

Mark Rebick's Memorial and Hope in Japan*

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For the bibliography of Marcus E Rebick, see as follows: <https://ideas.repec.org/e/pre111.html>

Dr. Marcus E Rebick was a very noble-hearted researcher who deeply understood the Japanese economy and its labour market. It was during his undergraduate years that Mark initially became interested in Japan. Mark was born in Canada on January 19, 1956 and studied geological science at Harvard University. He visited South Korea and Japan at that time and has said that he took an interest in Japan from that first experience.

After obtaining his bachelor's degree from Harvard, he returned to Canada and worked for a while as a geologist. However, he decided to go to the graduate school of economics at the University of Toronto in 1982 and returned to Harvard in 1984. There, his main research advisor was Professor Richard Freeman, at the time the most influential labour economist in the United States. Mark obtained his Ph.D. in economics in 1990, when the Japanese economy was flourishing dramatically and attracting worldwide attention. This was when Mark Rebick started his academic life as an empirical labour economist specialising in the Japanese economy.

In 1992, Mark was invited to be a Shimomura Fellow at the Japan Development Bank in Tokyo. I was then a graduate student at the University of Tokyo, working as a research assistant there. I met Mark then and had my first stimulating discussions with him. Mark had experienced the world of up-to-date and critical economic studies of labour issues including inequality that had rapidly developed, especially in the United States. Mark appeared brilliant to me because he had mastered the skills of contemporary labour economics.

It is quite difficult for me to describe Mark in a word. If I were to venture, however, I would say I have never seen such a modest person as Mark Rebick. Mark was always graceful, always patient. It was unlike him ever to speak out loudly to justify his opinions. I think his unwavering confidence in his own research enabled Mark to behave peacefully and thoughtfully at all times.

On the other hand, Mark was always dissatisfied about one particular issue when he tried to examine the Japanese labour market empirically. It was the restriction on the use and provision of micro data in Japan. While several economic studies used micro data provided by the Japanese government in the 1990s, access was restricted to a limited number of domestic researchers and research projects. In fact, it was quite hard for Mark to access micro data that were suitable for his research. I remember that he therefore borrowed so many volumes of published figures from libraries and made the effort to capture these data by himself.

Now, as the Statistics Law in Japan was revised in 2007, many researchers have had easier access to these micro data. I truly expected Mark to utilize this opportunity to his heart's content and reveal certain original and important facts that others have yet to discover. I am very sorry that such a chance cannot now be taken.

Mark became a University Lecturer at Saint Antony's College and the Nissan Institute of Japanese Studies in 1994. Mark contributed to providing many Japanese the opportunity for studying at Oxford. Thanks to Mark, I also had a chance to be a visiting researcher at the Nissan Institute in 1996. However, I enjoyed living in Oxford too much. At that time, there was a tennis court next to this theatre in the grounds of St Antony's College. I played tennis almost every day in summer and enjoyed not a few pints of beer at the pub like Gardener Arms and Rose and Crown. I remember Mark saying to me with a little smile, 'Yuji, are you studying in Oxford to be a tennis player like Kimiko Date?'

(Fig 1)

Mark had also enjoyed long stays in Japan as a visiting researcher at Nagoya University in 1996 and at Gakushuin University in 1998. He often visited Japan until the beginning of the 2000s. Mark had so many friends in Japan, and they missed him so much.

The Japanese Journal of Labour Studies is an academic journal that is referenced by most labour researchers and labour policy makers in Japan. The lead article of the journal published in May 2015 was a memorial dedicated to Dr. Marcus E. Rebick, which the editorial board asked me to prepare. Such a testimonial from the journal is quite rare, indicating how much Mark was loved and missed by his Japanese colleagues.

It was March 2012 when I last saw Mark in person. A year had passed since the Great East Japan Earthquake, and a Memorial conference was kindly held in Oxford. I joined the conference and

was told by Professor Takehiko Kariya that Mark had worked hard to plan the conference in spite of his serious health condition. I saw Mark on the final day of the conference. We were meeting after a long time, and indeed, he seemed thin with illness, but the sharp yet warm look on his face was completely the same as when I saw him 20 years previously for the first time.

Mark could not produce all that many publications in his academic career, but he bequeathed several important works to us from which we will need to learn to succeed in the future.

