

Enhancing Productivity and Inclusive Growth

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Kazumasa Iwata

President

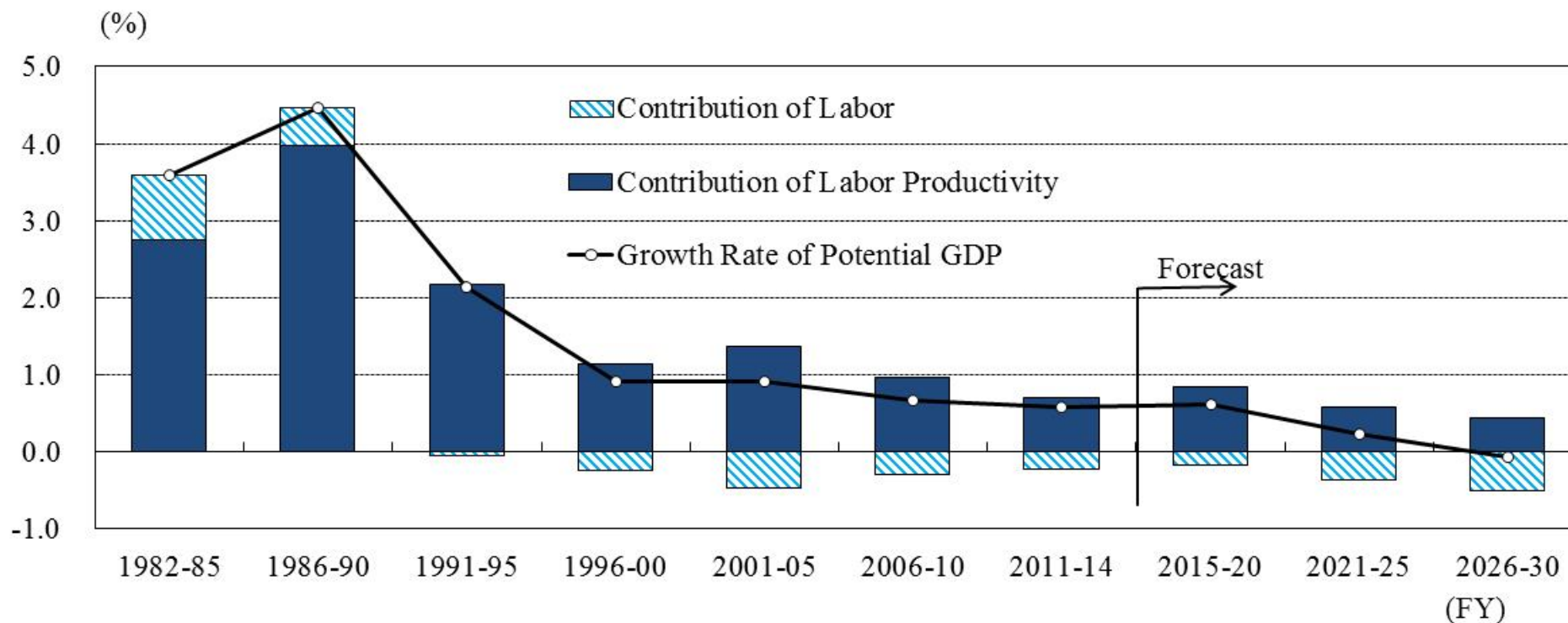
Japan Center for Economic Research



1. Medium-Term Growth Scenario (Base Case)

1. In the base case scenario, Japan's growth rate will converge to zero in 2026-2030.
2. Labor productivity growth rate will gradually diminish, while labor input will augment the negative contribution to growth.
3. The level of Japan's labor productivity is lower than the average level of OECD countries.
 - It stands at about 60% of US levels.
4. The demand for elderly medical, health care will absorb 12 million employees in 2030: The elderly needed to care for and support will increase to 7 million in 2030 from 5 million in 2014.
 - This works to drag down the growth rate of labor productivity.
 - Increasing number of workers will quit labor market due to the need to take care of elderly parents.

Figure 1. Japan's Growth Rate of Potential GDP from 2015 to 2030



(Sources) Estimated by JCER based on Cabinet office, Government of Japan "System of National Accounts"

