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# Mizuho Economic Outlook & Analysis

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## *Rise in the population not in the labour force is prominent among men*

*Measures for people who do not prioritize employment are necessary*

### < Summary >

- ◆ The *Preliminary Sample Tabulation of the 2015 Population Census of Japan* has revealed notable trends in the population not in the labour force, including full-time homemakers and people who neither did housework nor attended school.
- ◆ The ratio of the population not in the labour force has risen among men in the most productive years of life. For women, growth of the labour force participation rate has slowed in the 30s-age group, suggesting that the tendency to prioritize housework and child-rearing remains strong for some women.
- ◆ Amid the worsening labour shortage, measures to encourage people who do not prioritize employment to think more positively about working will be important.

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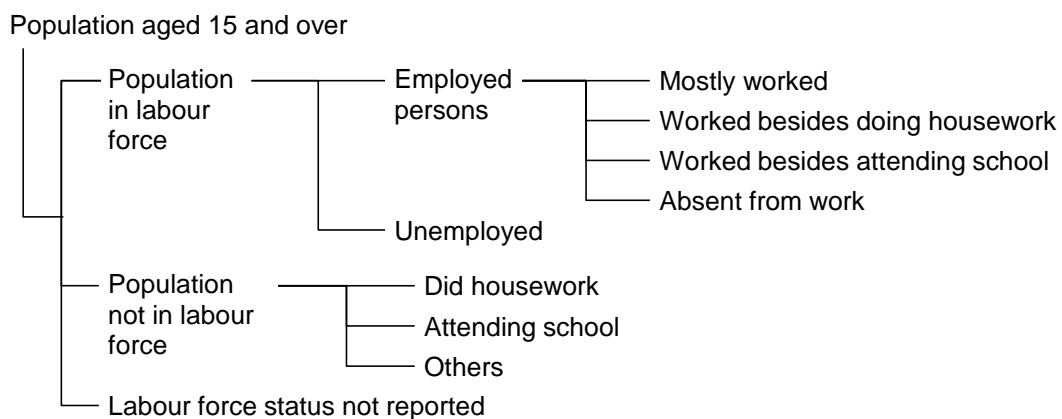
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## 1. Population not in the labour force is on the rise

As concerns grow over the nation's declining population, dwindling birth rate, and ageing of society, the Ministry of Internal Affairs and Communications has been steadily releasing the results of the population census conducted in October 2015. The census, held every five years, is one of the largest surveys conducted in Japan, and considerable time is required for all the census results to be compiled and released. Preliminary reports, extracts, and itemized figures are provided when they become available. This paper outlines the state of the labour force based on the *Preliminary Sample Tabulation* released in June 2016. The *Preliminary Sample Tabulation* is based on about 1% of all households, therefore one should bear in mind that it may not necessarily match the overall results that will be released at a later date.