(Fig 2)

One such example is his detailed empirical study of the persistent wage differentials between large firms and middle- and small-sized firms. The firm size wage differential has not received much attention recently, but it is becoming more and more likely to emerge again as a quite central issue. So-called deflation has been continuing since the end of the 1990s in Japan. As to its main cause, most economists agree that it is due to the fact that the real wage has not been increasing at all; in the long run, the real wage tends especially to decline among small firms.

Since the 2000s, the Japanese economy has repeated the cycle of recessions and booms. The Job Opening Application Ratio refers to the number of job openings by firms relative to job applications by unemployed persons. The job opening application ratio has been steadily improving since the end of the global financial crisis and the big earthquake. Economic theory says that the real wage always increases with labour shortages. However, the real wage has been stable or even gradually declining since the 2000s. This is the fundamental reason why the Japanese economy cannot escape from the pattern of long run deflation.

In the past, John Maynard Keynes pointed out two important reasons for the substantial increase in unemployment during the Great Depression in the 1920s. One was the lack of aggregate demand in the economy, which made it difficult to get out of depression without a substantial increase in public expenditure achieved through financial policies. The other main reason was the downward rigidity of wages in spite of the excess labour supply. As long as the real wage remained high, firms could not expand labour demand, meaning that involuntary unemployment could not disappear from the labour market.

On the other hand, the opposite phenomenon to that supposed by Keynes has newly occurred during the deflation in the 2000s in Japan; that is, the *upward* rigidity of wages in spite of excess labour demand. This cannot be explained by neoclassical or Keynesian economics; it is not a situation expected by existing economic theory. Such a phenomenon may also occur in Europe and the United States as serious deflation would continue into the future.

Why did the real wage not increase, despite there being substantial labour shortages in Japan?

According to Japanese experts like Mark Rebick, the Japanese employment system is well known to be characterized by its long-term employment practices, seniority wage rules, and firm-based labour unions. These features are especially developed among large firms in Japan. However, most Japanese employees actually belong to small or medium-sized firms rather than large ones. Recently, the wages paid by large firms has tended to increase in Japan, because their business performance has steadily recovered due to exchange rate depreciation and increasing stock prices. In contrast, there are almost no indications that wages have gone up in small and medium-sized firms at least now. While labour shortages – especially of young workers – are quite serious issues for small businesses, their wage payments have almost failed to rise at all.

Why does the wage not go up especially in small and medium firms, in spite of substantial labour shortages in Japan? Is this due to increases in non-regular workers? A stagnation of growth in labour productivity? The potential pressure of a huge labour supply of aged workers? Or the strict regulation of wage payments for workers in the caring industry, which is growing rapidly with the development of an aging society in Japan? We have not yet found clear reasons for the upward wage rigidity in small and medium firms in Japan.

In 1993, Mark Rebick published an important paper titled ‘The Persistence of Firm-Size Earnings Differentials and Labor Market Segmentation in Japan’ in the *Journal of the Japanese and International Economies*. He examined the reasons for substantial firm-sized wage differentials in detail, using data published between 1970 to 1990 which he collected himself. He found the most important cause to be the segmentation of the dual labour market. At the same time, he also pointed out that if the unemployment rate fell by 1 percentage point over this period, the wages of small and medium-sized firms tended to increase by 8 percentage points. I have an impression that the current relationship between wages and employment may be quite different from anything that Mark had examined previously. For example, the unemployment rate fell by almost 2 percent point from 2002 to 2014, but the real wage did not raise almost at all. Nonetheless, I am sure that we need to learn a lot from Mark’s insightful legacy of research into people who face difficulties with low wages and precarious employment in small and medium-sized firms.

(Fig 3)

Mark Rebick left one long-term important book through his academic work. It is ‘The Japanese Employment System: Adapting to a New Economic Environment’, published by Oxford University Press in 2005. It is the outcome of Mark’s comprehensive examination of possible structural changes in the Japanese economy and its labour market from the 1980s to the beginning of the 2000s. He argued the cases for several persistent changes, such as the difficulty of youth employment, the utilization of non-regular employment, the limited improvement in levels of female employment, and

other issues.

He also advocated the necessity to take prompt measures to cope with shortages in the labour force due to a declining population. While such a suggestion appears to be a matter of course nowadays, it was Mark's foresight to point this out in 2005, when labour surpluses were still believed to be a serious continuing issue.

