Measurement of employment inducement coefficients: methodology and empirical result for Japan 1995-2005

Topic: Productivity and efficiency analysis 1
Author: Akiko NAKAJIMA

Employment inducement coefficients are same as total labour requirements and sometimes it is called as value of commodity. it should be noted that employment reduced by 300000 persons from 1995 to 2000 and another 1500000 persons reduced from 2000 to 2005. Japanese tradition to measure employment inducement coefficient takes capital depreciation as capital cost. Capital depreciation coefficients are obtained from capital depreciation allowances proportioned to each capital goods producing industries using capital formation table. Capital formation table is published for years benchmark input output tables are published. Three ways of measuring employment inducements coefficients will be explained according to the treatment of imported inputs. First model replaces imported inputs by the same value of exports, and measure the total employment induced by producing the commodity including the employment induced by these exports. Second model ignores the difference between foreign and domestic products. Foreign products are treated same as domestic products. Third model substracts the imported inputs and measures only the domestic employment inducements. According to the empirical study. results of the first and second model give rather close results. Third model gives smaller employment inducement coefficients. From the empirical study on Japanese data for 1995 to 2005, it is found that employment inducements coefficients are 0.16 persons per million yen by the first and second model , while it is as small as 0,11 persons per million yen (industsrial average) by the third model. While it is true that efficiency is increasing but at the same time it explains that job creation are becoming difficult in Japan.