

## The labor market in Japan, 2000–2016

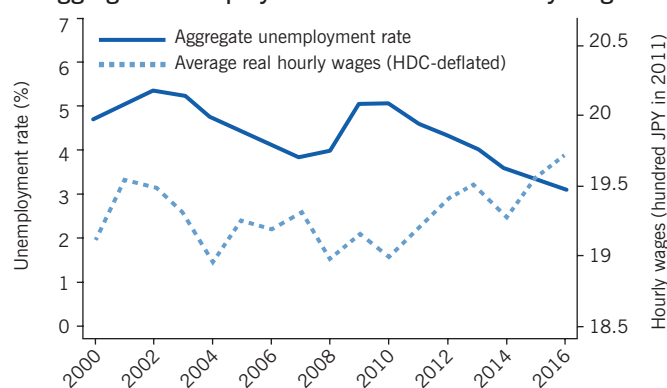
Despite a plummeting working-age population, Japan has sustained its labor force size, thanks mostly to surging employment among women

Keywords: population aging, gender inequality, healthcare, Japan

### ELEVATOR PITCH

As the third largest economy in the world and a precursor of global trends in population aging, Japan's recent experiences provide important lessons regarding how demographic shifts affect the labor market and individuals' economic well-being. On the whole, the labor market has shown a remarkable stability during the recent financial crisis, despite decades of economic stagnation and sluggish real wage growth. Rapid population aging, however, has brought substantial changes to individuals in the labor market, most notably among women, by augmenting labor demand in the healthcare services industry.

Aggregate unemployment rate and real hourly wages



Source: Based on data from the Japanese Labor Force Survey and Basic Survey of Wage Structure. Online at: <https://www.e-stat.go.jp>

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### KEY FINDINGS

#### Pros

- + Japan's aggregate unemployment rate has been relatively stable and low.
- + Women's employment is increasing quickly while the employment rate for men remains high.
- + Japan's gender wage gap is shrinking.
- + Average real wages have been growing recently, most notably among Japan's women.
- + The magnitude of wage inequality in Japan remains relatively small.

#### Cons

- Japan's working-age population has been declining rapidly.
- Rising employment among women in Japan coincides with a decline in the marriage rate, which may further accelerate population decline.
- Japan's gender wage gap remains substantial.
- Wage inequality among men in Japan has increased at the upper end of the wage distribution.
- Job stability in Japan has declined as jobs with fixed-term contracts have become more prevalent.

### AUTHORS' MAIN MESSAGE

Japan used to be known for relatively low labor force attachment among women. In the early 2000s, however, the employment rate for women began to surge, reflecting rapid population aging and growing labor demand in the healthcare services industry. Moreover, aggregate labor market outcomes remained steady during the last recession, with a relatively high labor force participation rate and a low unemployment rate. Despite the good news, major difficulties remain in the labor market, including a substantial gender wage gap, declining job stability, rising inequality at the upper end of the wage distribution, and falling real wages among young male workers.