(Fig 4)

In addition, Mark asserted the importance of maintaining the cooperative industrial relationship that has developed historically within Japanese firms, generating the prevailing formation of skilled workers. In 2000, Mark was interviewed by the *Nihon Keizai Shimbun*, and commented as follows: 'The competitiveness of Japanese firms is attributed to their excellent labour forces. There are full training systems within firms, Japanese employees cooperate with each other, and they make efforts to improve their productivity with a strong sense of responsibility. Indeed, it is hard to express such loyalty and responsibility in numerical form, but they are the secret behind the power of Japanese firms without any doubt, and many Japanese firms have not yet lost this advantage.'

I believe that Mark would have liked to examine for himself whether his hypothesis has remained appropriate since the 2000s. What was the essential change in the Japanese labour market and employment system after the 2000s, when we experienced so many huge confusions in the economy? What has changed permanently? And, consequently, what has not changed?

I do not think that we labour experts and Japanese specialists have generalized these facts sufficiently. Compared with past events such as the oil shock of 1973, the rapid appreciation of the exchange rate in 1985, and the financial crisis in 1998, it is quite strange as to why we have not put a historical name to the worst of the employment crisis that occurred in 2002 and 2003. To do so, we need to build on Mark's research to pursue the ideal employment system and labour market.

In the rest of the time available, I would like to talk about some changes in contemporary Japanese society, having been stimulated by Mark's ideas. It is a story about 'hope' in Japan compared with other countries.

(Fig 5)

'Do you have 'hopes' in the sense of things you want to realize in the future?' I have executed a series of surveys including such questions to those aged between 20 and 59 in Japan. In 2006, 78 per cent of respondents answered 'yes' to this question. The proportion replying 'yes' fell to 70 per cent in January 2011; it declined further to 55 per cent in 2014.

The Institute of Social Science, University of Tokyo, also conducted a panel survey that followed a group of respondents who were aged between 20 and 39 in 2007. The panel survey asked every year if the respondents had any hopes for their future lives and works. The proportion expressing hope was 55 per cent in 2007, but it fell continuously to 39 per cent in 2012.

I am surely proud that Japan continues to be a very lovely country. For example, income variation has been quite equalized and Tom Piketty's story of enlarging inequality has not been held true historically in case of Japan. The unemployment rate is low at international standard, and the crime rate is also low especially among youths. Life is very comfortable and most people are satisfied with every day life. Food is safe and delicious, and people are still kind in general. I am sure Mark will love Japan still now as he first met the Japanese society when he was a young student.

But these results suggest that Japan has been now started to become a country in which people do not have any hopes for the future.

(Fig 6)

How about other countries? We attempted an international survey of those aged between 20 and 59 in various countries in 2014, also asking respondents if they had 'hopes' in the sense of things they wanted to realize in the future. The proportion answering that they hoped for something in the future was 87 per cent in the United Kingdom, 93 per cent in the United States, and 89 per cent in Australia. We did similar surveys this year, and the proportions are 97 per cent in Germany, 93 per cent in China, and 87 per cent in South Korea. Most people express hopes of realizing something in the future in these countries.

Compared with these results, however, the fact that only 54 per cent of the population in Japan express hopes is quite surprising. That is, Japan is now a quite unusual country in which not a few people appear to have lost hope for some reason.

What is the difference between people who hope for something and those who do not? Several statistical investigations have clarified some objective facts regarding this issue.

First, age is closely related to the sense of hope. Generally, younger people tend to hope more to achieve some aim than do older ones. What is the most important factor in realizing hopes? I think it is 'time'. Time is a most valuable resource, and it is granted more extensively to the young. The youth are granted the privilege of rising to the challenge of realizing their own hopes by utilizing the plentiful time at their disposal. Therefore, it is a serious issue that even young Japanese are now tending to lose their sense of hope.

Second, education plays a crucial role in having hopes. It is found that college graduates are more likely to have hopes than those who only graduated from high school in Japan. The accumulation

of skills and knowledge acquired through education enables more highly educated people to enlarge their choices and possibilities, resulting in them having greater hopes. Third, health is an important condition in order to realize hopes. Illnesses and injuries limit the extent of people's activities and hinder their hopes.

These facts mean that a progressively aging society inevitably experiences a decrease in the general sense of hope. The existence of both fewer young people and more older patients in poor conditions of health implies an increasing relative number of those who lack hope in the future.

