markets

- Production with a skilled labor force.
- Long-term employment relationships historically an important feature.
- High wages paid.
- Expectations of workers based on earlier reality.
Need to Adjust Labor Force to Shifts in Demand

Example: Demand for a type of product Falls

• Workers must produce a different product.

• Form of adjustment differs between Japan and the United States.

• Form depends on structure of firms, institutions of the labor market, and social custom.
Labor Market Adjustment in the United States

- Most firms are not very diversified.
- Strong Employment-at-Will Doctrine.
- Generally accepted that firms can lay off workers.
- Fluid labor market with much turnover.
- Robust employment and population growth.
Labor Market Adjustment in the U.S. – Implications

- Firms lay off workers and do not promise new workers much employment security.

- Workers quit often and do not promise firms much continuity.

- Geographic, occupational, and industrial mobility.

- Large social and economic costs.
Labor Market Adjustment in Japan

• Many large firms are diversified.

• Strong employment protection

• Generally unacceptable for firms to lay off workers.

• More rigid labor market without much turnover.

• Very little employment and population growth.
Labor Market Adjustment Japan – Implications

- Firms do not lay off workers in great numbers.
- Firms reassign and “second” workers.
- Offer “regular” jobs only to a subset of the workers.
- Increase in alternative forms of employment.
- Increased segmentation of the labor force.
- Costs borne by “irregular” workers.
Things are Not as Different as they Seem

• A declining fraction of the workforce in both countries enjoy long-term employment in “good” jobs.

• There is no mandatory retirement in the U.S., but many jobs end before normal retirement age.

• There are mandatory retirement policies in Japan, and specify relatively young ages (60 maximum).

• In both employment relationships likely end early.
Things are Very Different

- Long-term employment has been and remains much more common in Japan than in the U.S.

- Part-time employment, particularly for women, has become much more common in Japan than in the United States.
Trends in Job Mobility in the U.S.

- Use CPS data on length of Employment from 1973-2005.
Mean Tenure – Males by Age and Birth Cohort

- Age specific mean tenure for U.S. men has declined.
- Age 50 – 13.4 years for 1930-39 birth cohort
- Age 50 – 11.9 years for 1950-59 birth cohort
Mean Tenure – Females by Age and Birth Cohort

- No systematic change in mean tenure for females.
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Note: Based on data for not self employed workers 20-64 years of age from 10 CPSs covering the period from 1995 to 2005. Weighted by CPS final sample weights. N=418,178.

Proportion Immigrants in U.S. Employment, 1995-2005

- Immigrant share has increased substantially.
- Over half of Hispanics are immigrants.
- Very few white non-hispanics are immigrants.
\[
\ln(T_{ijk}) = \alpha_1 N W_i + \alpha_2 H_i + ED_i \gamma + C_j + A_k + \epsilon_{ijk}
\] (1)

Mean Tenure

Proportional Difference from 1914 Birth Cohort
\[ Pr(T_{ijk} \geq 10) = \alpha_1 N W_i + \alpha_2 H_i + ED_i \gamma + C_j + A_k + \epsilon_{ijk} \quad (2) \]

**Probability Tenure \( \geq 10 \), Age 35-64**

**Difference from 1914 Birth Cohort**
\begin{align}
Pr(T_{ijk} \geq 20) &= \alpha_1 NW_i + \alpha_2 H_i + ED_i \gamma + C_j + A_k + \epsilon_{ijk} \quad (3)
\end{align}

\textbf{Probability Tenure} \geq 20, \textbf{Age} 45-64

\textbf{Difference from 1914 Birth Cohort}
Job Tenure in Japan
Some Simple Comparisons

• Individual level data not available to me.

• Use published tables and aggregate statistics.

• Use tabulated data from Japanese Wage Censuses on average tenure of full-time workers. (Rebick, 2005)

• Data for 5-year age categories at three points in time (1977, 1988, 2003).

• I create comparable U.S. data from the CPS.
Average Tenure by Age Category – Males

- Decrease in mean tenure in United States.
- Increase in mean tenure in Japan.
Average Tenure by Age Category – Females

- Little change in mean tenure in United States.
- Increase in mean tenure in Japan.
Probability of Long-Term Employment in Japan
Some Simple Comparisons

• Use tabulated data from Japanese Employment Status Surveys


• I create comparable U.S. data from the CPS.
Fraction Long-term Jobs, by Year – Males

- Decrease in long-term jobs in United States.
- Increase in long-term jobs for older workers in Japan.
- Due to increase in retirement age in Japan.
Fraction Long-term Jobs, by Year – Females

- No change in long-term jobs in United States.
- Increase in long-term jobs in Japan.
Increased Part-Time Employment in Japan

- Japan 1990: 12.6 percent part-time.
- Japan 2001: 19.1 percent part-time.
- United States 2002: 13.0 percent part-time.
Increased Part-Time Employment in Japan
Concentrated Among Females

- Japan 1980: 19.3 percent of females part-time.
- Japan 2002: 39.7 percent of females part-time.
- United States 1981: 22.6 percent of females part-time.
- United States 2002: 20.9 percent of females part-time.
Is There Convergence in the Future?

- Both economies are experiencing similar stresses in some ways.
- Both labor markets are adjusting relative to their historical modes of operation.
- The effect is similar in the two labor markets. – Less job security.
- There has been a declining emphasis on “regular” long-term employment relationships.