



# Enduring an economic crisis: The effect of macroeconomic shocks on intragenerational mobility in Japan

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## ABSTRACT

After the burst of its “bubble” economy in 1989, Japan experienced an astonishingly long economic recession whose gravity surpassed any seen in the industrialized world since the 1930s. While this recession is likely to have important consequences on the well-known workplace arrangements and career mobility patterns in that country, systematic analyses of such consequences are nearly absent. This study examines changes in the rates and directions of job mobility in Japan using work history data collected in 2005 from a nationally representative sample of men and women. I find evidence that Japanese firms have largely retained the core elements of the permanent employment system. The norm that stresses men’s loyalty to their employers, however, appears to have weakened, resulting in higher voluntary job turnover among male workers. In addition, the gender gap in lifetime mobility processes has narrowed, but not because Japanese women have gained opportunities in the workplace. Rather, economic stagnation has led to greater fluctuations in employment and wages over men’s life course, thereby closing the gender gap. Beyond illustrating the changing stratification process in Japan, the findings have general implications for understanding how economic crises impact employment relations, institutional transformations, and social change in advanced industrialized countries.

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## 1. Introduction

Rarely has a country experienced as extreme an economic rise and fall as Japan’s over the past half-century. Its unprecedented economic growth from the early 1950s to the late 1980s made Japan the second largest and perhaps most competitive economy in the world. Following this enviable success, however, was an astonishingly long and severe economic recession. Beginning with the burst of its “bubble” economy at the end of 1989, Japan abruptly fell into a 15-year economic downturn whose gravity surpassed any seen in the industrialized world since the 1930s (Hoshi and Kashyap, 2004; Hutchison et al., 2006). From 1990 to 2005 Japan’s real growth averaged just 1.3% per year (Goodwin et al., 2007). Based on one estimate, this “great recession” had an impact on Japan’s national wealth comparable to that of World War II (Gao, 2001).

The prolonged economic stagnation is thought to have compelled Japanese corporations to adopt downsizing and abandon their well-known “permanent employment” practices (Ahmadjian and Robbins, 2005; Ahmadjian and Robinson, 2001; Lincoln and Nakata, 1997). As numerous studies indicate that Japan’s employment system shapes individuals’ mobility patterns and outcomes over their life course (Cheng and Kalleberg, 1996; Kalleberg, 1988; Kalleberg and Lincoln, 1988; Sano, 2007; Sakamoto and Chen, 1993; Yu, 2005), changes in work arrangements may also alter the country’s processes of social

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stratification. Nevertheless, systematic analyses of the mobility consequences of Japan's economic recession since the 1990s are nearly absent.<sup>1</sup> At the same time, research based on anecdotal or aggregate evidence leads to substantial disagreement about whether Japan's labor market arrangements and mobility structures indeed have been transformed (e.g., Kato, 2001; Kelly and White, 2006; Schoppa, 2006; Thelen and Kume, 1999).

In this paper, I examine changes in Japan's job mobility patterns during the period of severe economic stagnation, using work history data through the year 2005 from a nationally representative sample of men and women. Because Japan's permanent employment practices are generally associated with infrequent employer changes and ample opportunities for job shifts within organizations (Gao, 2001; Koike, 1983), studying changes in the rates and directions of job mobility helps resolve the debate about the extent to which these practices have persisted since the early 1990s. I also focus on job-shift patterns because they reveal the processes through which inequality is generated among different social groups. An examination of such processes, rather than inequality among individuals at a fixed time point, provides a more comprehensive picture of historical or cross-national variation in stratification mechanisms (Carroll and Mayer, 1986; DiPrete, 2002; Gerber, 2002; Parrado, 2005; Sorensen, 1975).

Beyond resolving the debate on the resilience of the permanent employment system, studying shifts in Japan's structure of intragenerational mobility contributes to a general understanding of the links among macroeconomic shocks, institutional practices, and individuals' life chances. While labor market institutions are thought to play an important role in mediating the effects of global economic pressure on social stratification processes across the industrialized world (Blau and Kahn, 1996, 2002), we know little about the direct impact of macroeconomic shocks on country-specific institutional arrangements (DiPrete, 2005:125). It is nevertheless possible that macroeconomic pressure affects individuals' life chances precisely through altering institutionalized practices in the workplace. With its distinctive workplace arrangements and experience of severe economic recession, Japan's case presents a unique opportunity to uncover how macroeconomic shifts may help reshape labor market institutions. By identifying the direction of Japan's institutional transformation, as well as the actors responsible for the transformation, the analysis in this study sheds light on the process of institutional change in advanced economies.

With an emphasis on alterations in Japanese workers' job-turnover behaviors, the present study also contributes to the literature on organizational practices and employment relations. Much previous research indicates differences between U.S. and Japanese workers' commitment to firms (Cole, 1979; Lincoln and Kalleberg, 1985, 1990). Japanese workers' higher level of commitment is thought to result from the application of "welfare corporatism," in which firms control labor by providing long-term job stability and extensive welfare that cover employees' family needs (Dore, 1973; Lincoln and Kalleberg, 1996). Critics of such research nevertheless contend that a comparison between U.S. and Japanese workers fails to discern the effect of the cultural context from that of organizational environments (Besser, 1993). While Ono's (2007) recent study is able to isolate cultural factors by comparing Japanese employees in foreign-owned and national firms, it only examines workers' attitudes toward their organizations. Yet it is behavioral commitment, measured by interfirm job mobility, that substantially distinguishes Japanese from U.S. workers (Lincoln and Kalleberg, 1990). In this article, I focus on Japanese workers' job-shift behaviors during a time when firms might have been compelled to modify their policy of welfare corporatism (Ahmadjian and Robinson, 2001; Lincoln and Nakata, 1997). By identifying changes in job-shift rates within the same cultural context, this study offers better evidence for examining the relation between organizational arrangements and worker commitment.

## 2. Background

Social stratification researchers have long been interested in the impact of macroeconomic shifts on individuals' mobility processes. Technology advancement, global economic liberalization, and rises in flexible employment arrangements are all thought to cause redistributions of job opportunities and rewards across the economy (e.g., Kalleberg et al., 2000; Villarreal and Yu, 2007). Such redistributions can stimulate or inhibit individuals' job mobility and labor market exits, thus shaping the frequency and directions of intragenerational mobility (DiPrete, 1993; DiPrete and Nonnemaker, 1997; Gerber, 2002).

The dramatic changes in Japan's economic conditions since the early 1990s can certainly be expected to alter distributions of job opportunities and rewards, hence affecting mobility patterns. What makes the Japanese case particularly interesting, however, is that the length and severity of the economic stagnation might have also shattered the institutional arrangements designed specifically for the purpose of facilitating employment stability—namely, permanent employment practices. While such an institutional change is likely to lead to fundamental shifts in the dynamics of intragenerational mobility in Japan, we have little systematic evidence about these shifts. We do not know for which social group the lifetime stratification process has changed the most; whether employers or employees may be responsible for the decline in job stability; or how changes in labor market transition rates affect individuals' likelihood of upward and downward mobility over their life course. This study fills these gaps by utilizing detailed work history data from Japanese men

<sup>1</sup> Using information from publically listed companies, Ahmadjian and Robinson's, (2001) study of downsizing in the 1990s sheds some light on changes in job stability in Japan. Their research, however, applies to only part of the labor force and is not meant to provide a comprehensive picture of Japan's mobility dynamics.

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