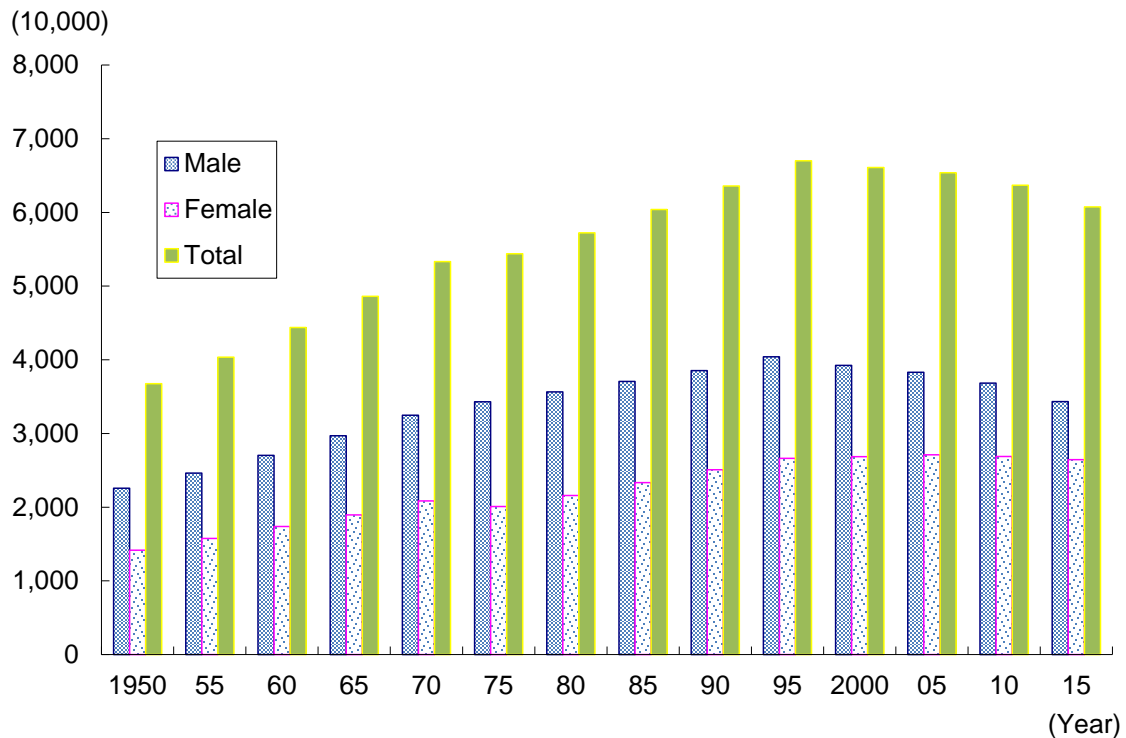
The population census classifies the labour force status as shown in **Chart 1**. In 2015, the population in the labour force was 60.75 million, dropping 2.95 million from 2010. The labour force participation rate (population in the labour force divided by total population, excluding the labour force status "not reported") in 2015 also dropped 1.4%pt to 59.8% from the figure in 2010. Between 2010 and 2015, baby boomers born from 1947 to 1949 became elderly (age 65 and over) and the number of retirees increased. As a result, the population in the labour force declined for both men and women (**Chart 2**).

**Chart 1: Classifications in the population census by labour force status**



Source: Made by MHRI based on the Statistics Bureau, Ministry of Internal Affairs and Communications, *The Preliminary Sample Tabulation of the 2015 Population Census of Japan*.

**Chart 2: Trends in the labour force population by sex**



Note: 1950-70 does not include Okinawa Prefecture.

Source: Made by MHRI based on the Statistics Bureau, Ministry of Internal Affairs and Communications, *Population Census of Japan* for each surveyed year and *The Preliminary Sample Tabulation of the 2015 Population Census of Japan*.

Next, on the labour force participation rate, the rate for men dropped 3%pt between 2010 and 2015, accounting for the largest rate drop since 1950; it also indicates how large an impact the retirement of baby boomers had. In contrast, the participation rate of women rose 0.2%pt, but the slight rise did not compensate for the decline in the population of productive-age (15-64) women brought about by the declining birth rate and ageing.

Looking at changes in the population in the labour force between 2010 and 2015, the number of employed persons who “mostly worked” decreased by 1.45 million for men and 180,000 for women. The number of employed persons who “worked besides doing housework” increased by 170,000 for women and also rose by 70,000 for men. The period in which the labour force population declined due to the falling birth rate and ageing tends to coincide with the period when the number of “mostly worked” (many working full time) decreased.

On changes in the population not in the labour force between 2010 and 2015, the number of people who “did housework” dropped by 2.76 million, while the number of people who “attended school” decreased by 360,000. Meanwhile, due to ageing of the population, “others,” who neither did housework nor went to school, increased by 3.59

million. Considering the current labour shortage, it will be vital to encourage non-working people to join the labour force, particularly women among the 15.03 million (2015) who exclusively “did housework” and senior citizens among the 19.63 million (2015) “others.”

