

Comment on Masaki Kuwahara
“A Search for Potential Female Labor
Forces in Japan’s Aging Society”
Challenges for Prime Minister Yukio
Hatoyama

Masahiro Kawai, ADBI

Macroeconomy Research Conference

“Beyond the Financial Crisis: Strategies for Righting Global
Imbalances and Restoring Asia’s Economic Growth”

Tokyo Club Foundation for Global Studies

Tokyo, 17 November 2009

Outline

1. **Challenges for Prime Minister Yukio Hatoyama**
 - **Landslide Victory of DPJ**
 - **The Japanese Economy in Long-term Decline**
 - **New Policy Directions of DPJ**
 - **East Asian Community**
2. **Masaki Kuwahara, “A Search for Potential Female Labor Forces in Japan’s Aging Society”**
 - **Female labor participation and TFR**
3. **Conclusion**

1. Economic Challenges for Prime Minister Yukio Hatoyama

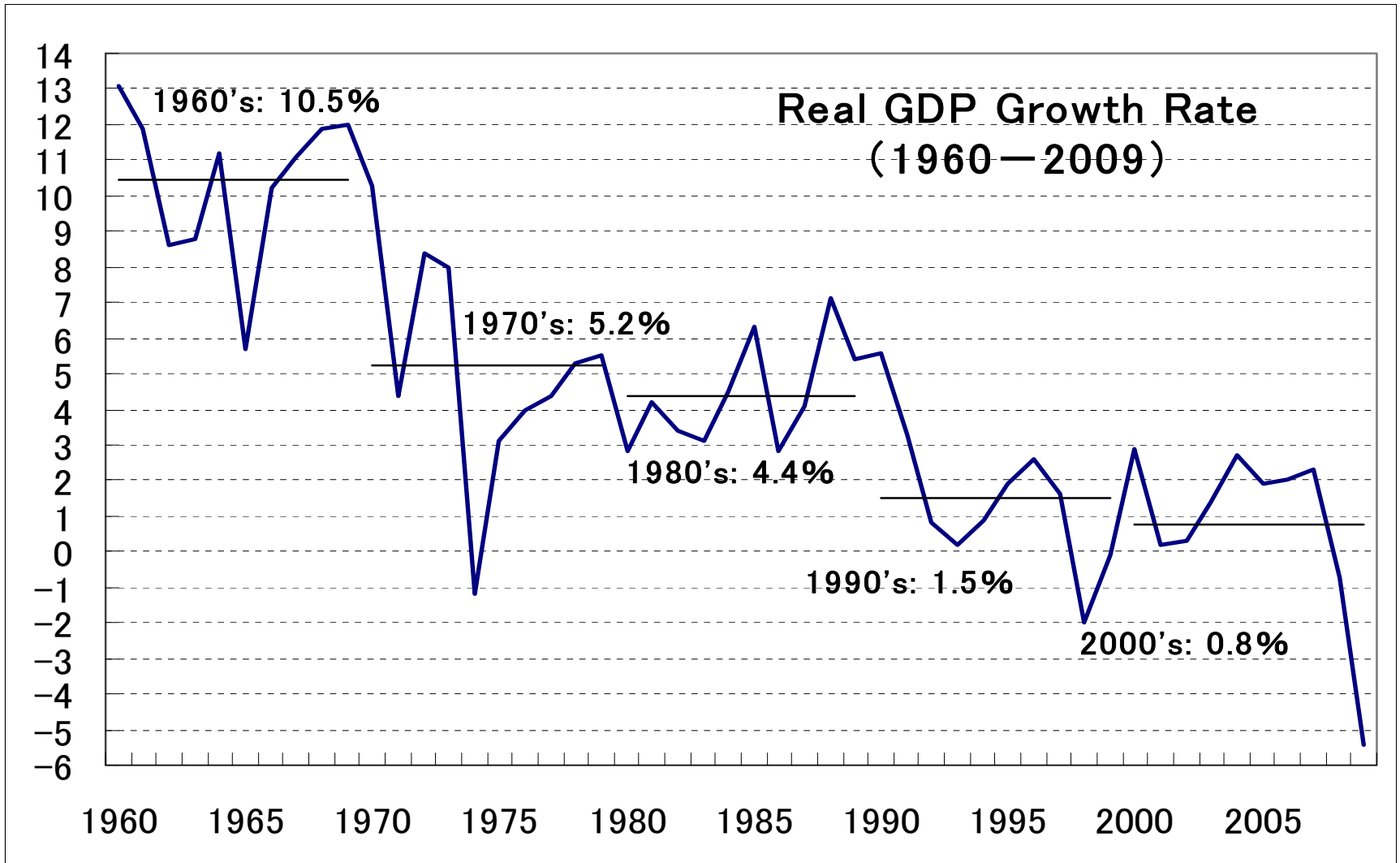
(1) Landslide Victory of DPJ

- Inability of LDP to govern in a consistent way
 - too many prime ministers giving up power and responsibility
 - shift from Koizumi reform to its denial
- Inability of LDP to respond to the society's diverse needs
- Rising sense of economic insecurity among the public

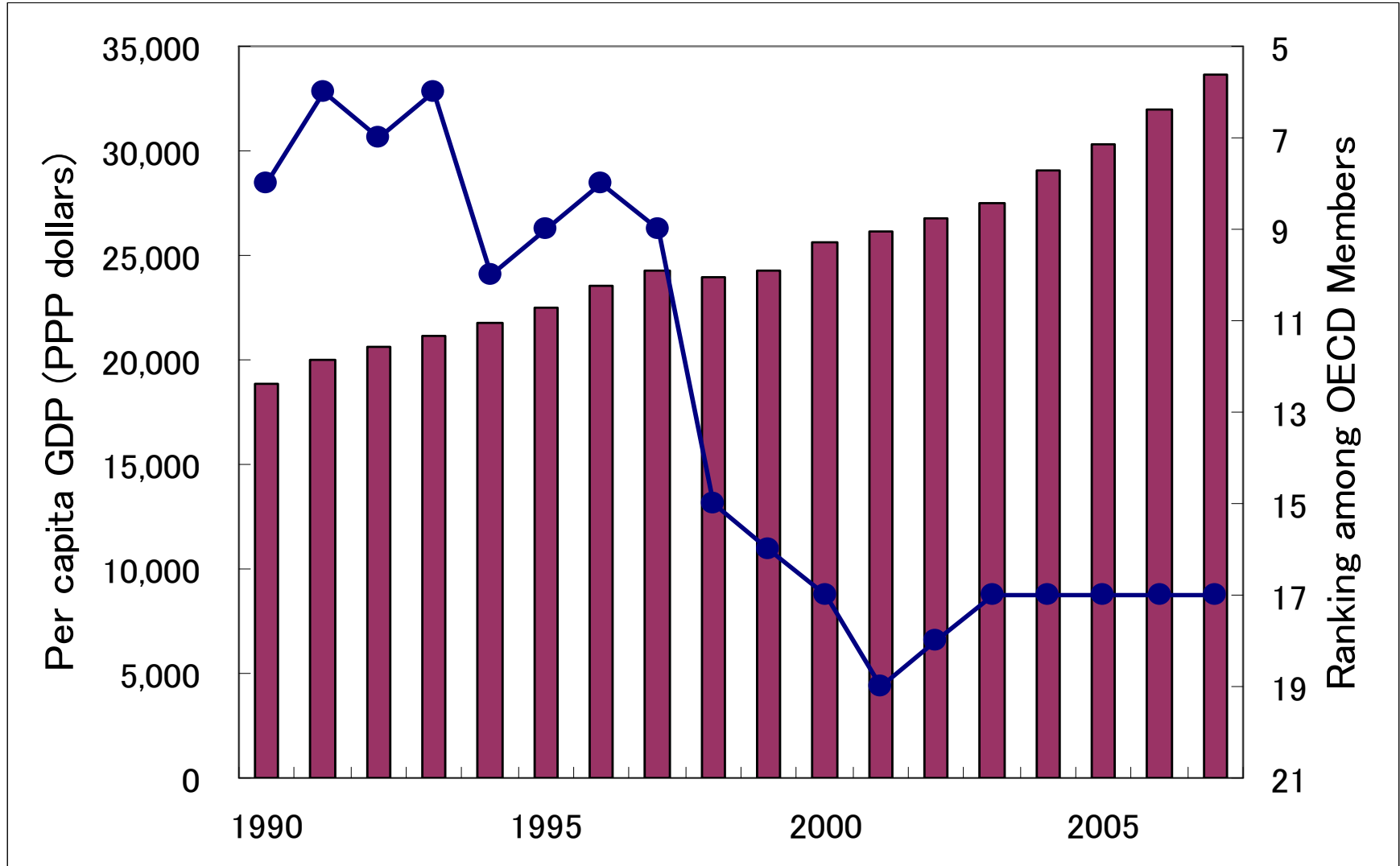
(2) The Japanese Economy in Long-term Decline

