The Ins and Outs of Cyclical Unemployment in Japan

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April 2, 2011

Abstract

This paper estimates and documents the job finding and the employment exit probabilities in the Japanese labor market by using two kinds of publicly accessible data: (i) quarterly data of the short-term unemployment available from Japan's Labor Force Survey (Ministry of Internal Affairs and Communication, Government of Japan) since 2002; and (ii) the administrative monthly data for unemployment benefit claimants available from Job/Employment Placement Services Statistics (Ministry of Health, Labor and Welfare, Government of Japan) since 1963. We employ the measurement method of Shimer (2007) and Petrongolo and Pissarides (2008) to each data set, respectively. Then, we compute the contributions of these flow probabilities to the overall fluctuations of unemployment. Among our findings are: The two flow probabilities are much smaller in Japan than those in the U.S.; the two flow probabilities are larger for younger and female workers than the prime age and male workers; and the movement of job finding probabilities contributes less to the overal unemployment fluctuations in Japan (for senior workers) than in the U.S (for young workers). The standard search and matching model of Mortensen and Pissarides type, calibrated to data of the Japanese labor market, can explain only a small part of the fluctuations in the estimated job finding probability under a set of parameter values often used in the literature. Our sensitivity analysis suggests that small levels of the job finding and employment exit probabilities in Japan can contribute to some extent the smaller fluctuations in the job finding probability than in the U.S.