There is one more important objective determinant of hope. That is the 'job'. Those having a job tend to have more hope for the future than do non-employed persons. Employment provides the earnings necessary for people to realize their hopes; at the same time, hope itself can be realized through working at a job.

The annual unemployment rate in Japan recorded its lowest level in 2014 since the financial recession of 1998. A situation in which jobs are available for everyone is quite crucial in order to enlarge hopes in any society. In this sense, the labour issues that Mark Rebeck persistently emphasized will continue to be taken seriously in discussing hope and happiness in society.

(Fig 7)

'Do you think you have many friends?'

With respect to the above question, 38 per cent of people in the United States replied that they had many friends. 32 per cent in the United Kingdom, 25 per cent in China, and 21 per cent in South Korea answered that they had many friends.

How about Japan?

Surprisingly, just 8 per cent of Japanese respondents said that they had many friends. From empirical studies, the number of friends and acquaintances a person has will exert a significant positive impact on their hopes to be realized in the future. The relative lack of hope in Japan appears to be mainly due to this poor relationship with friends and acquaintances.

Hopes can be found in communication with others rather than in thinking by oneself. Furthermore, hopes can be realized through support and cooperation with others in situations where these hopes cannot be achieved by acting alone. Such social capital, created by intimate human networks, plays a crucial role in generating hope in society. Just after the Great East Japan Earthquake, the *kizuna* or social bond became the buzzword all across Japan. In contrast, however, I have an impression that Japanese people tend to be alone more and more.

Probably the most important reason for such loneliness is 'crumbling pillar' of the internal firm relationship between corporate colleagues. This hypothesis of declining trust between workers in firms should be examined in detail, according to the important paper by Freeman and Rebeck titled

“Crumbling Pillar? Declining Union Density in Japan,” published in 1989.

Another important feature of hope is that people who tend to avoid futile efforts are less likely to hope for the future.

Of course, everyone would like to avoid bad deals while ensuring their best interests. It is necessary to have appropriate information in order to judge precisely what is a loss and what is a gain, but information is not always sufficient. In particular, it is so often the case that we only have quite limited information as to what will happen in the future. Therefore, even if we make an effort towards achieving some desired goal, we sometimes fail to have great success.

On the other hand, many experienced persons will often talk about their careers as follows: ‘I have lived through so many things and I have made so many mistakes. But looking back at my whole life, there is nothing that was completely in vain.’ Such persons are always youthful and fresh, regardless of their real age, and they always hope to rise to the challenges of life. They are ‘people with hope’ in the real sense.

This kind of passion is indispensable in maintaining hope against an uncertain future. Such passion is close to the ‘animal spirit’ to which John Maynard Keynes referred in his General Theory. The animal spirit is an essential factor in activating the long-term expectations that determine a person’s investments of time and energy.

However, I have the impression that the animal spirit or passion is gradually declining in Japanese society after the burst of bubble economy, so that not a few Japanese have lost hope in their own future. Now, the accumulated financial deficit has become a serious problem in Japan. Therefore, efficiency is believed to be the most important issue and cutting waste is stressed in all cases in all areas. However, beyond efficiency, animal spirit is also necessary for the development of hope and long-term growth in Japanese society, I believe.

(Fig 8)

So many Japanese suffered from the Great East Japan Earthquake in March 11th 2011. The damage was not limited just to the direct disaster areas of the tsunami and the nuclear power plant accidents, but has been prevalent across the whole of Japan. What kinds of impact on hope, then, has the earthquake had among the Japanese?

According to the survey of 20 to 59 year old persons living in the Tohoku and Kanto areas, the east side of Japan, those who were damaged by the disaster *to some extent* are most likely to act to realize their hopes. The proportion of these people acting to realize their hopes was 48 per cent; this is higher by almost 10 per cent compared with those who were not damaged by the disaster at all.

However, we must never forget that most of those who cannot recover from serious damage are

still losing hope in future. We need to be careful in that there is a substantial differential in hope under the recovery process from the disaster due to the differing degrees of damage experienced.

Changes can also be observed in the main contents of hope after the Great East Japan Earthquake. Before the disaster occurred, the most frequent component of hope in Japanese society was always 'working'. For example, many Japanese hoped to work in worthwhile jobs and to have stable employment with high earnings; many Japanese females hoped to work after bringing up their children. Hopes among the Japanese had been mainly related to employment in the past.