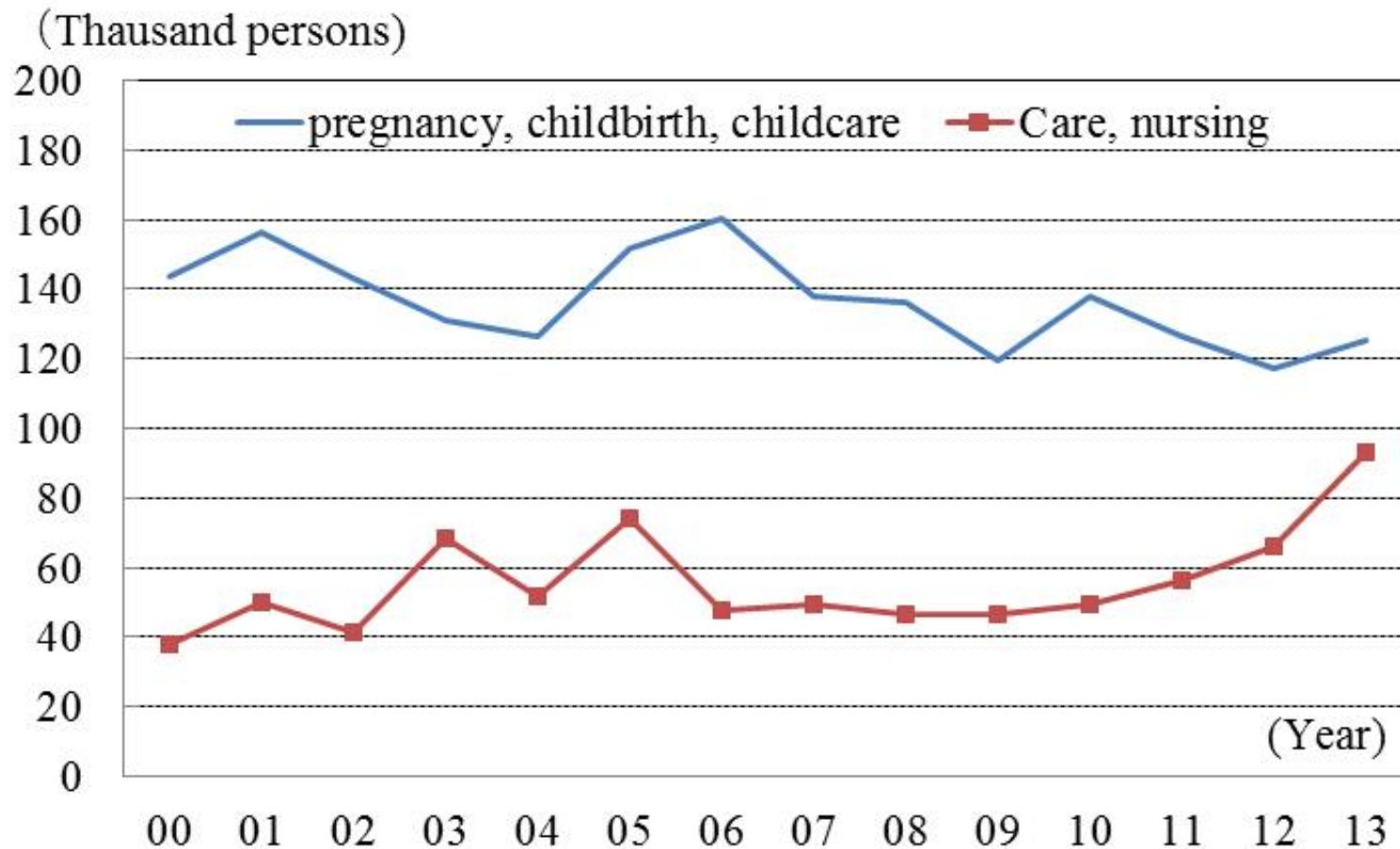
Figure 2. Number of employees by major industry

(10 thousand persons)

2010		2030	
Personal services	907	Medical, health care and welfare	1173
Retail trade	764	Personal services	744
Medical, health care and welfare	705	Business services	586
Construction	496	Construction	460
Business services	467	Retail trade	447
Manufacturing	921	Manufacturing	833
Total	6577	Total	6143

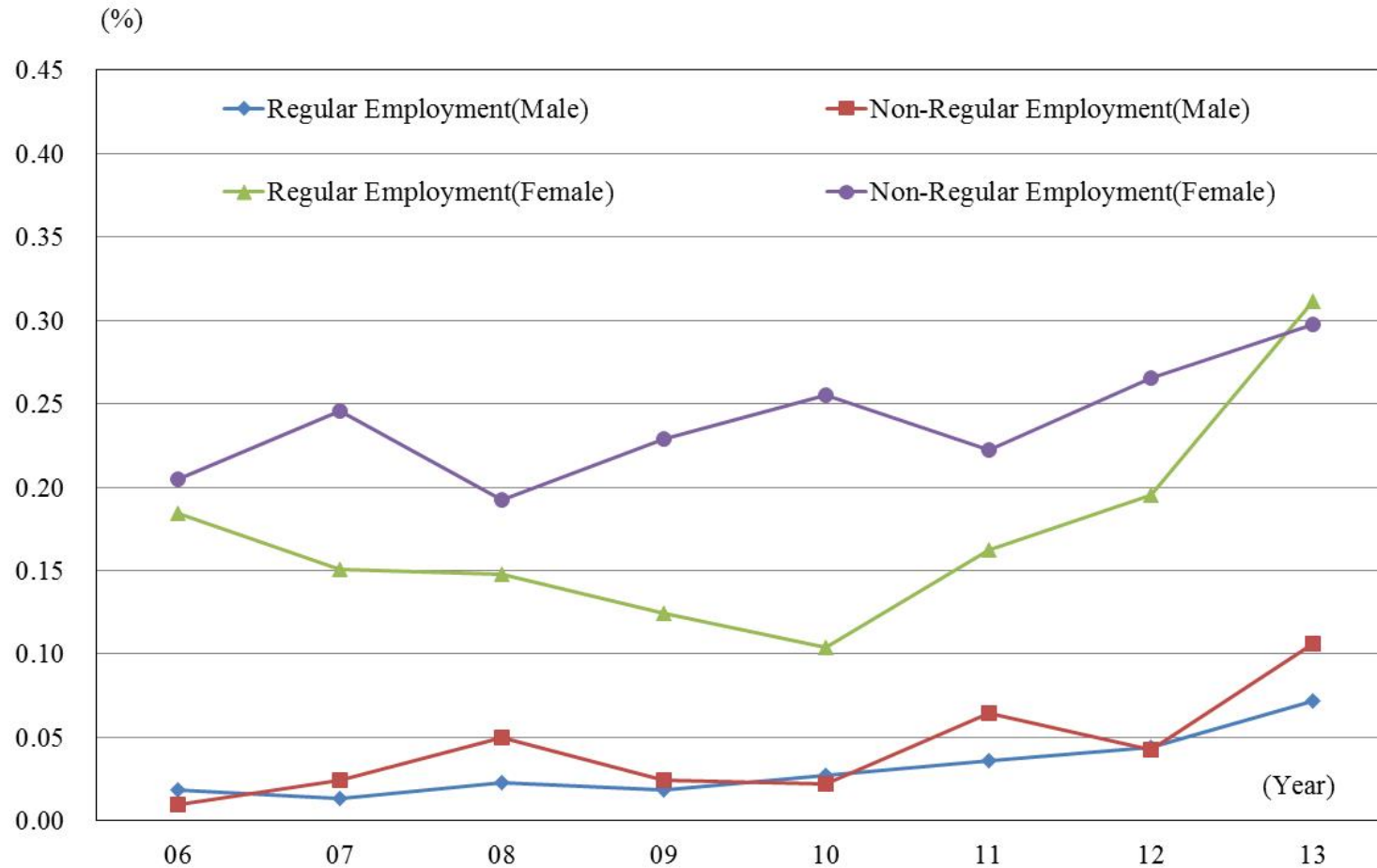
(Sources) Ministry of Internal Affairs and Communications, Ministry of Economy, Trade and Industry

