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Statistical Update



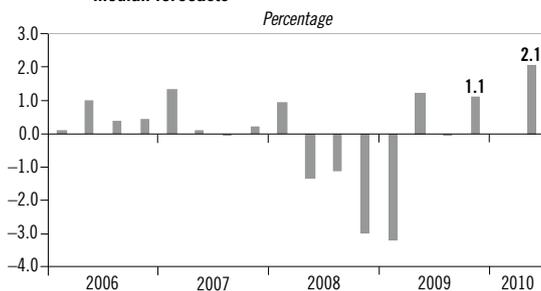
International
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JAPAN: RECESSION LED TO HIGHER UNEMPLOYMENT, LOWER HOURS OF WORK AND DECLINING WAGES

Global crisis yielded a severe contraction

- Before the onset of the global financial crisis, Japan had recorded its longest economic expansion in the post-World War II period: real GDP growth averaged 1.7 per cent between 2000 and 2007.
- Japan's export-driven economy was vulnerable to the impact of the crisis, with the decline in demand for durable consumer goods in the United States and China particularly damaging.
- The economy began to contract in the second quarter of 2008 and continued to register steep declines through the first quarter of 2009. However, between the second and fourth quarters of 2009, the economy began to expand again though at a weak rate, 0.8 per cent on average.
- Thus, Japan's real GDP fell by 1.2 per cent in 2008 and contracted further in 2009, by 5 per cent.

Figure 1. Real GDP growth rate, by quarter, 2006–2009 and 2010 median forecasts

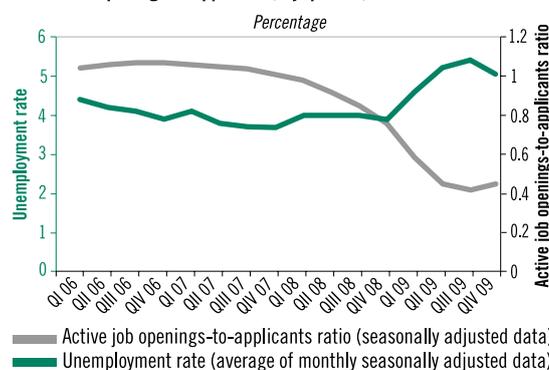


Source: Japan Statistics Bureau and Bank of Japan. Seasonally adjusted data. Quarter-to-quarter changes for 2006–2009. Forecasts for 2010 shows annual growth.

Declines in job openings and higher unemployment with the recession

- During the pre-crisis years of 2006–2007, the unemployment rate hovered at a relatively low level of about 4 per cent while official figures showed an average of one job opening for every job seeker.
- The unemployment rate, which stood at 3.7 per cent in the fourth quarter of 2007, rose only slightly in 2008 and more steeply in 2009, to a peak of 5.4 per cent in the third quarter of that year. It declined in the fourth quarter of 2009 to 5.0 per cent as the economic situation improved modestly but remains higher than pre-crisis levels.
- The annual unemployment rate thus remained nearly unchanged in 2008 (4.0 per cent from 3.9 per cent in 2007) but increased sharply to 5.1 per cent in 2009.
- The ratio of active job openings to applicants declined steeply in 2008 and the first half of 2009, and has since stabilized at 0.45 in the fourth quarter of 2009 (it had been 1 in the fourth quarter of 2007).

Figure 2. Unemployment rate and ratio of active job openings to applicants, by quarter, 2006–2009

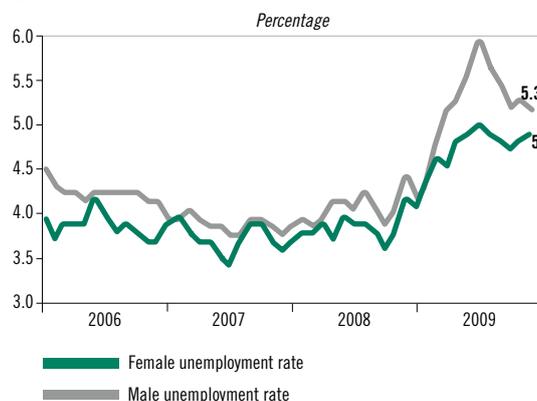


Source: Ministry of Internal Affairs and Communications: *Labour Force Survey*, Japan System of National Accounts and Ministry of Health, Labour and Welfare: *Employment Security Statistics*.