However, the expressed content of hope that is increasing the most since the earthquake is the 'family' issue. Many Japanese now hope to spend much more time with their family rather than to work long for companies. What they all hope for the most is that the well-being of their family members is as great as possible. Faced with the difficulty of losing one's family all at once in such a disaster, what is emerging as the most important issue among the many possible contents of hope is that of family rather than that of employment.

However, at the same time, it is becoming more and more difficult for Japanese youth to marry and have their own children, mainly because of precarious employment opportunities with low incomes. From the viewpoint of hope in Japan, it is most crucial for the youth to be able to have their own families in the future.

(Fig 9)

In fact, the number of people with hopes for their own lives in the future is declining in Japan. The development of the aged society, the increase in the number of solitary persons, and the weakening interest in employment can partly explain the decline in hope in Japan.

However, in contrast with the loss of hope of their own lives and works, another change is now occurring with respect to the issue of hope. In the survey, we asked respondents if they felt that Japanese society would be hopeful in future. The proportion of those who replied that Japanese society would be hopeful was limited to 10 per cent in 2011. However, it has tended to rise and reached 23 per cent in 2014.

Who among the Japanese feels now that Japanese society will be hopeful in the future?

(Fig 10)

First, those who currently support the Liberal Democratic Party feel that hope is increasing in Japanese society. In particular, they hope to improve conditions by the change of political regime from the Democratic Party of Japan to the LDP in 2012.

Second, those owning stocks tend have greater hope in Japanese society. Stock prices are now

increasing due to the recovery of business performance achieved through mass monetary easing and the depreciation of the exchange rate. Therefore, stockholders hope for further improvements in the Japanese economy.

On the other hand, I have one troubling observation. It is the fact that those Japanese who do not like China tend to have increased hope for Japanese society in the future. At the same time, the appreciation of China is drastically declining in Japan.

It appears desirable that hopes are expanding in society, but we must avoid warlike and tense situations with neighbouring countries from becoming a source of social hope among the Japanese. Rather, we now need much more discussion on what the real and ideal hopes in society should be.

As Mark Rebick highlighted, Japanese society and its economy are still engaged in a long and substantial transition, with further globalization and population aging ahead. Mark did not seem to approve of the execution of drastic revolutionary measures in order to solve the related problems all at once. We should especially avoid creating tense situations within our international neighbourhood through accelerated solutions. Conflicts should not be the hope at any time.

(Fig 11)

We need rather to share our responses to these multiple changes and to trust each other. We should hope for a future that will not be so miserable and work to make steady and gradual progress. According to Mark's insightful studies, we would do well to investigate the best ways of improving the situation with sympathy for relatively disadvantaged persons such as females, youths, non-regulars, and older persons in Japan.

Marcus E Rebick was a social scientist who truly embodied the 'cool head but warm heart' that Alfred Marshall suggested as characterising the ideal economist. Mark, you understood Japanese society in depth and you were an exceptional labour economist.

Please sleep safely. Thank you.

Fig 1.

抄遊交

英オックスフォード大学外研究者だった。2000年代初め、大蔵リストで日本経済を購読していた。故マーク・レピックと初めて会ったのは1992年、日本開発銀行（現日本政策投資銀行）の設備投資研究所だった。当時、私は大学院生。一方、米ハーバード大学で博士号を取得したばかりで、最新の労働経済学の手法を身に付けていたマークは輝いてみえた。

数年後、私がオックスフォードで研究する便宜を図ってくれたのがマークだが、日々テニスに明け暮れていたと、笑いながらチクリと一言。「ユーシはデニス留学だったっけ」

兼成で温厚な人柄のマークは日本の労働市場の実情を理解する貴重な海

日本の労働市場

史 多くの日本の労働研究者に愛されたマークは1月、50歳の若さで永眠した。英国のパブで少しゆるめのビールを共に楽しむことはもうできない。

田 日本若者から熟練労働の機会が減りつつあると案じていたマーク。

史 望ましい雇用システムを探求し続けることはマークの遺志を継ぐことでもある。

同時に日本に愛着を抱く海外研究者を今度は私が応援する番だと肝に銘じている。（げんだ・ゆうじ 東京大学教授）

日本経済新聞（2015年4月27日）
Nihon Keizai Shimbun

Fig 2.