Figure 3. Increasing number of employees leaving jobs to care for elderly



(Sources) Ministry of Health, Labor and Welfare “Survey on Employment Trends”,
Ministry of Internal Affairs and Communications “Labor Force Survey”

Figure 4. The ratio of employees to people who leave their jobs for nursing care



(Sources) Ministry of Health, Labor and Welfare “Survey on Employment Trends”,
Ministry of Internal Affairs and Communications “Labor Force Survey”

2. Medium-Term Growth Scenario (Reform Case)

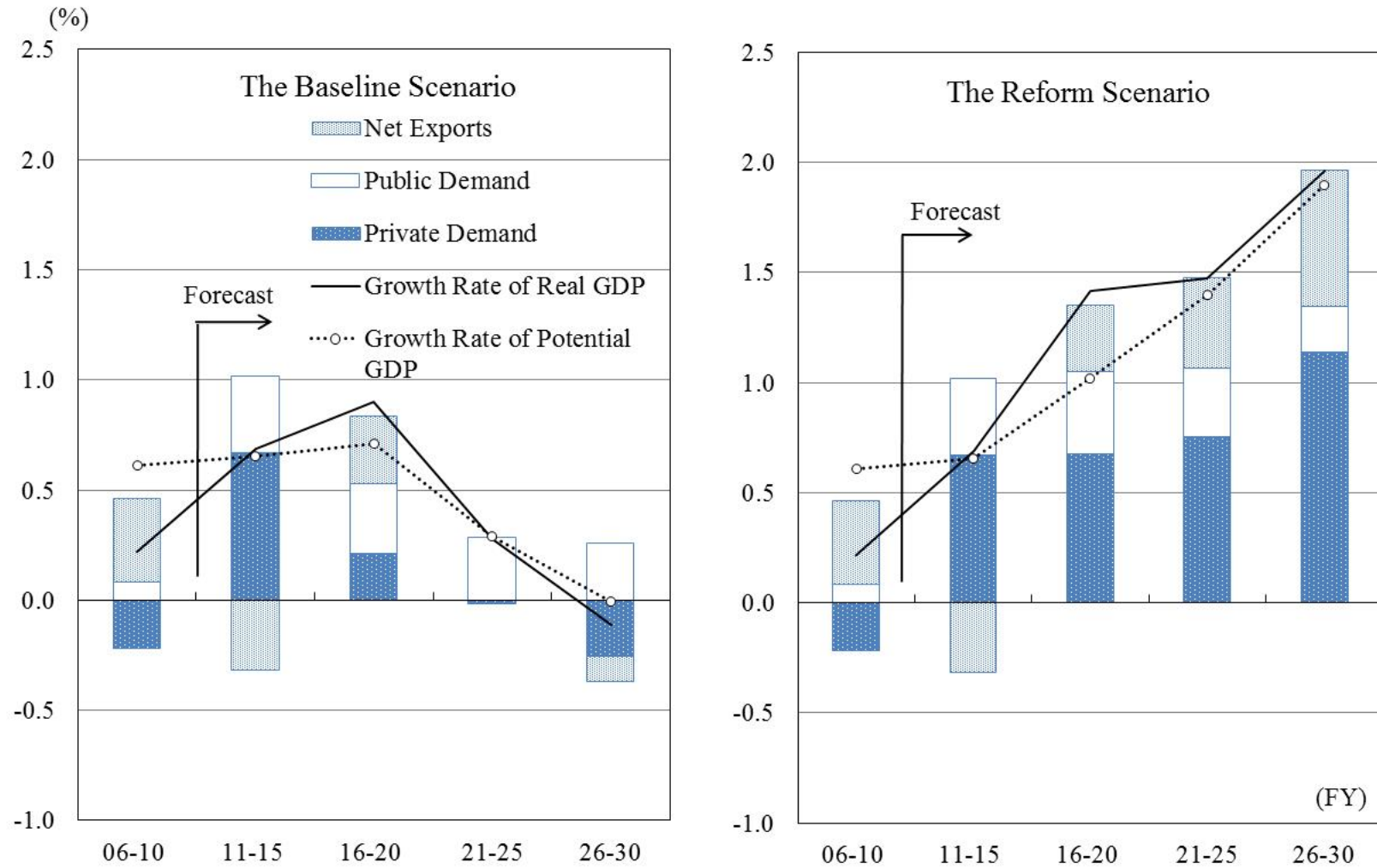
1. In order to achieve 2% growth rate in 2026-30, we need to implement the following three policies.