## **2. Men’s labour force participation rate in the most productive age group has declined**

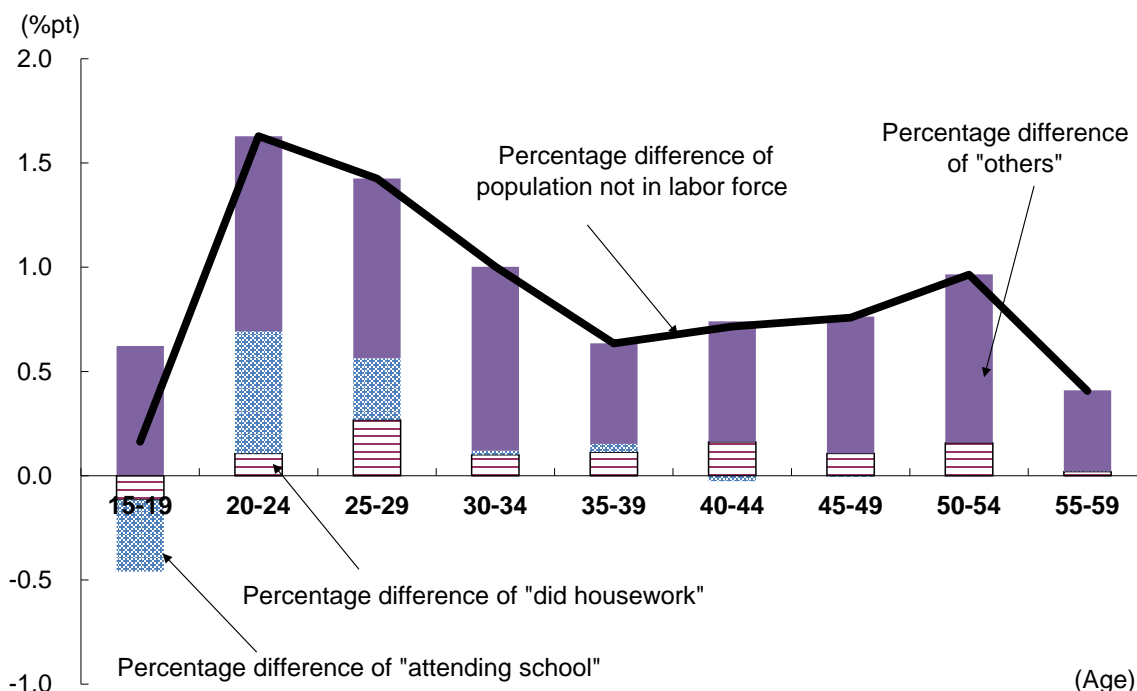
The 2015 labour force participation rate of men declined in every age group under 60, compared to 2010. In addition, the rate in most age groups was the lowest since 1980. Even those groups in the most productive years of life showed decline.

The labour force participation rate of men aged 60 and over has not risen much either. The participation rate of men aged 60 to 64 was 73.1% in 2000. Since then, the rate rose 2.1%pt between 2000 and 2005, and 5.0%pt between 2005 and 2010, but increased only 0.6%pt between 2010 and 2015. The participation rate of men aged 65 and over has turned upward since 2010, but the rate increase between 2010 and 2015 was limited to a mere 0.6%pt.

Despite expectations that the labour participation rate would rise significantly among the Japanese “baby-boom” generation (those born between 1947 to 1949), based upon the premise that businesses would take measures to ensure the continuation of specialized skills or to avoid a potential worker shortage resulting from the massive retirement of baby boomers, the census indicates that employment actually failed to increase in the senior age group.

Regarding the decline in the labour force participation rate among men in the most productive age group, the most notable change is the composition of “others” in the population not in the labour force. In the 2015 census, people aged 60 and over comprised a good portion of “others,” but notably, as many as 1.32 million were under 60. The ratio of people under 60 in “others” has fluctuated over the years, affected by various economic factors, but the ratio in 2015 exceeded that in 2010 in every age group under age 60. Furthermore, a comparison of the ratio of the population not in labour force in the 15 to 59 age group in 2015 with that of 2010 indicates that the ratio of “others” accounted for much of the increase in the population not in the labour force in all age groups under 60 (**Chart 3**).

**Chart 3: Percentage difference of the male population “not in the labour force” and “others” by age group (2015 minus 2010)**



Source: Made by MHRI based on the Statistics Bureau, Ministry of Internal Affairs and Communications, *2010 Population Census of Japan* and *The Preliminary Sample Tabulation of the 2015 Population Census of Japan*.