- **Long-term Economic Stagnation**
- **Childless, Aging Society**
- **Rising Public Debt**

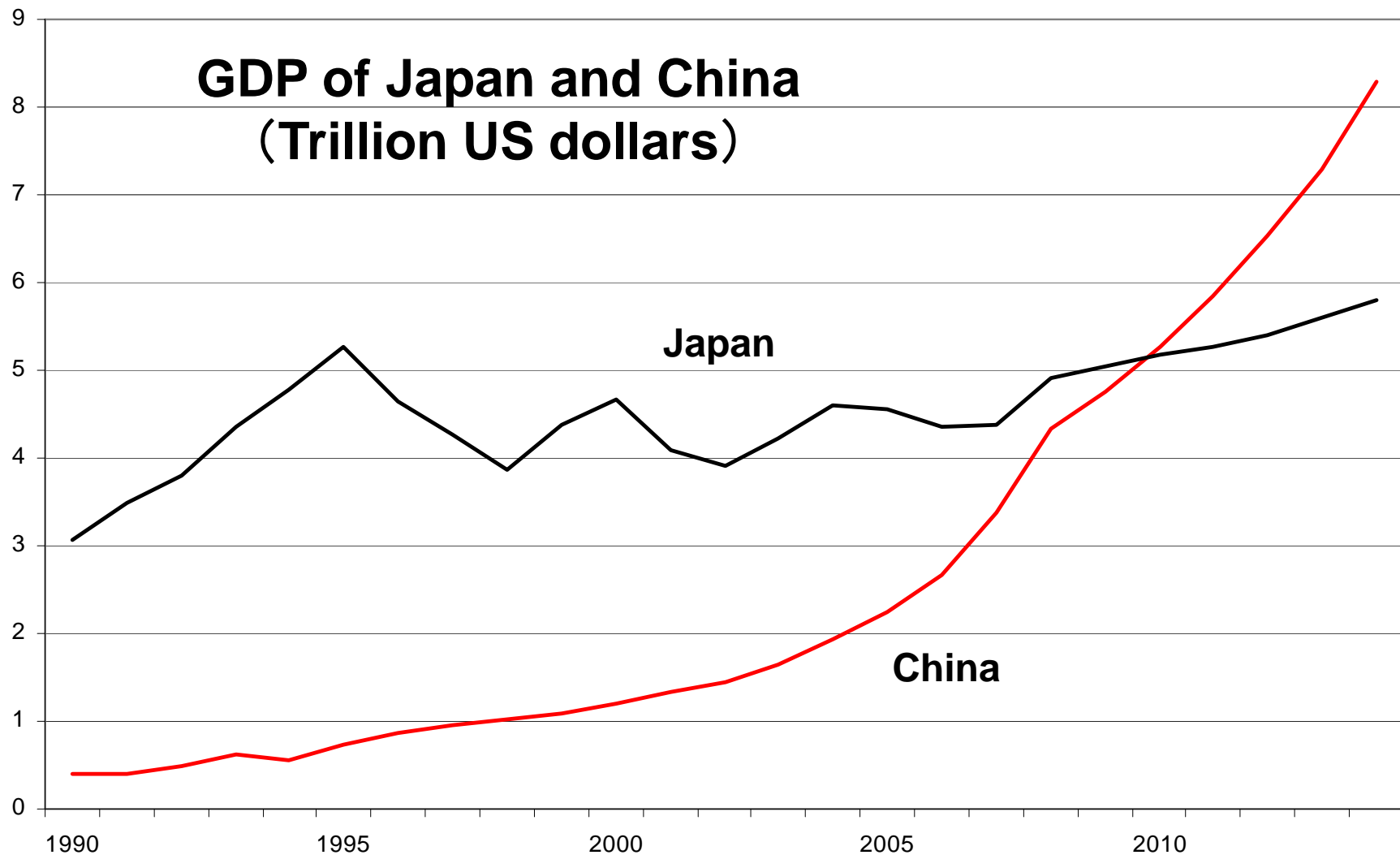
