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Review on Stage 2 of the Project on Intergenerational Equity – Genda Team

I am delighted to be able to report on the progress of the Genda team in the PIE project. Since this stage began, the Genda team has produced and published four excellent papers, two of them in respected refereed journals. This work is not only significant for our understanding of the youth unemployment and NEET problem in Japan, but it also has policy implications that may be useful for policy makers.

Professor Genda has already explored the question of whether Japanese graduates during the long recession of the 1990s were denied employment because firms chose to keep their older employees. He follows this research up with a book chapter in this project with H. Teruyama, S. Ohta, R. Kambayashi and M. Ishihara looking at the rise of employment and especially youth unemployment in Japan. This paper shows that the rise in unemployment is not primarily due to ageing of the labour force, although ageing does play a minor role. Instead, all groups of the population have seen a rise in unemployment. This paper does show that firms with a higher share of older workers were more likely to implement restructuring measures which included hiring freezes for young workers. This provides additional evidence that youth are being disadvantaged for the sake of keeping older workers in their jobs.

A second strand of the Genda team's research is to look at how an economic recession can have long-lasting effects on the future for the cohort that left school at the time. One paper, by Ohta, Genda and Kondo looks at this "scarring" effect in the Japanese context, and a second very interesting study shows how Japan differs from the United States in that long-term effects for high school graduates who graduate during a recession are much worse in the Japanese case. In the paper by Genda, Kondo and Ohta, a theoretical model is presented to explain why this difference between the US and Japan would exist. The authors then confirm this in a well-executed empirical analysis using microdata from both countries. This paper has been accepted by the *Journal of Human Resources*, the top American journal on education, training and labour. The paper does also point to policy implications – if Japan continues with the system whereby high schools help direct their graduates into jobs, then some extra provision (counselling or training) needs to be made for those who fail to find a job through their high school. This is especially true for those who lose out when the economy is in a downturn.

The fourth paper, by Professor Genda alone, looks at the NEET problem in Japan using data from the Employment Status Survey to divide jobless youth into three categories. The first category contains the unemployed – those who are actively looking for work. The second category contains those who want a job but are not looking for one



(presumably because they are discouraged) and the third category contains those who have no interest in working at all. Much of Professor Genda's work has been aimed at showing that the third category and much of the second category tend to come from deprived backgrounds, and that many of them have lost hope, and struggle to find meaning in work. In this paper, Professor Genda finds that there is some evidence that those who are not interested in working come from privileged backgrounds, but that this is actually becoming less important. What is very striking is that youth from less educated backgrounds, and youth who have had a spell of being out of the workforce, are much less likely to be looking for work. The NEET problem is, of course, not unique to Japan, but the paper suggests that it must be taken up along with other issues that face those who come from deprived backgrounds.

My own overall assessment is that the Genda team's research has made an important contribution to our knowledge about Japanese labour markets and the problems faced by the younger generation. The research is of high quality as attested by the fact that it has been published in important journals. The work has also been published in English, which contributes to international understanding and exchange of ideas. The research fits well with the theme of intergenerational equity, because it shows that the problems in the youth labour market are at least in part due to the high levels of job protection enjoyed by older employees in secure jobs. This does present a serious intergenerational inequity when there is a prolonged period of slow growth such as occurred in Japan between 1992 and 2002.

I strongly recommend that you continue support for this project.

Sincerely yours,

A handwritten signature in cursive script that reads 'Mark Rebeck'.

Mark Rebeck
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Oxford University