### 3. Women’s labour force participation rate has slightly improved

In contrast to men, women’s labour force participation rate has risen in all age groups 25 and over since 2010 (**Chart 4**). In particular, the participation rate of women aged 25 to 29 exceeded 80% for the first time, marking a record high. The M-shaped curve reflecting the tendency for women in their 20s to 30s to sink below other age groups is gradually becoming less pronounced.

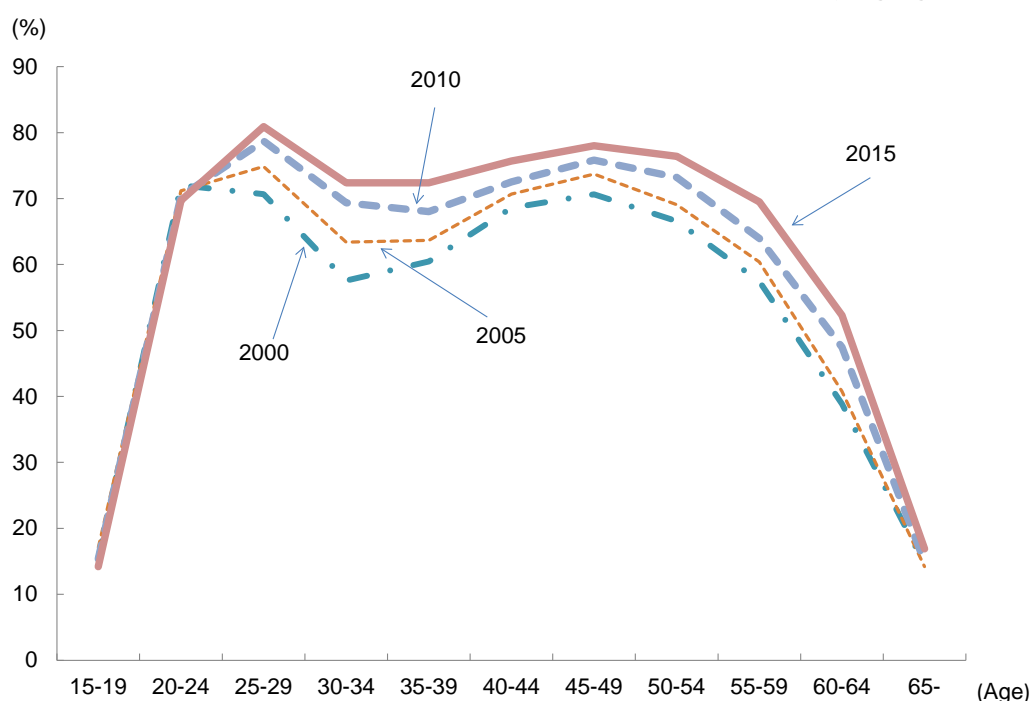
However, it is too early to be optimistic. The rise of the labour force participation rate is slowing among women in their early 30s (at the bottom of the dip in the M-shaped curve) as a significant number of women continue to leave the work force when they have their first child. As mentioned earlier, women aged 25 to 29 had the highest labour force participation rate in 2015 at 80.9%, but women’s participation remains low compared with 94.2% for men, and the pace of growth is also slowing down in this age group.

One of the factors behind the pullback in women’s participation rate is the significant number of women who prefer to become full-time homemakers in order to prioritize housework and child-rearing. Although the ratio of women not in the labour force who

“did housework” is gradually shrinking, 20 to 30% of women in their 30s and 40s are in this category. The proportion of women who placed priority on housework but “worked besides doing housework” has only decreased slightly over the years, and has even taken an upturn in 2015 compared to 2010.

These figures indicate that some women prefer to prioritize housework and child-rearing over work, or have given up employment, finding they could not work in the way they wanted and also do housework and raise children at the same time. There is a certain percentage of such women who do not or cannot prioritize work.

**Chart 4: Trends in the female labour participation rate by age group**



Source: Made by MHRI based on the Statistics Bureau, Ministry of Internal Affairs and Communications, *Population Census of Japan* for each surveyed year, and *The Preliminary Sample Tabulation of the 2015 Population Census of Japan*.