Japan: Long-term growth decline



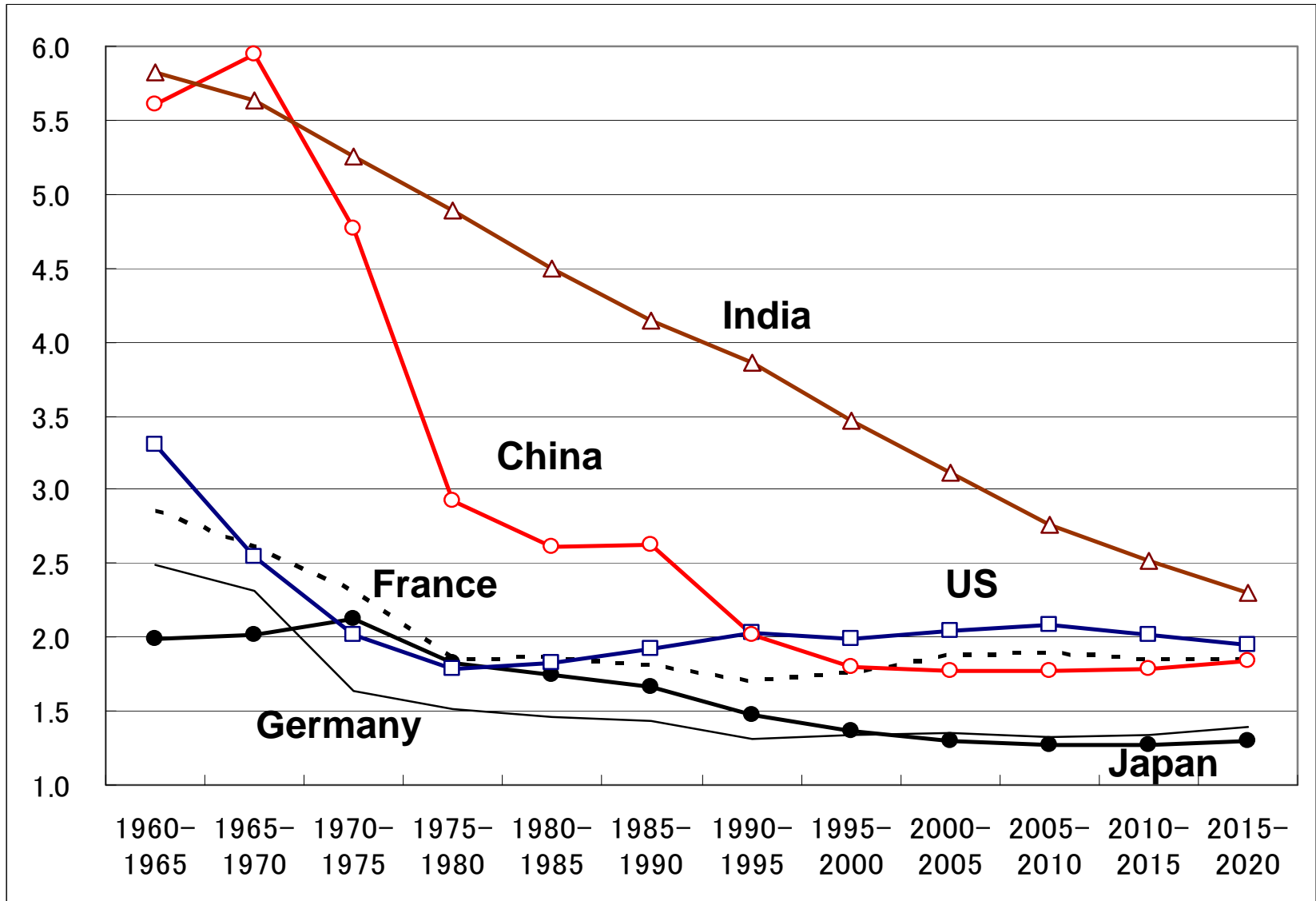
Japan's per capita GDP: Decline to 17th among OECD members