(1) Deeper internationalization to catch up with British levels: Big impact of the TPP conclusion and the increase of inbound FDI from 20 trillion yen in 2014 to 120 trillion yen in 2030.

(2) Narrowing the gender gap to Netherlands' levels.

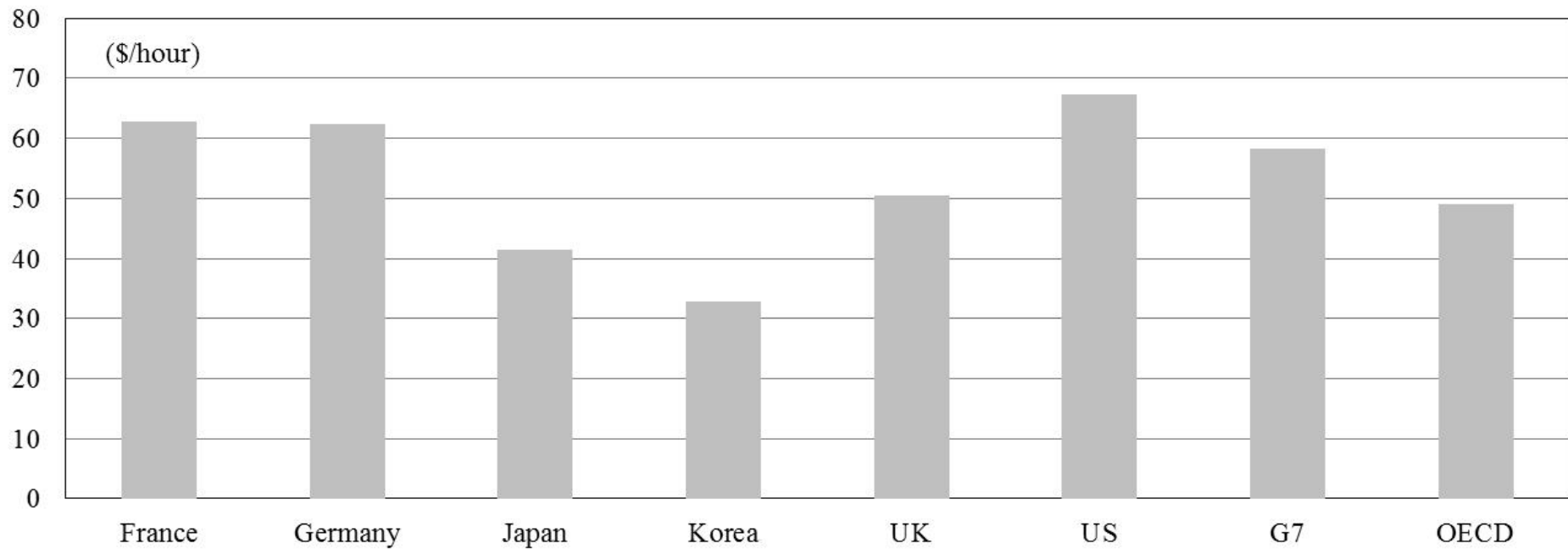
(3) Developing disruptive technologies by enhancing the software investment.

Figure 5. Exports increase by improvement of TFP in the reform scenario



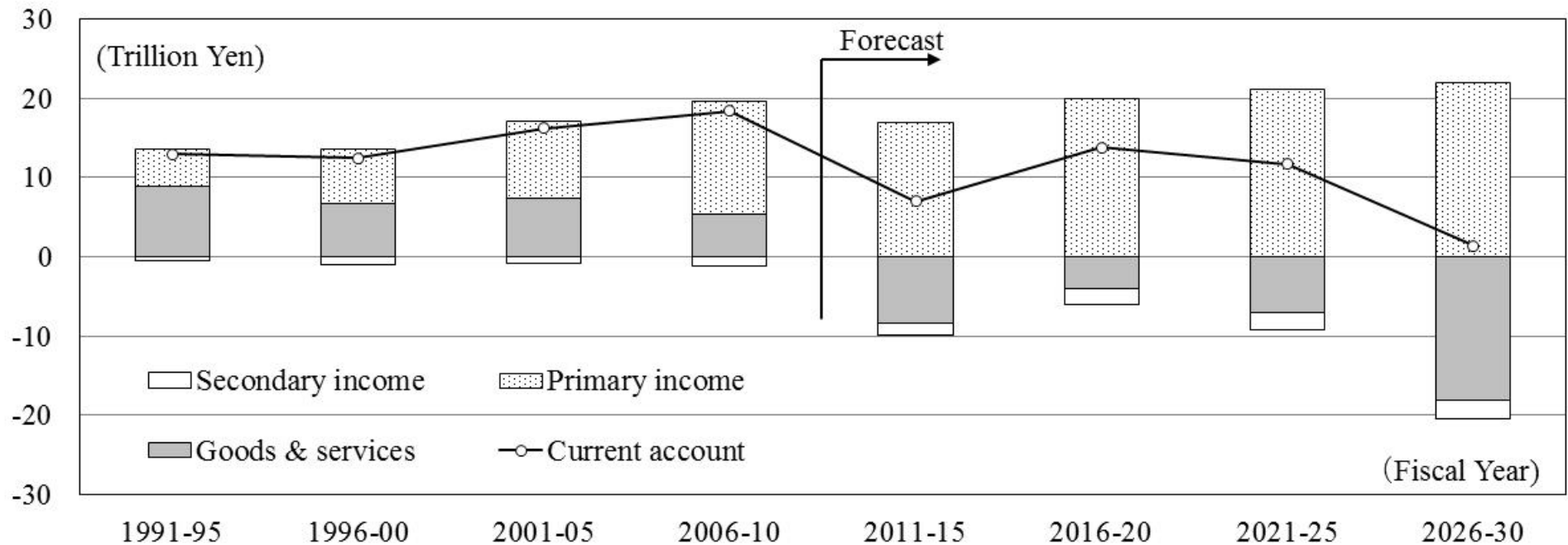
(Source) Cabinet office, Government of Japan “System of National Accounts”