Both male and female unemployment rates increased in 2009, but rose higher among men

- The male unemployment rate slightly exceeded the female rate prior to the crisis, averaging 4.1 per cent and 3.8 per cent, respectively, during the 2006-2007 period.
- The male unemployment rate rose from a recent low of 3.9 per cent in October 2008 to a high of 6.1 per cent in July 2009 while the female rate rose from a minimum of 3.6 per cent to a peak of 5.1 per cent over the same period.
- Both rates have declined since their respective peaks, to 5.3 per cent for men and 5 per cent for women in December 2009, but remain substantially higher than pre-crisis levels.

Figure 3. Male and female unemployment rates, 2006–2009

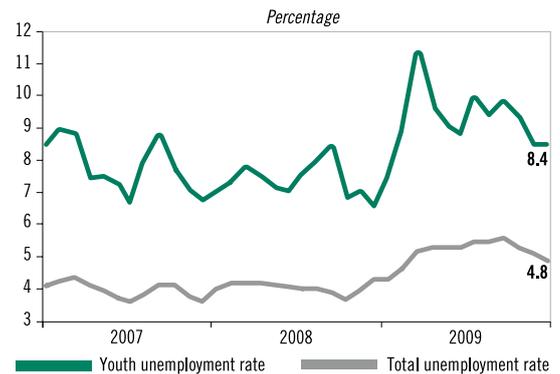


Source: Japan Statistics Bureau. Seasonally adjusted data.

The youth unemployment rate increased more than the total unemployment rate in 2009

- Youth unemployment rates in recent years doubled total unemployment rates in Japan, reflecting younger workers' less developed skills and work experience. Unemployment rates among youth increased 1.9 percentage points to 9.2 per cent in 2009 with the crisis (compared with an increase of 1.1 percentage point for the total population).
- The unemployment rate among youth peaked at 11.3 per cent in March 2009 compared to 7.7 per cent a year earlier, but since declined to 8.4 per cent in December 2009, still considerably higher than prior to the crisis.

Figure 4. Total and youth unemployment rates, 2007–2009

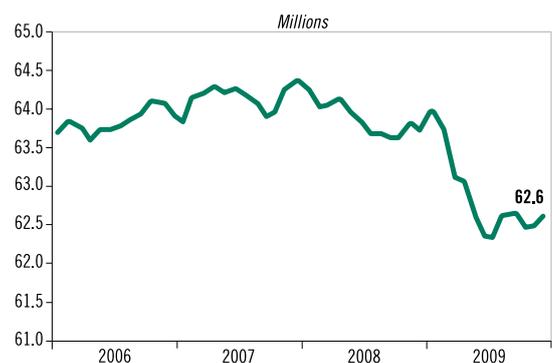


Source: Japan Statistics Bureau. Data not seasonally adjusted.

Over 2 million jobs were lost during the crisis, but a modest recovery is underway

- Employment began declining since its recent peak of 64.4 million in December 2007, and registered particularly strong decreases in the first half of 2009 due to the crisis, hitting a low of 62.3 million in June 2009.
- Employment levels have since stabilized and are registering a modest recovery but still remain far below pre-crisis levels, at 62.6 million in December 2009.
- At the same time, the share of employed persons working less than 35 hours a week has gradually increased, from 26.6 per cent in 2007 to 28.8 per cent in 2009

Figure 5. Employment levels, 2006–2009



Source: Japan Statistics Bureau. Seasonally adjusted data.