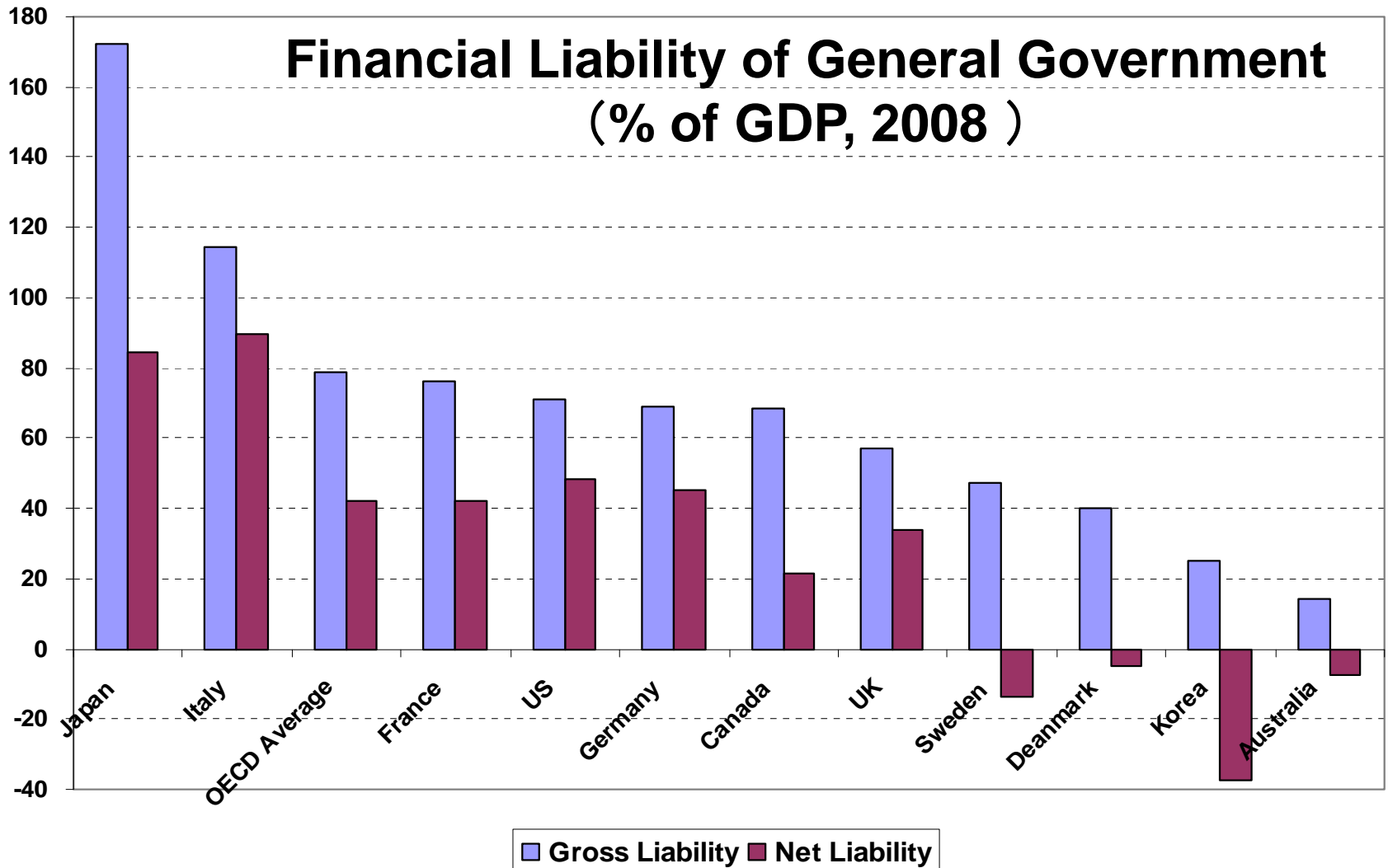
China's GDP will exceed Japan's in 2010



Women are bearing only 1.3 children



Japan's public debt is one of the largest among OECD members



(3) New Policy Directions of DPJ

- **From “concrete” to “people”**
- **Climate change**
- **East Asian Community**

Consumption stimulus through social sector protection

Current policies

- Reallocating part of the supplementary budget away from public work spending towards households
- Direct or indirect transfers to households for supporting children and education

Policy challenges

- Growth strategy needed
 - deregulation of nontradables sectors (medical, health, education, etc), agriculture
 - knowledge sector, such as the green industry with IT support
 - new trade policy
- Increase household income
- Increase propensity to consume—