3

Fig3.



The Japanese Employment System: Adapting to a New Economic Environment
Marcus Rebick

ABSTRACT
This book examines the current state of the Japanese employment system from an economic perspective. It also looks at how the changing economy and demography, including the prolonged recession and the rapid ageing of the population, has affected the labour market and its institutions. The main focus of the book is on the increased use of non-standard forms of labour, especially in the labour market for youth. This is seen to be partly a by-product of the long recession, but also a longer-run change in the human resource management strategy of firms. The book also examines the implications this ... [More](#) ▾

Keywords: ageing, demography, employment, human resource management, immigration, income distribution, Japan, labour unions, labour, older workers

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4

Fig 4.



日本経済新聞(2000年5月1日)
Nihon Keizai Shimbun

Fig 5.

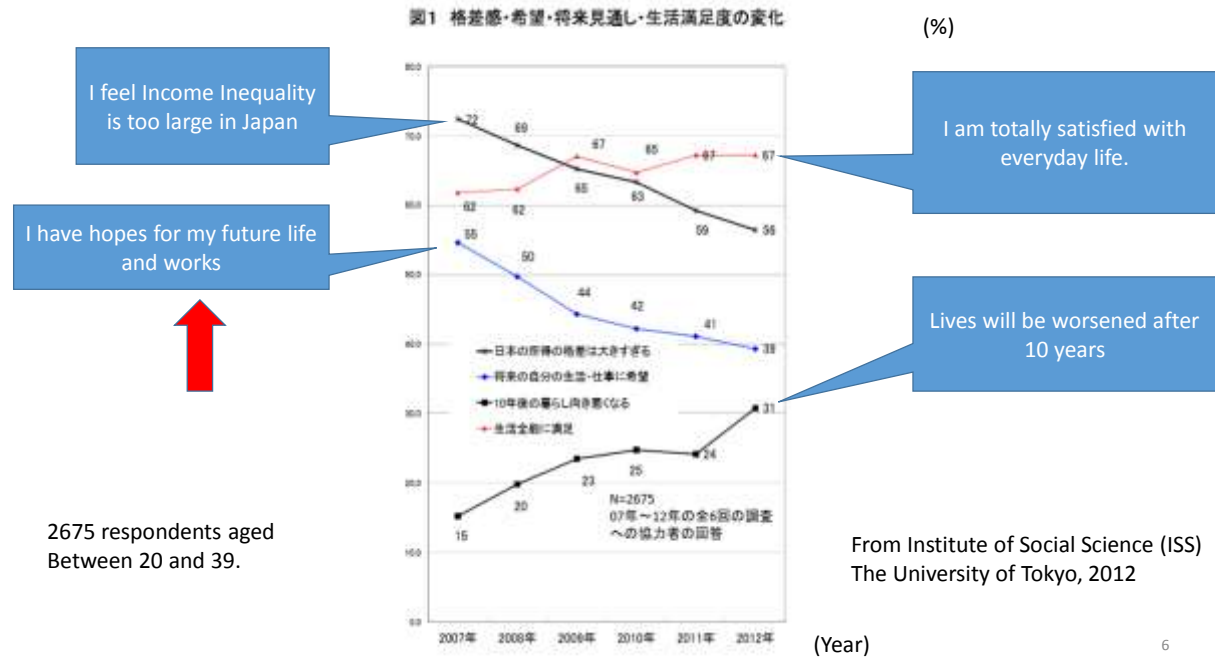
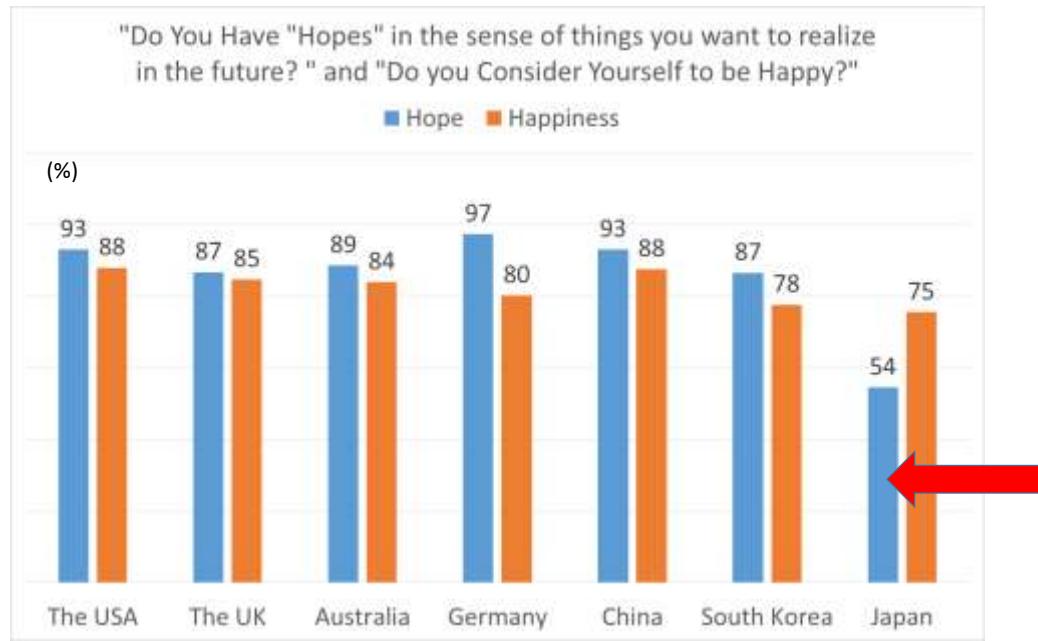
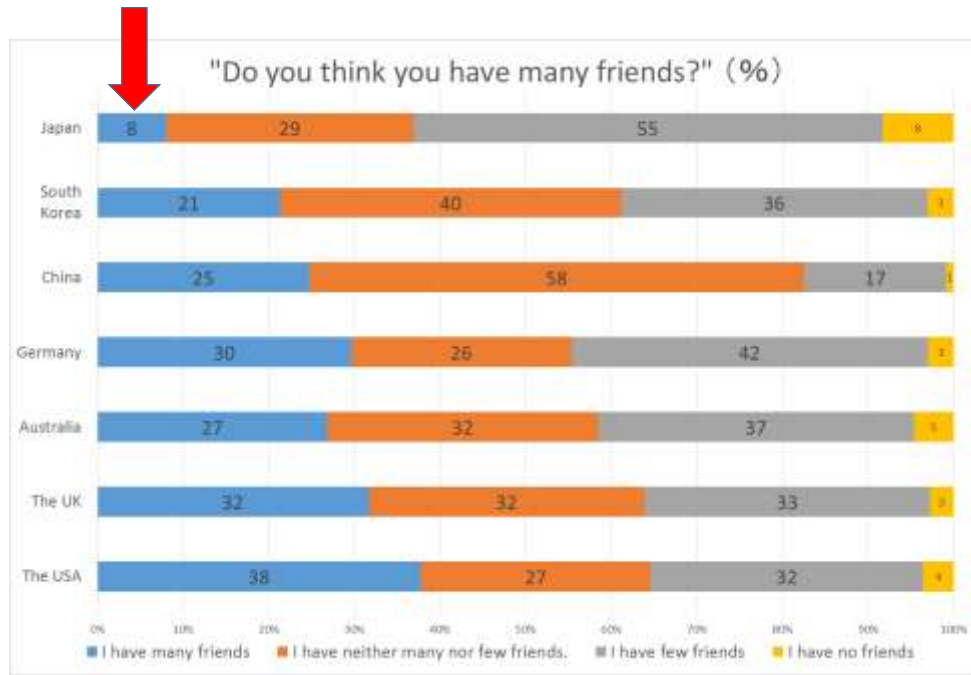


Fig 6.



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Fig 7.



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Fig 8.

