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## **LABOUR INPUT ADJUSTMENT IN JAPAN**

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### **Abstract (254 words)**

Despite the the rising incidence of non-regular work and of changing structures in Japanese labor markets, macro-economic data do not suggest that the adjustment behaviour of employers during the global crisis is very different from those observed during previous downturns: Japanese firms continued to hoard on a massive scale and large adjusted by reducing working time, while job loss were limited. In order to explain this somewhat surprising stylised fact, this paper examines the implications of the rise in non-regular work for labour market resilience using two types of large nationally representative dataset of establishments for the period 1991-2009, focusing on the global crisis; namely Employment Trend Survey and Monthly Labor Survey. Taking the net yearly employment change and net quarterly total hour change of each establishment as the proxy of labor demand shock they received, we first examined a general view of labor input adjustment, by using non-parametric as well as parametric approach, showing a ‘churning’ and ‘kinked’ behaviours of adjustments. The data also shows, compared with the distribution in total hour change during the Asian Crisis, the share of establishments which increased total labor input has not been deteriorated during the global crisis. To confirm the role of distributional shift to explain the actual fluctuations in hiring and separation, we conducted some simulations and found that the de-regulation of non-regular workers has surely encouraged to hire the non-regular workers through reducing the restriction of using fixed-term contracts, while the fluctuation in separation can be explained by the change in distribution of shocks.

**Keywords:** labour market duality, labour market resilience, job quality, temporary work, crisis

**JEL codes:** D22, E24, J23, J41

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