

The Japanese economy: topic of the month

Japan starts to release indicators on labour underutilization

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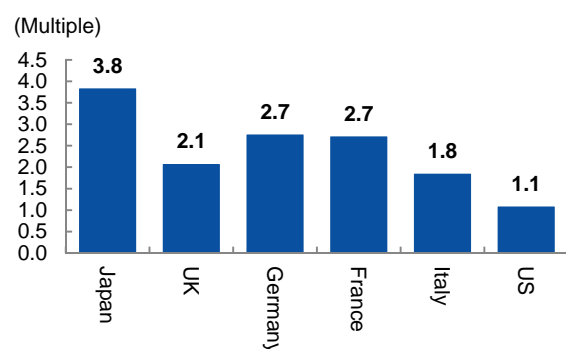
Japanese companies are feeling an increasingly acute labour shortage, with the working age population (aged 15 to 64) projected to follow a downward trajectory. Thus, there are rising views that the labour shortage will serve as a drag upon Japan’s economic growth. Given these trends, the Ministry of Internal Affairs and Communications’ *Labour Force Survey (Detailed Tabulation)* has begun releasing indicators on labour underutilization starting from the Jan-Mar quarter of 2018. Broadly speaking, “labor underutilization” refers to employed persons wishing to work additional hours and persons not in employment who are not engaged in job seeking activity but wish to work in the near future. For example, some who are working on a part-time basis may only be working part time because they are unable to fulfill their wishes to work on a full-time basis. Persons in such cases would be registered not only as “part-time workers” but also as “underutilized labour”. These indicators would enable a more accurate understanding of the labour slack which would not be possible just by looking at “unemployed persons” in the conventional sense.

[Chart 1: Labour underutilization by gender and age]



Note: Readings on the Jan-Mar quarter of 2018
 Source: Made by MHRI based upon Ministry of Internal Affairs and Communications, *Labour Force Survey*

[Chart 2: Employed persons wishing to work additional hours (female/male ratio)]



Note: 1. Ratio of labour force population of employed persons wishing to work additional hours + potential labour force. Multiple of female to male persons. The US: the ratio of labour force population working short hours due to economic reasons + marginal labour force.
 2. Data on the Jan-Mar quarter for Japan, and on 2017 for the rest of the countries.
 Source: Made by MHRI based upon Ministry of Internal Affairs and Communications, Eurostat, US Department of Commerce

According to the *Labour Force Survey (Detailed Tabulation)*, there was more than 2 million underutilized labour in the Jan-Mar quarter of 2018. In particular, note that the majority is comprised of women, indicating a labour slack with respect to women (**Chart 1**). An international comparison indicates that those wishing to work additional hours are skewed toward women (**Chart 2**). To address the labor shortage, it will become increasingly important to promote work style reforms so as to make use of such underutilized female labour.

Having said so, it should be noted that the job openings-to-applicants ratio by job type reveals that the ratio is high with respect to jobs in construction and security where many of the workers are male. Hence, it would be difficult to fill the shortage solely by the utilization of female labour. In these types of jobs, it would be necessary to take all available steps in addition to the utilization of female labour, such as the use of ICT (information and communication technology) and foreign workers.

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