

# Non-regular Workers and the Stagnant Economy

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This paper specifically examines features of labor supply heterogeneity in Japanese households and describes how such a structure affects household expenditure, which has stagnated during the last two decades. The particular circumstances represent the increase of non-regular workers but are not necessarily limited to Japan. Non-regular workers are definable in many dimensions, but a common feature is that they have quite unstable contracts of employment. If such labor increases greatly, then one can assess the impact on the actual economy. Therefore, a general equilibrium model was constructed to explain some empirical VAR evidence. The model shows that the reactions of aggregate consumption and housing investment to the shock of increasing non-regular worker ratio are negative and that they are consistent with empirical results. Housing investment exhibits greater sensitivity to the shock. Moreover, decreasing output for consumption goods and housing investment in response to the shock is greater than that decrease of demand. This paper suggests that employing few non-regular workers is preferred and that non-regular workers should not be employed for long periods.

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