Figure 6. Level of labor productivity



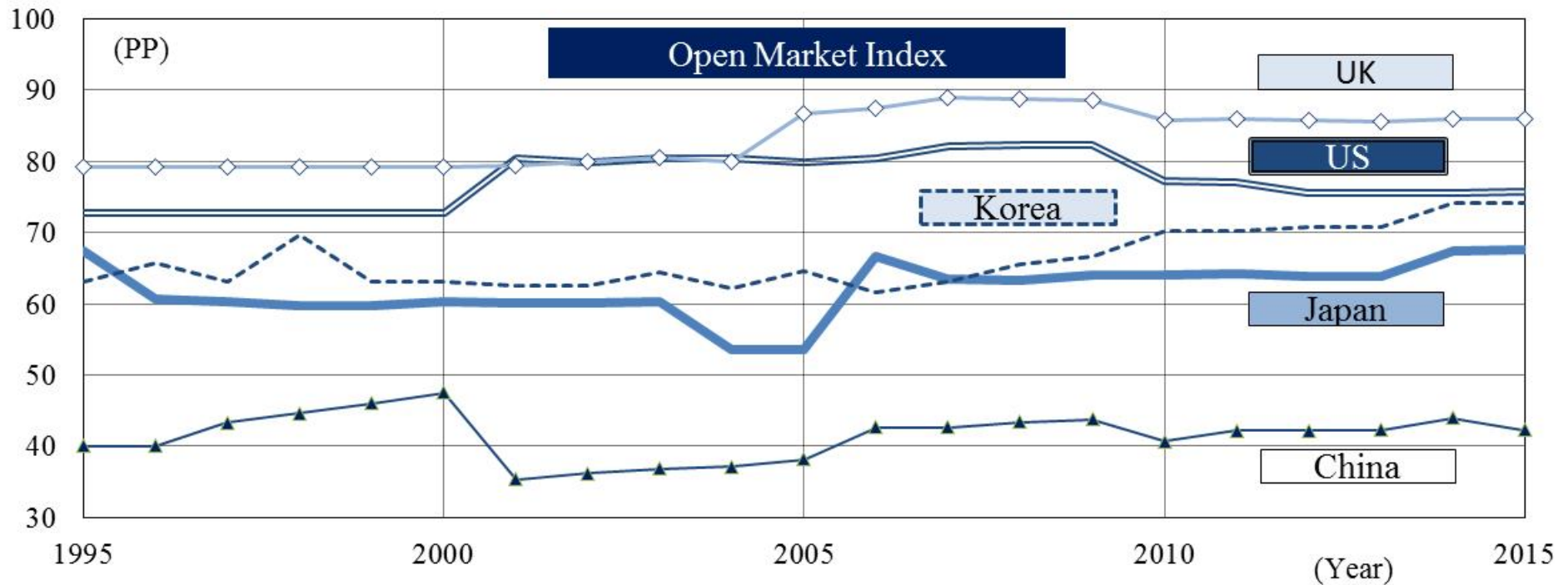
(Source) OECD

Figure 7. Shrinking and aging population will lead to a current account deficit from FY2030 onward



