

Women and Macroeconomy in Japan

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Where Japan Stands

- Japan ranks 125th in the Global Gender Gap Report 2023
 - High scores in education and health. Low scores in economic participation and political empowerment.
 - Labor force participation rate is not too low (women 73% vs men 87%, OECD avg at 61%) but women's average earnings are 44% below men's.

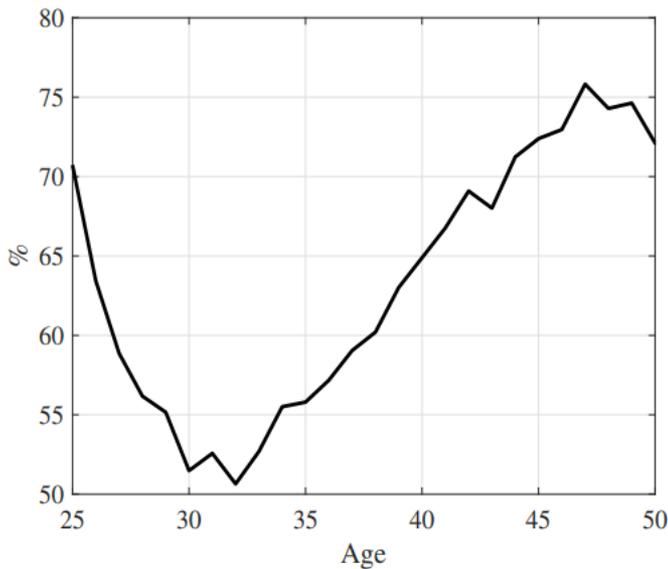
	Overall Ranking	Economic Participation	Educational Attainment	Health and Survival	Political Empowerment
Japan	125	0.561	0.997	0.973	0.057
U.S.	43	0.780	0.995	0.970	0.248
Finland	3	0.783	1.000	0.970	0.700
China	107	0.727	0.935	0.937	0.114

Source: World Economic Forum (2023), Sub-index in the 0-1 range

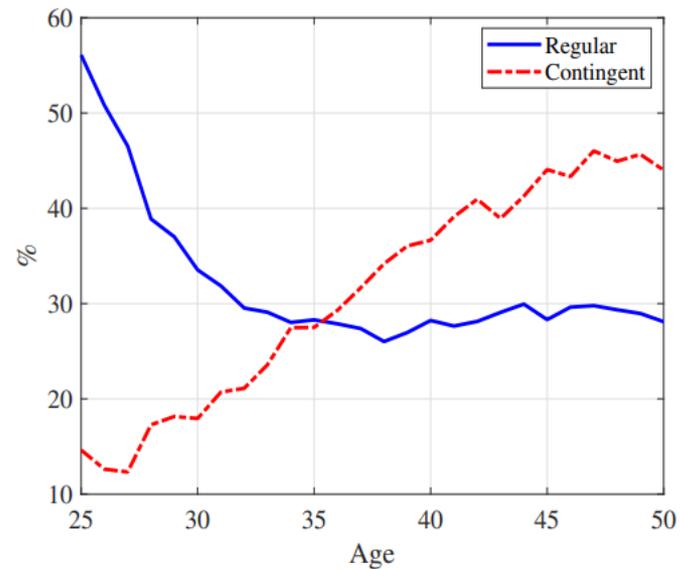
A Few Issues to Discuss Today

- **Why do women work and earn so differently?**
 - Roles of fiscal policies
- **Why does women's work matter?**
 - Macroeconomic and fiscal effects of women's labor supply
 - Demographic aging
- **Life-cycle decisions of women and families**
 - Trends of women's labor force participation, time allocation, and family formation

Women's Labor Force Participation



(a) Total (Regular+Contingent)