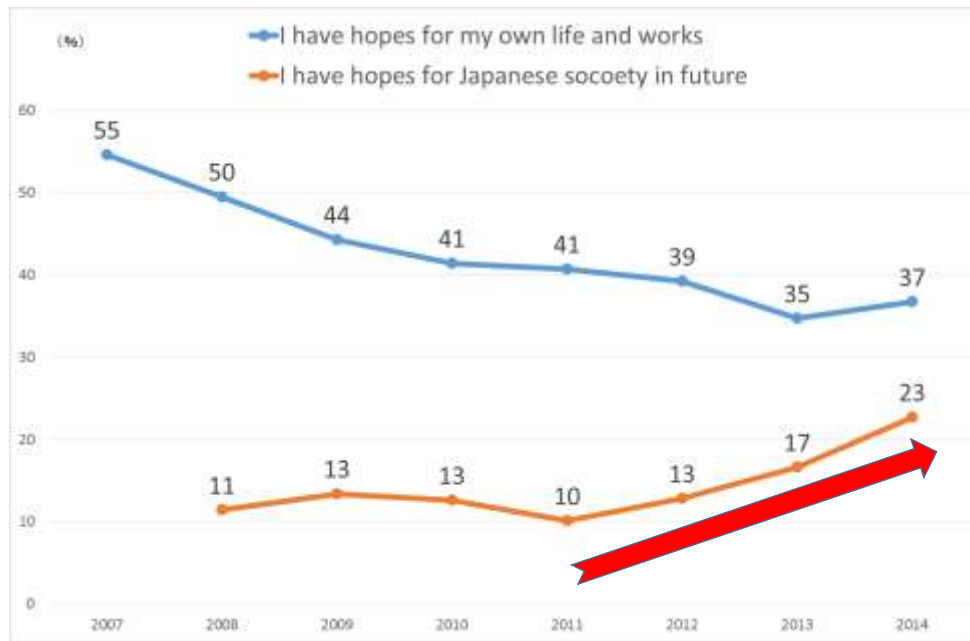
Fig 2 Which hope is the most imporant to you? (%)

	Before Earthquake	After Earthquake
Work	16.4	15.8
Relation with friend	0.9	0.8
Bein in love	4.2	2.6
Social contribution	0.7	1.1
Marriage	5.2	7.2
Health	2.2	4.8
Play (entertainment)	3.7	3.8
Appearance	0.4	0.7
Learning (Study)	2.1	1.3
Family	10.8	21.1
Local activity	0.2	0.3
Other	1.5	1.9
Nothing	51.8	38.7

Genda (2014)

9

Fig 9.



Arita(2015)

Fig 10.

Who Increases the Hope for the Japanese Society?

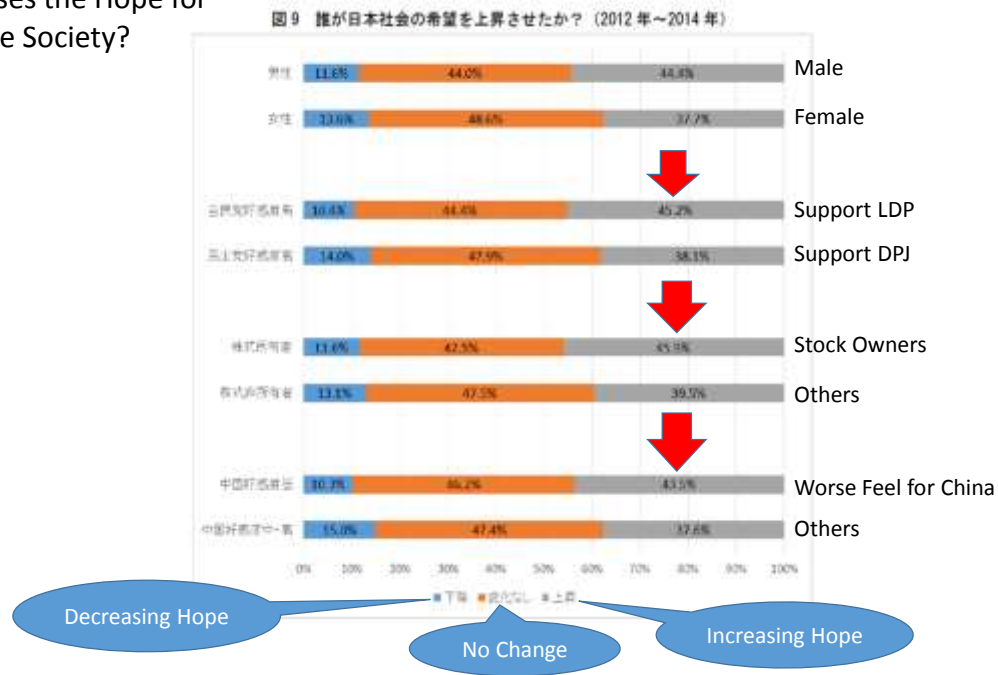


Fig 11.

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12