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## A cohort analysis of male labor supply in Japan

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### ABSTRACT

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This study uses repeated cross-sectional data from 1982 to 2007 to understand labor force behavior of men in Japan, focusing on the increase in non-regular employment. I find that regular employment fell significantly for recent cohorts of less-educated men. Regular employment of single men and less-educated married men responded more to the business cycle than did regular employment of highly educated married men. Cohorts who finished their schooling in the late 1990s and early 2000s experienced a severe decline in regular employment at young ages, although this phenomenon was mainly observed among single men and not among married men. *J. Japanese Int. Economies* **26** (1) (2012) 23–43. Graduate School of Economics and Business Administration, Hokkaido University, Japan.

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### 1. Introduction

Long-term trends in labor market participation among prime-aged men in Japan have not attracted much attention in previous studies. Trends in male participation are mostly examined for the young population (up to 34 years of age) or for the old population (aged 55 years and over).<sup>1</sup> In particular, decreasing regular full-time employment among young men and women has attracted attention as the “freeter” or the “NEET” (not in education, employment, or training) problem.<sup>2</sup> However, the

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<sup>1</sup> See, for example, Sakai and Higuchi (2005), Kondo (2007), and Genda et al. (2010) for the former and Clark and Ogawa (1997) and Shimizutani and Oshio (2010) for the latter.

<sup>2</sup> An important exception is Genda (2006), who shows that nonparticipation has become common for less-educated men aged 35–49.

employment-population ratio ( $E-P$  ratio) of less-educated men has been decreasing continuously: among junior high school graduate males aged 20–54 years, the  $E-P$  ratio was 0.94 in 1992, was 0.85 in 2002, and reached 0.82 in 2007.<sup>3</sup>

Declining participation by less-educated men has been reported in other industrialized countries as well. Juhn et al. (2002) show that nonparticipation by less-skilled men in the USA increased from 1967 to 2000.<sup>4</sup> Del Boca and Pasqua (2003) report that the employment rate of married men fell in Italy in the 1990s, and Fitzenberger et al. (2004) report that the employment rate of less-skilled men decreased in West Germany. In this paper, I document trends in employment of prime-aged men (aged 20–54 years) in Japan by tracing cohort experiences in order to understand recent changes in male participation behavior. The key focus of the analysis is the increase in non-regular employment among men.

Three major contributions of this paper are as follows. First, I present a cohort analysis of male labor supply behavior, the pattern of which changed significantly from the 1980s to the mid-2000s. In Japan, male labor supply over the life cycle has not been analyzed as much as female labor supply; in fact, I am unaware of any previous study that examines cohort experiences of *regular* and *non-regular* employment of *prime-aged* males in Japan.<sup>5</sup> In analyzing non-regular employment, I pay close attention to changes in the different types of non-regular employment (traditional and non-traditional), as well as their industry compositions. Distinguishing between regular full-time work and non-regular work is quite important, especially in light of recent concerns regarding the part-time/full-time wage gap and increasing earnings inequality in Japan (Ohtake, 2005; Fukawa and Oshio, 2007). The data of the ESS are particularly suitable for this purpose because the survey questionnaire asks whether each individual's work is regular full-time employment or non-regular employment over an extended period of time.<sup>6</sup> Issues concerning non-regular employment have attracted attention in other East Asian countries as well. For instance, Cho and Keum (2004, 2009) present evidence that after the 1997 financial crises in Korea, job stability of non-regular and less-educated workers did not recover, whereas it did recover for other groups.

Second, repeated cross-sectional data from 1982 to 2007 are used to analyze the labor force experiences of men, focusing on (1) differences in participation by educational attainment and (2) differences by marital status. The analysis by marital status is important because patterns of employment differ significantly across marital status.<sup>7</sup> Furthermore, the disaggregation by marital status allows me to test whether falling regular employment of single people as a cohort ages is consistent with the hypothesis that more employable men are more likely to get married.

Third, the relationship between male participation and business cycle factors is closely examined using data from six points in time. In this assessment, differences in responsiveness to the business cycle across education and marital status are considered.

I reach three main conclusions. First, since the mid-1990s, a decrease in regular employment and an increase in non-regular employment have occurred for less-educated men of all age groups. The increase in non-regular employment is accompanied by an increase in non-traditional, non-regular employment, most significantly in manufacturing. Second, the decrease in regular employment and the increase in non-regular employment have occurred mostly among unmarried men. I also find that the fall in regular employment for highly educated single men as they age can be understood as more employable men getting married and leaving the set of singles. Finally, regular employment of single men and less-educated married men is more affected by business cycle factors than that of highly educated married men.

<sup>3</sup> The figures are from the ESS. Abe and Tamada (2010) examine regional variations of this phenomenon.

<sup>4</sup> Juhn et al. (1991) and Juhn (1992) also report a decrease in participation during earlier periods.

<sup>5</sup> The models used by Kuroda and Yamamoto (2008) and Abe and Tamada (2010) are based on cohorts, but they do not distinguish explicitly between regular full-time employment and non-regular employment. Genda et al. (2010) conduct a cohort-based analysis of young men, although their main focus is the relationship between the cohort effects and the unemployment rate at the time of labor market entry by each cohort. Cohort-based analyses of women's participation behavior in Japan include Abe (2001), Fukuda (2006), and Abe (2011).

<sup>6</sup> By contrast, the ESS is not suitable for studying labor force participation or unemployment since most of the questions are concerned with the usual status of employment instead of activities in the reference week.

<sup>7</sup> Abe (2011) also reports that women's employment differs significantly across marital status in Japan for a time period similar to the one analyzed in this paper.

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