

Post-Olympics construction demand and the labor shortage issue

The shortage of workers in the construction industry is of greater concern

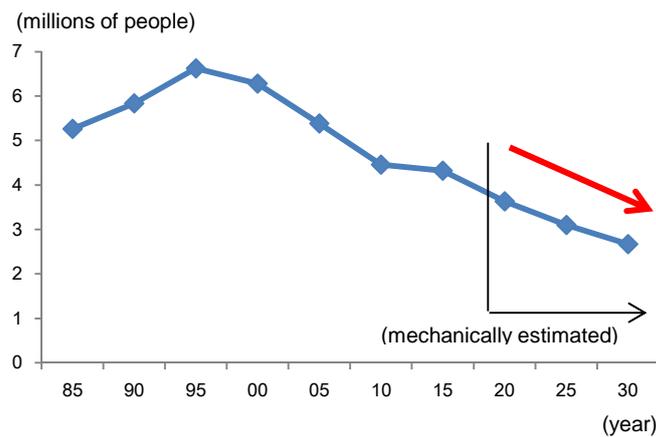
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The host cities for the 2024 and 2028 Olympics will both be approved at an IOC (International Olympic Committee) Session on September 13, ahead of the holding of the Tokyo Olympic Games in 2020. It appears almost certain that Paris in France and Los Angeles in the United States will be selected as the respective host cities for the 2024 and 2028 Summer Olympics. For Paris, which suffered bitter disappointments in 1992, 2008 and 2012, hosting the event in 2024 would coincide with the 100th anniversary of the 1924 Paris Olympics, and the city is undoubtedly looking forward to being not third but fourth time lucky and having its ardent wish fulfilled. In fact, a public opinion poll conducted in late June found that 73% of French citizens support Paris hosting the event. Parisians are waiting expectantly to see the Eiffel Tower adorned with the Olympic ring colors in 2024.

In Japan also, where already less than three years remain before the Tokyo Olympics are held, one could say that the time for Olympic fervor to start seriously mounting has at last arrived. One segment in particular that is anticipated to prosper as a result of the Olympics is the construction market. In the host city of Tokyo urban redevelopment is proceeding at a rapid pace, and some have begun voicing concern that once the Olympics end, the accompanying collapse in the boom will trigger a substantial reactive decline in construction investment.

However, the issue that should be raising real concern is not the arrival of a construction boom and its subsequent collapse, but the shortage of labor. The construction industry is already beginning to run short of workers, and this issue will inevitably grow more serious from here forward. In fact, the number of people employed in the construction industry is expected to decline by as much as 15% in 2020 compared to 2015 (**see the chart**). Regardless of how much construction demand there is, if workers run short, then not only is it possible that the construction rush will not occur, but it is even possible that plans will have to be revised.

Private-sector companies are picking up the pace of efforts to improve labor productivity as a way of dealing with the labor shortage, but there is also considerable leeway for policy support, including the promotion of ICT use. Moreover, greater policy consideration will undoubtedly be demanded so that public infrastructure projects are selected while ensuring that private enterprise is not put under pressure.

[Chart: Outlook for the number of people employed in the construction industry]

Note: Assumes that the range of variation in labor participation rates and employment rates in the construction industry that were experienced in 2005-2010 will continue.

Source: Made by MHRI based on the Ministry of Internal Affairs and Communications' *National Census*, the National Institute of Population and Social Security Research's *Population Projection for Japan* and other materials.

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