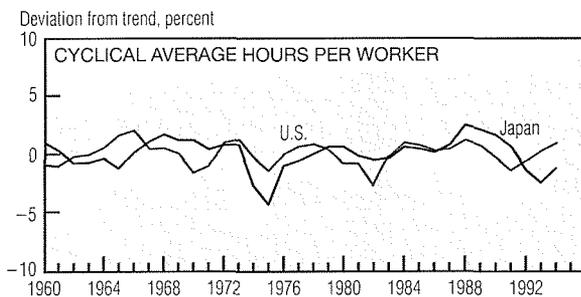
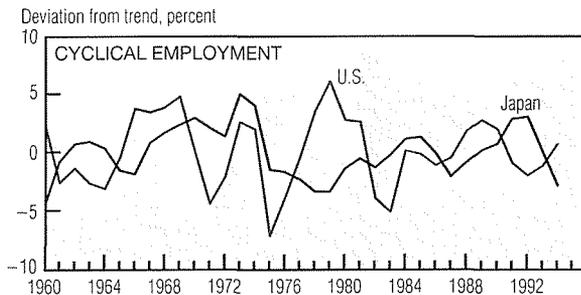
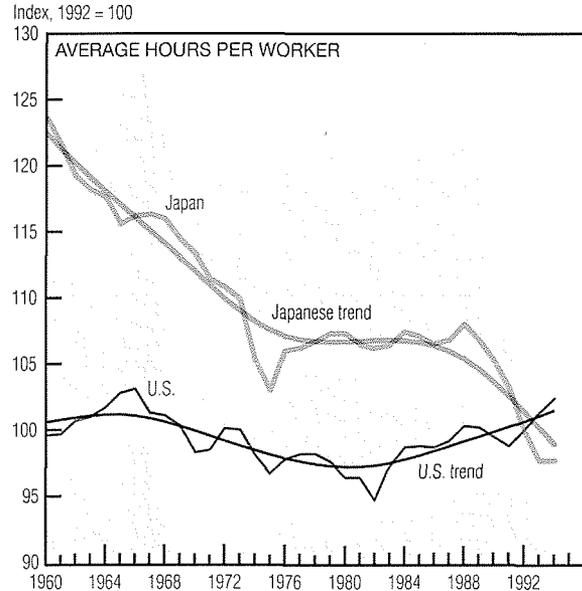
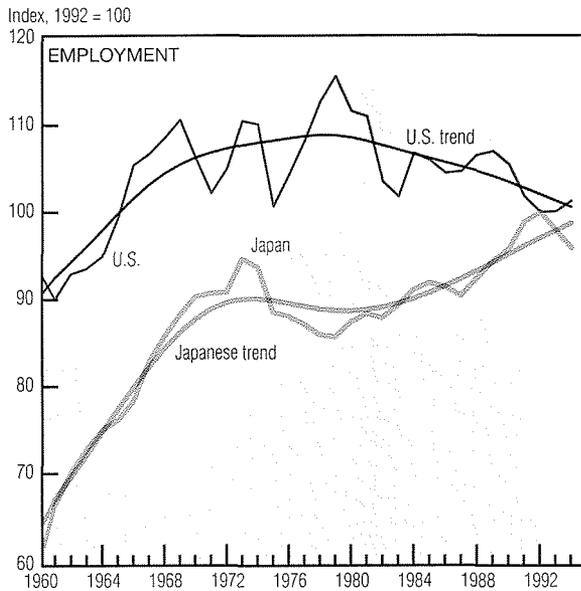


Employment Variability



Cyclical Behavior of Manufacturing Sectors, 1960-94

(Standard deviation, percent)

	Total hours	Employment	Hours per worker
U.S.	3.6	3.1	1.0
Japan	2.7	2.2	1.4
Belgium	2.8	2.5	1.4
Denmark	3.4	3.2	1.3
France	2.1	1.6	0.9
Germany	3.0	2.8	0.9
Italy	3.2	2.7	1.5
Netherlands	2.3	2.3	1.1
Norway	2.2	2.1	0.9
Sweden	3.0	3.0	1.0
U.K.	3.5	3.0	1.0

SOURCES: U.S. Department of Labor, Bureau of Labor Statistics; and Federal Reserve Bank of Cleveland.

Conventional wisdom says that Japanese workers tend to experience less volatility in employment than do Americans, partly because many workers in Japan's largest firms have what amounts to a lifetime employment contract. One might expect, then, that total employment over the business cycle would vary less in Japan than in the U.S., and that Japanese firms would respond to cyclical fluctuations with larger changes in hours per worker.

Data for manufacturing employment and hours per worker show

that employment does indeed vary less around its long-run trend in Japan than in the U.S., and hours per worker vary more. These effects do not cancel each other out, and total manufacturing hours per year vary substantially less in Japan.

There are also several reasons to expect employment to be less variable in Europe than in the U.S. Many European countries have regulations, such as relatively large legislated severance payments and laws restricting plant closings, that make it costly for firms to adjust the num-

ber of workers they employ. In addition, the unemployment insurance systems of several European countries encourage firms to reduce hours per worker instead of laying off employees.

Again, manufacturing data show that employment varies less around its long-run trend in most of Europe than in the U.S. Although hours per worker vary more in some European countries, the U.S. has the greatest variability in total manufacturing hours.