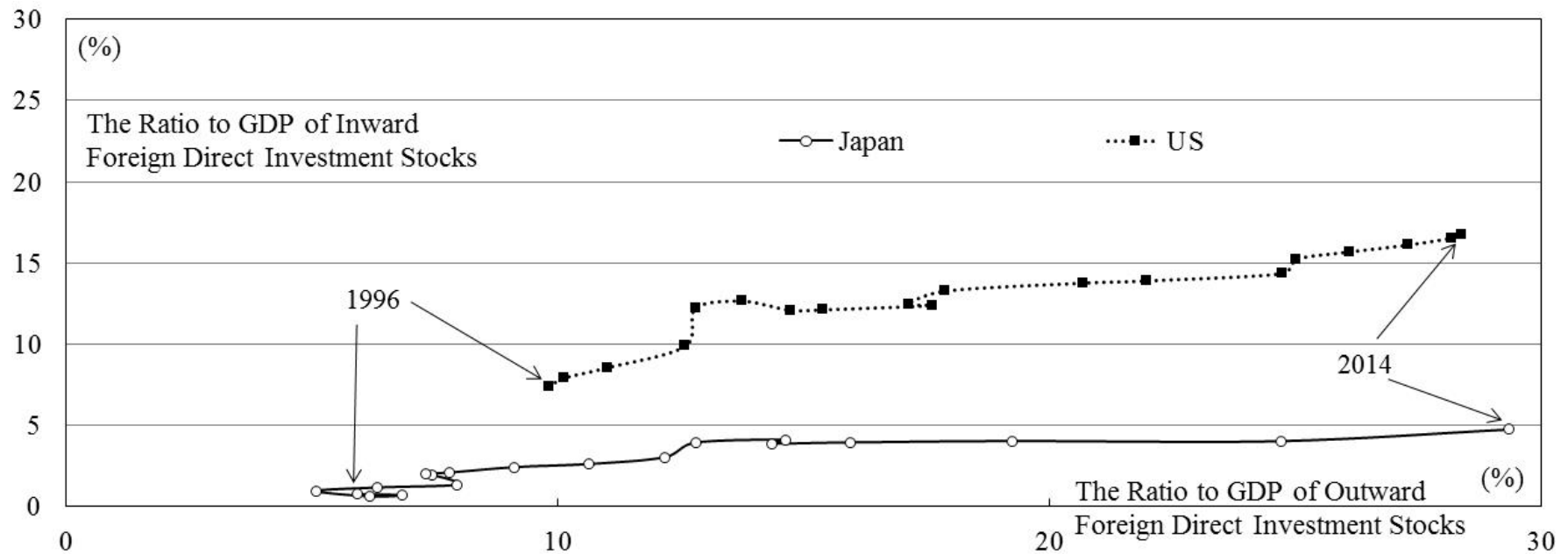
(Source) Ministry of Finance “Balance of payments”

Figure 8. Japan's market openness has increased in recent years



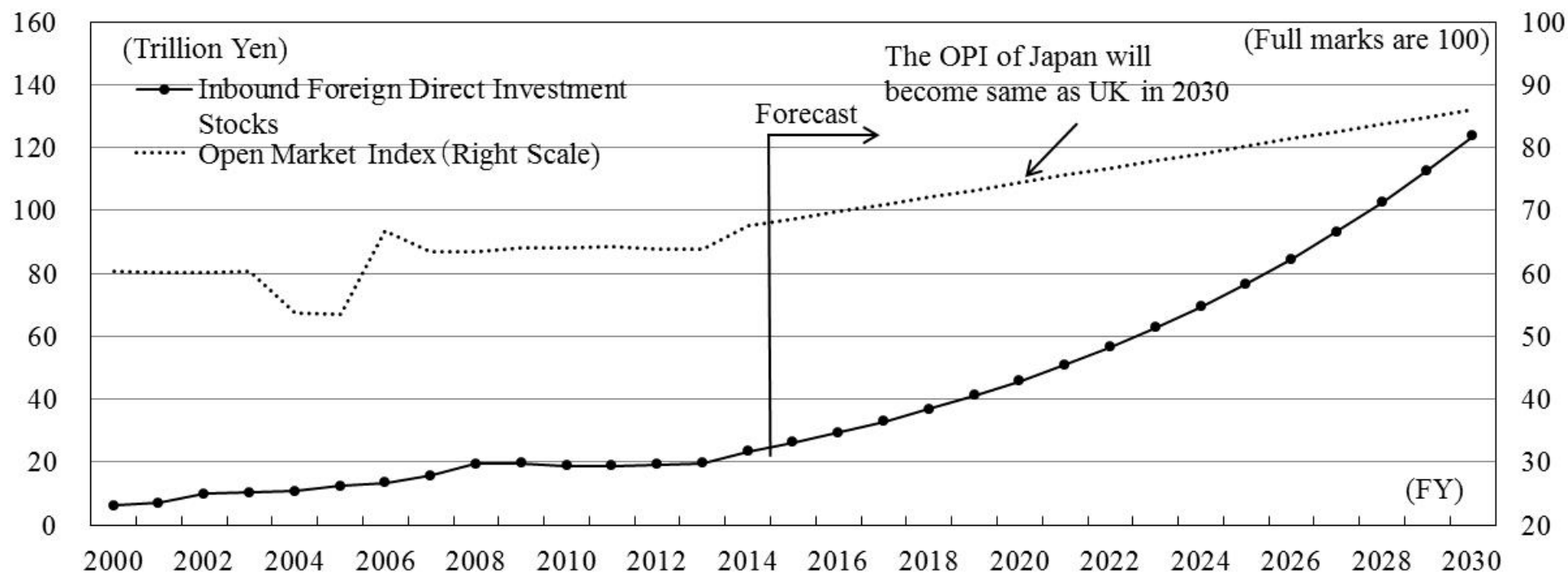
(Source) The Heritage Foundation "Index of Economic Freedom"

