



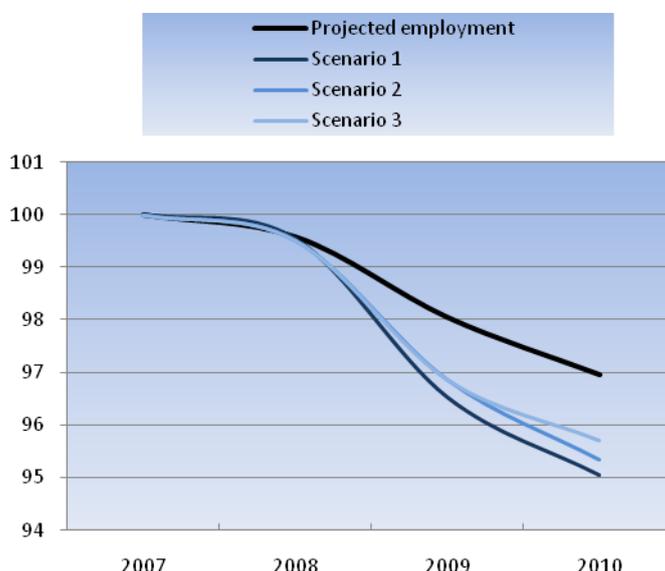
## Employment Outlook 2009 – How does JAPAN compare?

**Japan has experienced sizeable job losses during the global economic downturn.** In July, the unemployment rate reached a record high level of 5.7%, two percentage points higher than at the end of 2007 and equivalent to about 1.3 million more individuals joining the ranks of the unemployed. The manufacturing and construction sectors have been most seriously affected. The weakness of the Japanese labour market is also evident in increased labour force withdrawals. The steady increase in the labour force participation rate experienced since 2004 stalled at around 74% in 2008 and 2009. Youth (15-24 years) labour force participation fell by 350 000 or close to 10% in the two years to July 2009.

**The jobs impact of Japan's fiscal stimulus measures has been particularly strong.** This is due to both the relatively large size of the fiscal package, such as tax cuts and public expenditure (4.7% of 2008 GDP, fourth largest after Korea, the United States and Australia among OECD countries), and the relatively high fiscal employment multipliers. According to the *OECD Employment Outlook 2009*, employment in Japan is likely to decline by between 1.3% and 2.0% less by 2010 than if no fiscal measures had been taken.

### Jobs impact of Japan's fiscal stimulus package

Projected evolution of total employment (2007=100)



Note: Projected employment is taken from the latest OECD projections of employment. The alternative scenarios use data on the size of Japan's fiscal package and different assumptions about the impact of fiscal stimulus on employment to estimate employment as it would be in the absence of fiscal stimulus. Scenario 1 uses the average GDP multipliers from a literature review, adapted to apply to a harmonised and somewhat more detailed taxonomy of spending and taxation categories, and for the tendency for multipliers to be smaller in more open economies and larger in more closed economies. Scenario 2 adjusts these GDP multipliers downward to account for the possibility that the macro models reviewed do not fully account for the fact that some of the extra spending is for imports rather than domestically-produced goods and services. Scenario 3 adds a second downward adjustment to account for the possibility that fiscal multipliers are smaller than normal in the current situation, due to an unusually high propensity to save.



**Japan has also taken substantial steps to help job losers get back into work.** Annual spending on job search support and other re-employment services for the unemployed has almost doubled in response to the crisis. Changes include a temporary new fund for creating local government jobs, expanding eligibility for or generosity of job subsidies and work experience programmes for various groups including older workers, youth on non-regular contracts, hard-to-place job seekers and small businesses, and an increase in staff levels at the public employment service.

**Since the so-called “lost decade” of the 1990s, youth have faced great difficulties in gaining a secure foothold in the labour market, a situation which has been exacerbated by the current economic downturn.** The unemployment rate for 15-24 year olds rose by 2.4 percentage points over the past 12 months, reaching 9.9% in July 2009. Analysis presented in the *OECD Employment Outlook 2009* shows that across OECD countries, the employment of young people is more than twice as sensitive to business cycle fluctuations as that of adults. Young people who seek to enter the labour market without secondary or tertiary qualifications are particularly vulnerable, so measures that encourage youth to stay at school or participate in training are vital to prevent the current cohort of school leavers from becoming another lost generation.

**The steady increase in the proportion of non-regular workers in Japan since the mid-1980s raises concerns about their welfare as labour market conditions deteriorate.** The proportion of workers in non-regular jobs – mainly part-time, but also temporary, daily and contract workers – has increased from 16% in 1985 to over one third by 2008. Non-regular workers are more vulnerable to job loss during the downturn. The employment of temporary and daily employees fell by 3.6% in the 12 months to July 2009, compared to a fall of 1.1% for regular employees. Many non-regular workers in Japan are not covered by employment insurance so may experience extreme financial hardship if they lose their job. However, Japan has taken a number of welcome policy measures to help non-regular workers affected by the crisis, including by making it easier for non-regular workers to receive unemployment benefits, extending eligibility for short-time work subsidies to more non-regular workers and introducing a new form of income support so that uninsured jobseekers can take part in training.

**The relatively large share of non-regular workers – who work shorter hours and have lower hourly wages than regular workers – may also explain the high incidence of in-work poverty in Japan.** OECD analysis shows that even before the current downturn, the working poor made up more than 80% of the poor population in Japan, compared with around 63% on average for OECD countries. Around 11% of individuals living in households with at least one person working are poor in Japan, the fifth highest level in the OECD after Turkey, Mexico, Poland and the United States. Japan’s tax and transfer system is relatively good at reducing poverty for jobless households – social assistance payments are sufficient to lift families with children out of poverty – but does very little to alleviate in-work poverty.

*OECD Employment Outlook 2009* is available to journalists on the **password-protected** website or on request from the **Media Relations Division**. For further comment on Japan, journalists are invited to contact Stefano Scarpetta (tel: +33 1 45 24 19 88 or e-mail: [stefano.scarpetta@oecd.org](mailto:stefano.scarpetta@oecd.org)) or Danielle Venn (tel: +33 1 45 24 75 01 e-mail: [danielle.venn@oecd.org](mailto:danielle.venn@oecd.org)) from the OECD Employment Analysis and Policy Division.