Manufacturing, construction, and trade sectors suffered significant job losses in 2009

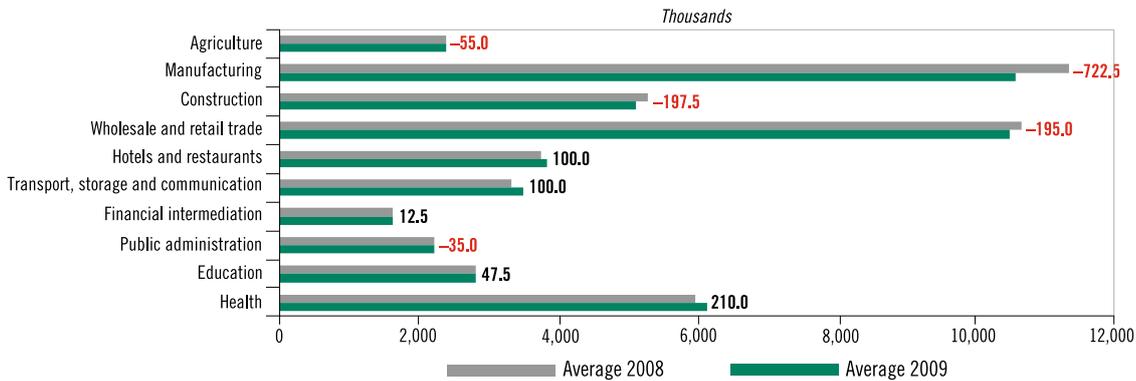
- Job losses were fairly widespread in the Japanese economy in 2009. Losses were most pronounced in manufacturing (722,500 jobs lost, on average), construction (197,500) and wholesale and retail

trade (195,000). Agricultural employment and public administration experienced lesser declines during the year.

- A few economic activities nonetheless registered job gains, notably the health sector; hotels and restaurants; and transport, storage and communication. These increases were not large enough to offset the declines in the other sectors.

- Employment declines in manufacturing and construction moderated in the fourth quarter of 2009. However, layoffs unexpectedly deepened in wholesale and retail trade in the fourth quarter. While the production of durable goods is gradually picking up due to progress in inventory adjustments and increases in exports, the effects on employment in manufacturing are still modest.

Figure 6. Employment by economic activity, level and change. Average of first three quarters of 2009 and the same period in 2008



Source: ILO, based on data of the Portal Site of Official Statistics of Japan. Figures next to the bars reflect changes in employment between the two periods.

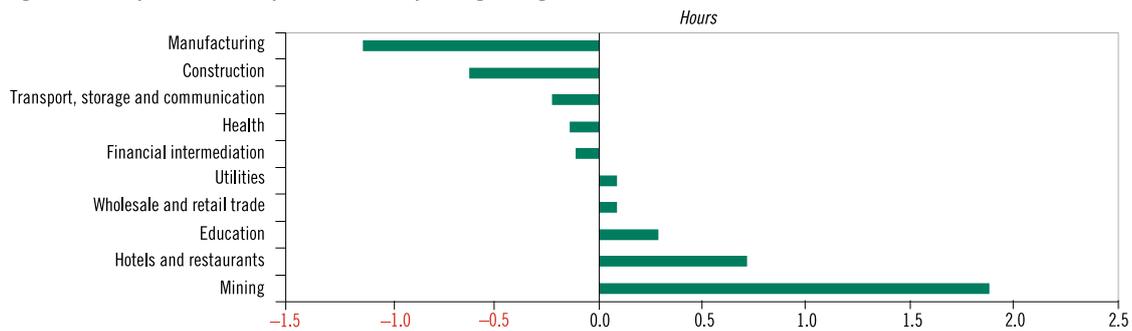
Sharp declines in hours worked in manufacturing and construction industries

- Key sectors which recorded declines in average weekly hours worked during 2009 were manufacturing (1.1 hours); construction (0.6 hours);

and transport, storage and communication (0.2 hours). In manufacturing hours nonetheless rebounded in the fourth quarter 2009 as work orders picked up.

- Sectors which recorded the highest increases in average weekly hours worked in 2009 included mining (1.9 hours), hotels and restaurants (0.7 hours), and education (0.3 hours).

Figure 7. Weekly hours of work by economic activity, average change from 2008 to 2009



Source: ILO, based on data of the Portal Site of Official Statistics of Japan.