fundamental reforms of the SSP system

Climate change policy

- A 25% reduction of CO₂ emission relative to 1990
- Cap and trade, carbon tax
- New green industry

Policy challenges:

- Japan's CO₂ emission per GDP is already very low
- How to convince the industry that this policy is good for Japan

Two types of external demand

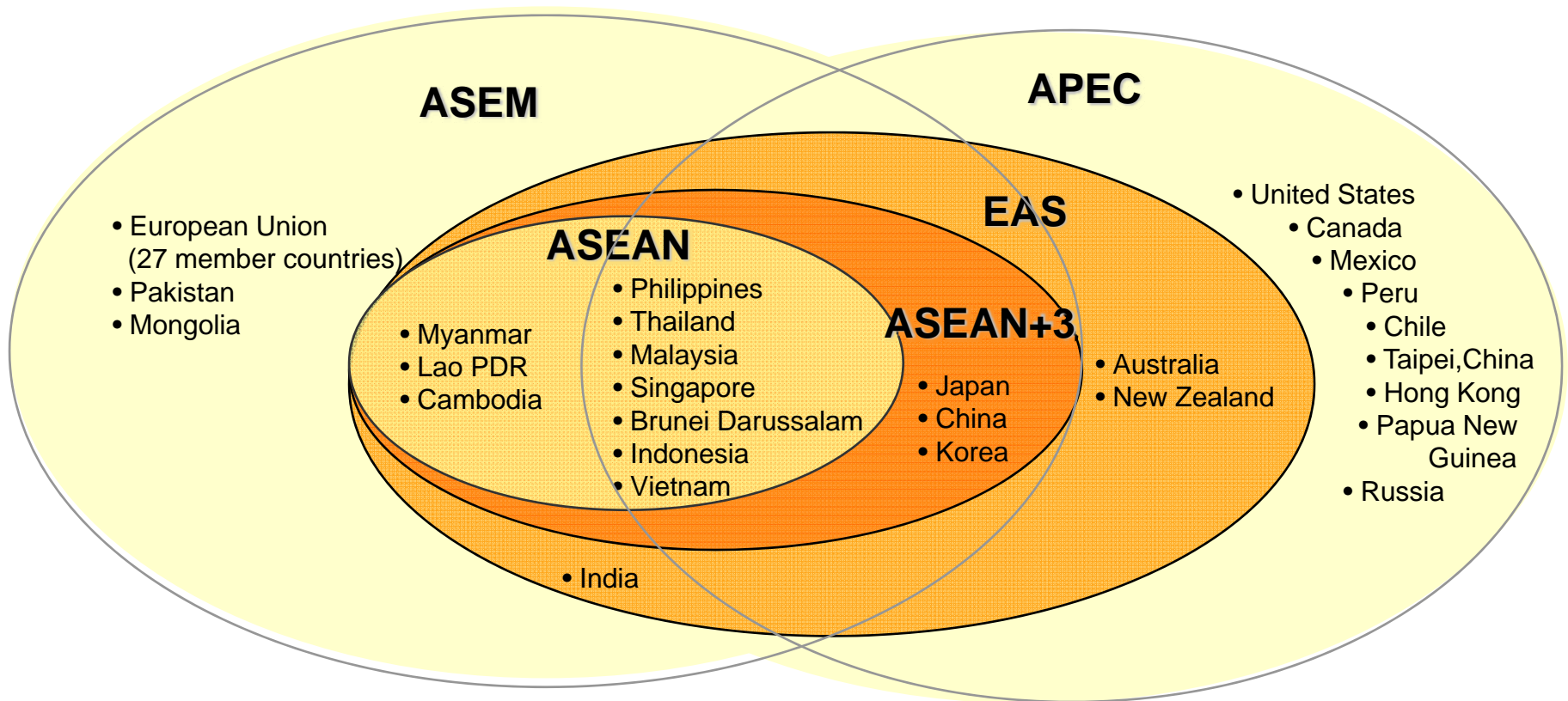
- External demand from the US and Europe
 - Japan (and other Asian economies) excessively dependent on the US & Europe
 - This market continues to be important given Japanese firms' competitiveness in high-tech, high-quality products
 - But this market will remain stagnant
- External demand from dynamic emerging Asia
 - Mass markets in growing China, India, ASEAN (middle-class: currently 880 million people, expected to expand)

