

Non-permanent Jobs and Globalization: Evidence from Japan*

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January 2011

A very preliminary draft. Comments are welcomed.

Abstract

A rapid increase in the proportion of non-permanent workers in the Japanese workforce since the 1990's. This paper first proposes evidence of a linkage between the permanent to non-permanent shift in the Japanese manufacturing sector and international trade, using various industry level data. We find that although industries with higher exports tend to use less non-permanent workers, they are the most aggressive in replacing permanent workers with non-permanent workers. Industries with high import penetration tend to use more non-permanent jobs. We also find that industries highly competitive in the world market tend to use more permanent workers. Foreign outsourcing of intermediate inputs and FDI also tend to encourage the replacement of permanent workers with non-permanent. Industries with increasing FDI tend to increase non-permanent jobs.

JEL Classification Number: F16, J42.

Keywords: Non-permanent workers; International trade.

*The authors are thankful to Eiichi Tomiura, Juan F. Jimeno, Yukako Ono, and seminar participants in RIETI and IDE-JETRO International Workshop on “Non-permanent Jobs and Economic Globalization” for their comments and discussions.

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