Figure 9. Comparison of the foreign direct investment balance



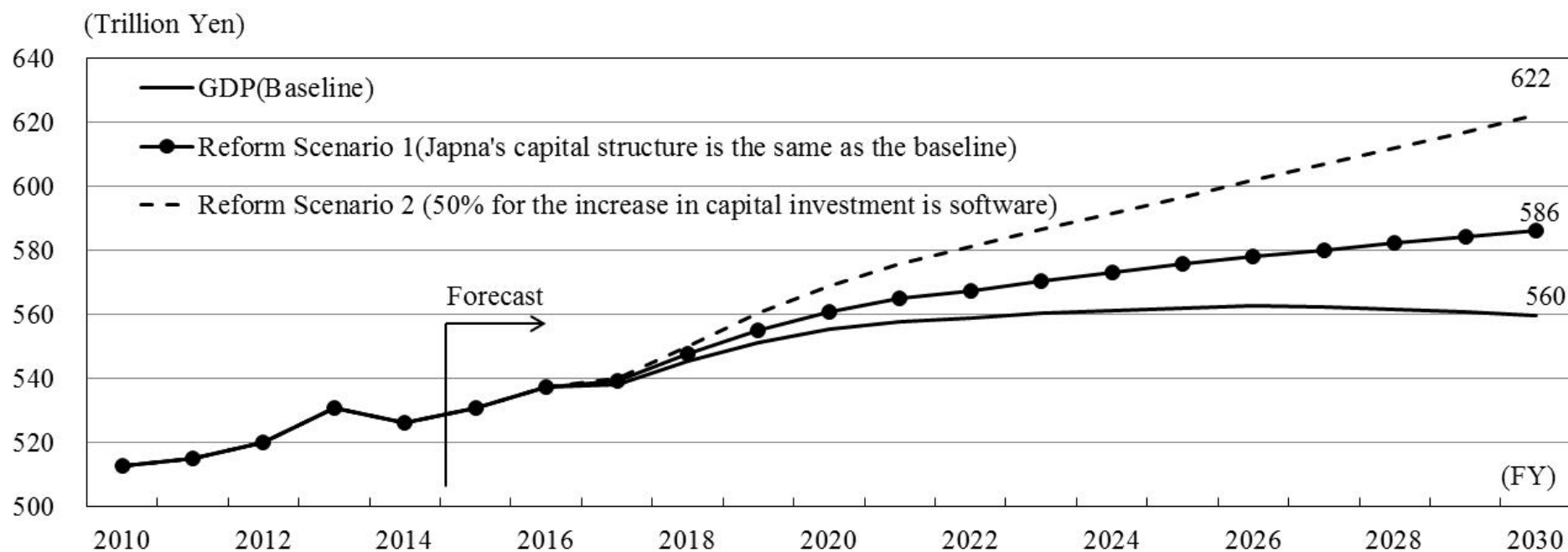
(Sources) Ministry of Finance “Balance of payments”,
Cabinet office, Government of Japan “System of National Accounts”

Figure 10. Forecast of inbound foreign direct investment stocks in Japan



(Source) Ministry of Finance “Balance of payments”