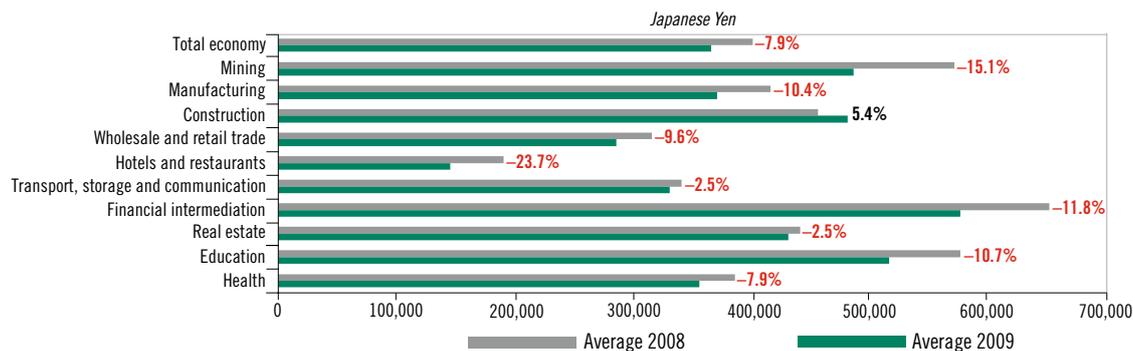
Wages declined in 2009 and deflation has returned to the economy

- Average nominal monthly wages declined in nearly all sectors during the first three quarters of 2009 compared with the same period of 2008. The most important decreases were recorded in ho-

tels and restaurants (23.7 per cent), financial intermediation (11.8 per cent) and manufacturing (10.4 per cent).

- The deflationary trend which weighed on the economy between 1999 and 2005 has returned; the Consumer Price Index in January 2010 stood at 99.4 (2005=100), down 1.3 per cent over the year.

Figure 8. Average change in monthly wage by economic activity. Average of the first three quarters of 2009 compared with the same period of 2008

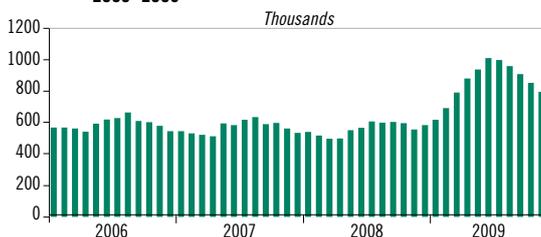


Source: ILO, based on data of the Portal Site of Official Statistics of Japan. Figures next to the bars reflect changes in employment between the two periods.

The number of unemployment insurance beneficiaries rose sharply in 2009

- The number of unemployed receiving unemployment insurance benefits increased by more than 50 per cent between 2008 and 2009.
- Following a steep increase in the first half of 2009, the number of beneficiaries began to decline in the second half of the year. The level reached 797,000 in November 2009, which nonetheless remained significantly higher than the number of recipients a year earlier (557,000 in November 2008).

Figure 9. Unemployment insurance beneficiaries,* by quarter, 2006–2009



Source: Official administrative records from the Government of Japan. Seasonally adjusted data.
* General employees insurance.

Outlooks suggests economic growth will return in 2010, but labour market challenges will persist

- The monetary and fiscal measures taken in Japan seem to have successfully contributed to countering

the crisis, increasing sales of eco-friendly vehicles, and boosting private consumption capacity.

- Following the steep contraction of 5 per cent in 2009, real GDP growth is projected to rebound to about 2.1 per cent in fiscal year 2010 according to the Bank of Japan.
- The government is seeking to reduce the unemployment rate from around 5 per cent to about 3 per cent in the medium term. The United Nations projects the unemployment rate to increase 0.5 percentage points in 2010. High youth unemployment rates in particular will continue to pose challenges to policymakers in 2010.
- Japan's "New Growth Strategy" approved by the cabinet in December 2009, focuses on generating demand and jobs by implementing measures to improve people's livelihoods. The government aims to create new demand and jobs in fields such as the environment, health and tourism, with the target of generating millions of jobs and ¥100 trillion in demand in these three sectors by 2020.
- The strategy identifies key priorities and challenges in the labour market, including raising the employment rate of young people, women, the elderly and disabled people; creation of a "trampoline-style society" with an adequate social safety net; developing a Japanese national vocational qualifications system and creating local employment.