(4) East Asian Community

Japan should regard Asia as a whole as Japan's market (for its products, technology, skills) and benefit from this

- East Asia-wide Economic Partnership Agreement
 - ASEAN+3 or +6 EPA by forming a China-Japan-Korea EPA & building on ASEAN+1 FTAs
 - Japan needs to open its markets for agriculture and skilled labor (particularly for old-age caretaking)
- Asian infrastructure connectivity
- Asian green new deal
- Monetary and financial cooperation
 - From Chiang Mai Initiative to an AMF
 - Exchange rate policy coordination (ACU)

East Asia's Evolving Economic Architecture



**2. Masaki Kuwahara
“A Search for Potential
Female Labor Forces in
Japan’s Aging Society”**

Focus on female labor participation and the total fertility rate

Focus of the paper

- How to encourage female labor participation
- The paper takes a look at various data and attempt to explain the relationship between female labor participation and TFR
- A logical explanation is that higher female labor participation discourages marriage, resulting in lower fertility
- But the recent data show a positive correlation between female labor participation and TFR—a good trend but puzzling

An implicit model: Women's rational choice of labor force participation, marriage, and child bearing/raising under the specific institutional and cultural setting

- Women's initial choice: whether to enter the labor market or not (what is an alternative?)
- Impediments to female labor participation: household services
 - ordinary HH work (cooking, cleaning, laundry)
 - childcare services
 - old-age care
- Rising demand for childcare services despite a decline in child population
- Limited availability of childcare facilities

3 issues

- Policies to encourage women to work and bear/raise children
 - transfer payments to families with children?
 - provision of more childcare facilities
- Temporary drop-out from the labor market
 - making it easier to return to the original job
- Old-age care
 - women's work?
 - old-age care facilities
 - role of foreign migrant workers (from Philippines, Indonesia, etc)

3. Conclusion

- The new DPJ government under Prime Minister Yukio Hatoyama will be different:
 - Socially more inclusive
 - More environmentally friendly
 - More open to Asia
- But there are big challenges ahead:
 - How to reverse the long-term trend of economic decline: need for a growth strategy
 - How to create vitality, responding to the childless, aging society
 - How to restore fiscal sustainability
- Economic partnership with Asia will be key, while maintaining security alliance with US