Figure 11. Economic growth effects of ICT investment

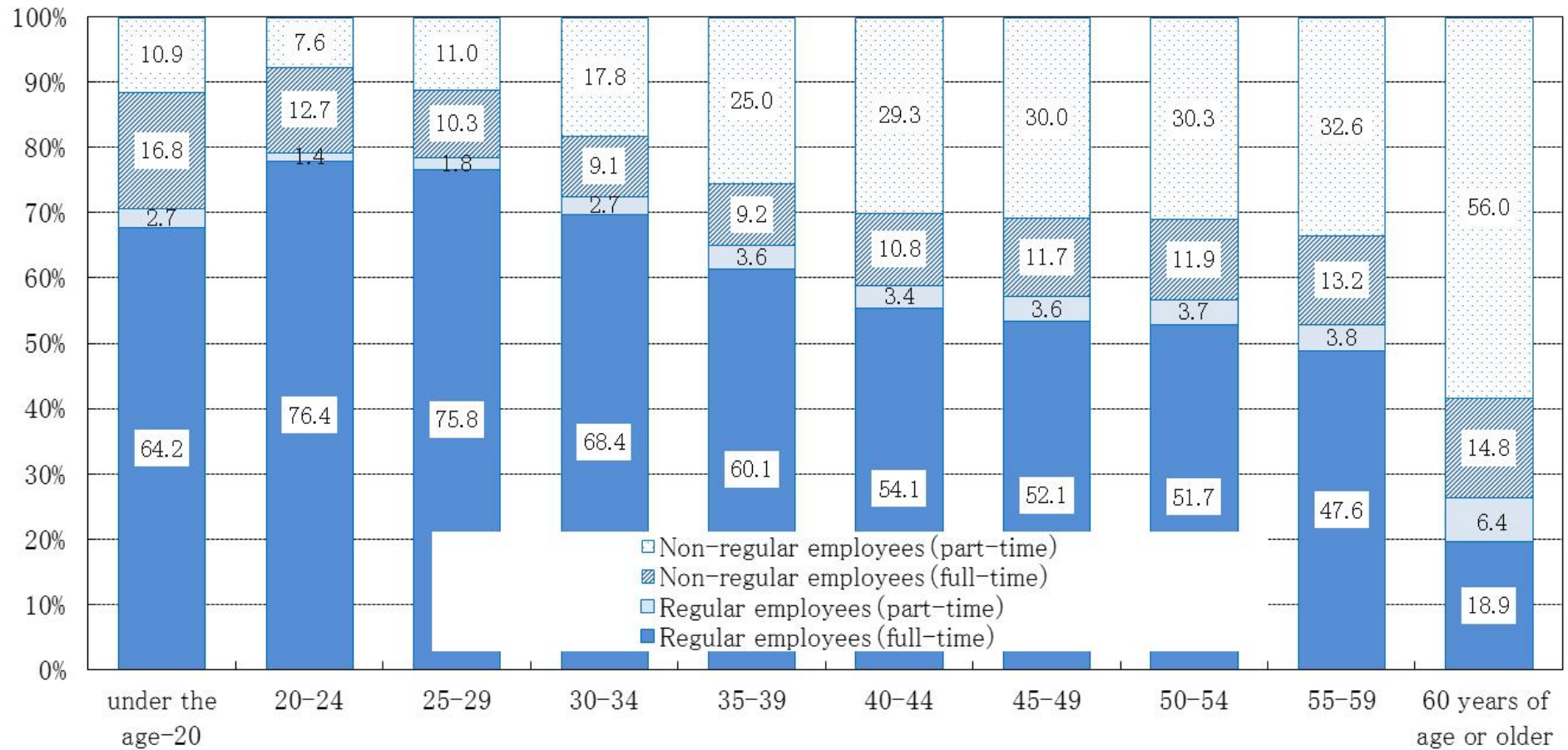


(Source) InfoCom Research, Inc.

3. Inclusive Growth Model

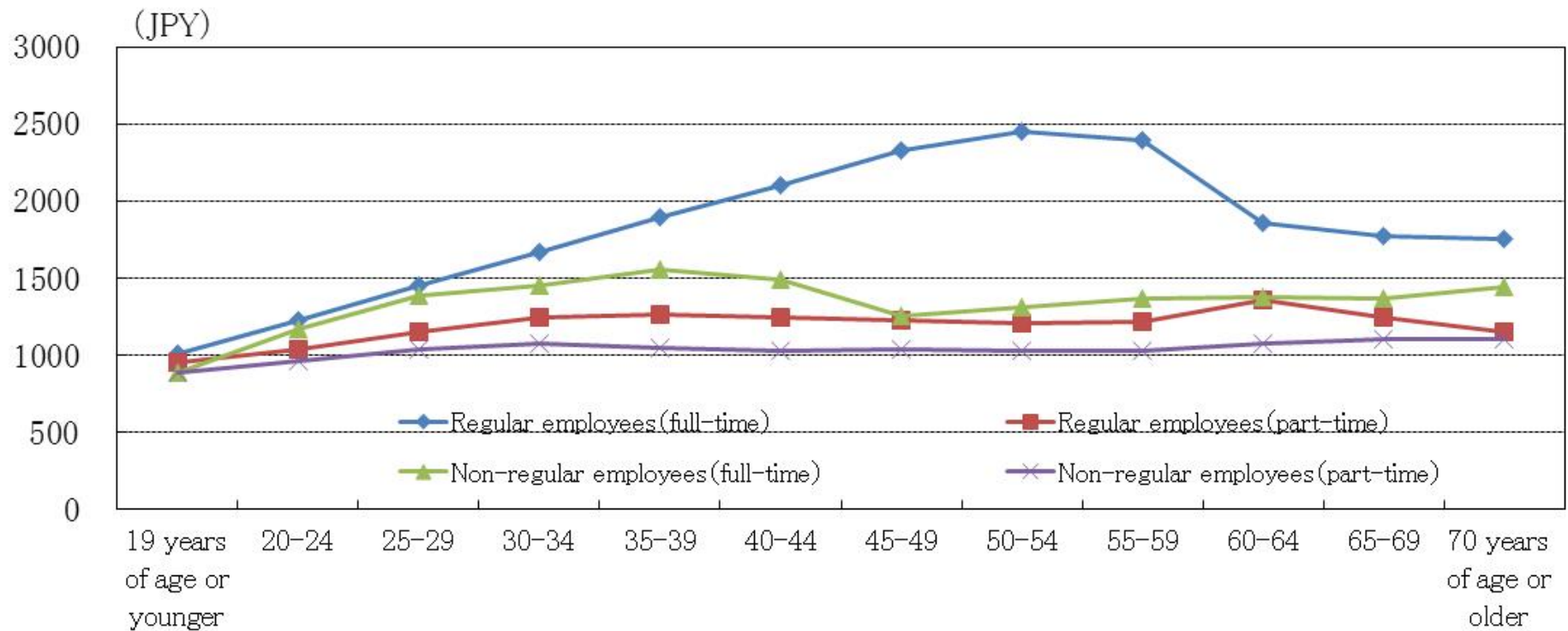
1. In order to achieve the inclusive growth, it is imperative for Japan to diminish the discriminatory treatment to non-regular workers, in comparison with regular workers.
2. There are three ways to dismantle inequality between regular workers and non-regular workers.
 - (1) Equal pay for equal work.
 - (2) Equal pay for equal carrier.
 - (3) Eliminate the non-rational discrimination against non-regular workers.

Figure 12. Employment pattern by age group



(Source) Care Work Foundation “Actual conditions survey of caring worker, FY2014”

Figure 13. Hourly wage by employment pattern



(Source) Ministry of Health, Labor and Welfare “Basic Survey on Wage Structure, FY2014”

Figure 14. Number of unwilling non-regular employees

	Number of employees (10 thousand)	%
Total	331	18.1
15-24	33	15.1
25-34	80	28.4
35-44	70	18.7
45-54	65	18.3
55-64	66	16.9
65 years of age or older	19	8.8

(Source) Ministry of Internal Affairs and Communications "Labor Force Survey, average of 2014"