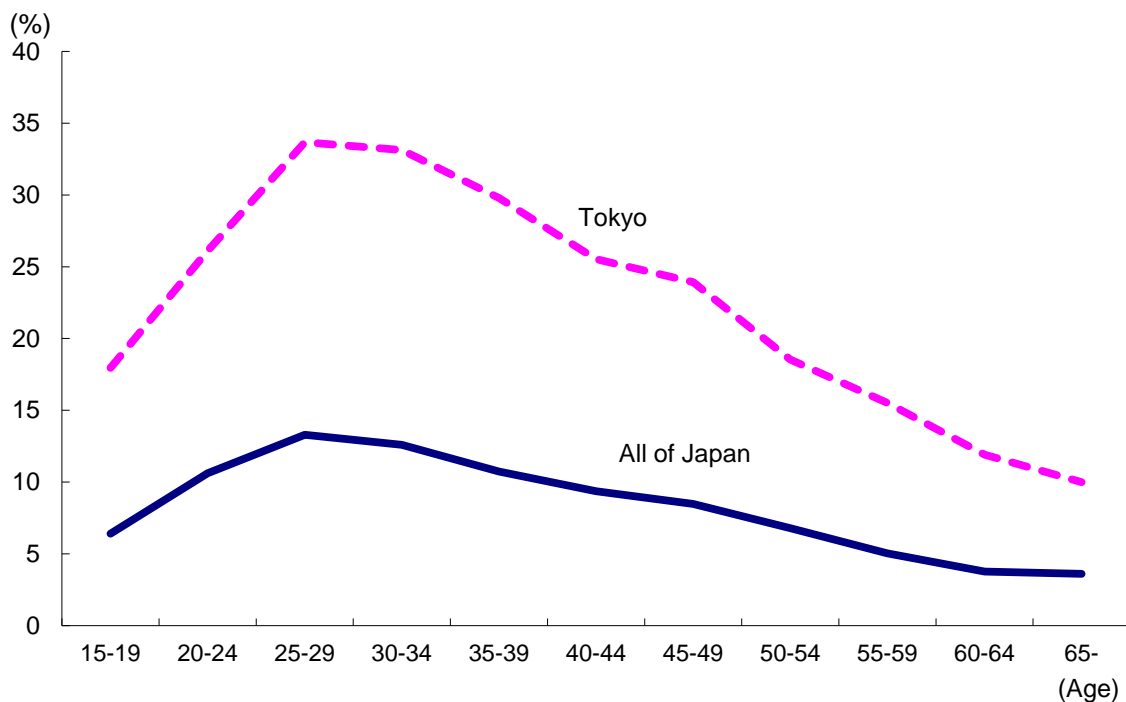
#### 4. Labour force status “not reported” raises concern

From the above observations, one can say that measures to alleviate the labour shortage are needed not only for people who feel positive about working, but also for people in the “others” category and full-time homemakers who do not emphasize employment to help them feel positive about working. Of the people who “did housework,” the proportion of men remains small but is gradually growing. Thus, the promotion of flexible working styles is necessary for both men and women to balance housework and careers. People in “others” who are not affiliated with schools or

companies are likely to lack contact with society, so effective ways to approach them should also be considered.

Finally, the existence of a not-so-small ratio of the labour force status categorized as “not reported” is a source of concern. In the 2015 census, the ratio of “not reported” in the population aged 15 and over was 7% nationwide and 21% in Tokyo. By age group, the proportion of “not reported” was quite high in the 20s and 30s group in Tokyo as well as nationwide (**Chart 5**).

**Chart 5: Ratio of the labour force status “not reported” by age group in all of Japan and Tokyo (2015)**



Note: The percentage of the labour force status “not reported” in the population by age group.  
 Source: Made by MHRI based on the Statistics Bureau, Ministry of Internal Affairs and Communications, *The Preliminary Sample Tabulation of the 2015 Population Census of Japan*.

Unemployment or lack of motivation to work might make some people reluctant to respond to a population census. For this reason, the “not reported” status is likely to include people who otherwise would have been counted as “others.” Survey methods other than the population census and further efforts to improve accuracy are therefore crucial.