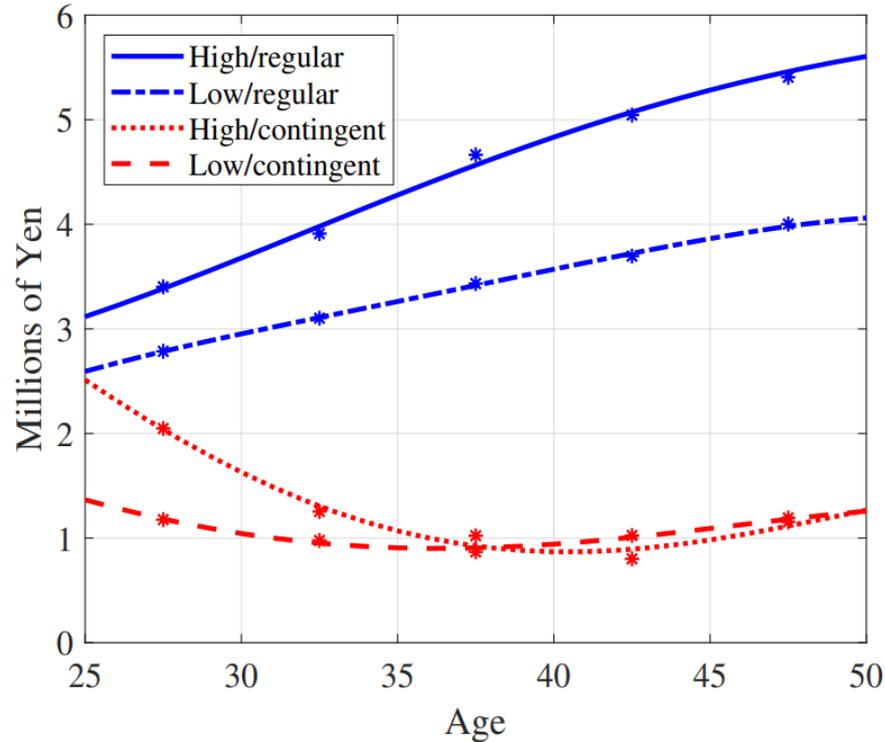


(b) By Employment Type

Women's Labor Force Participation Rates (1959-1969 Cohort)

Source: Japan Panel Surveys of Consumers (JPSC), Figure from Kitao and Mikoshiba (2022)

Women's Earnings



Women's Earnings by Education and Employment Types (1959-1969 Cohort)

Source: Japan Panel Surveys of Consumers (JPSC), Figure from Kitao and Mikoshiba (2022)

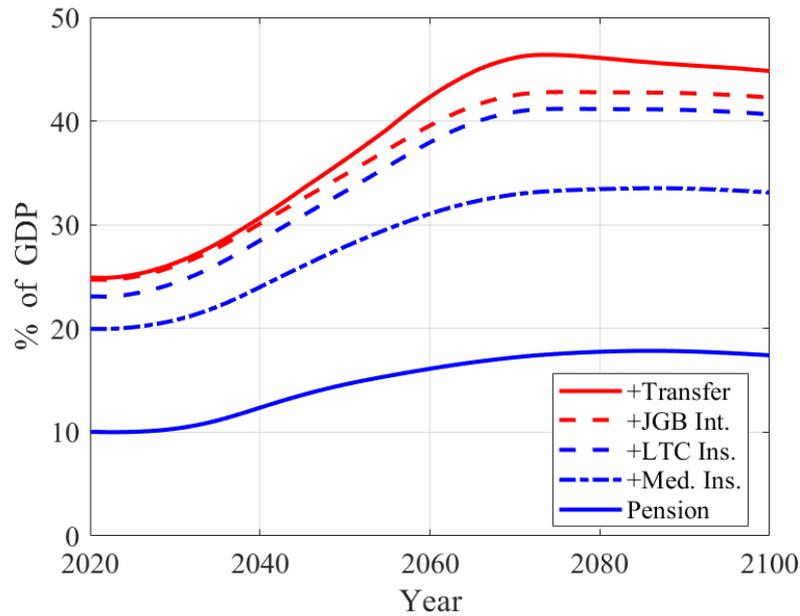
Roles of Fiscal Policy

- Kitao and Mikoshiba (2023) build a quantitative life-cycle model accounting for married women's career decisions and human capital accumulations
- Investigate roles of fiscal policies and find various policies to “*support low-income dependent women*” prevent women from building career and achieving life-time income growth
- Eliminating spousal benefits (tax deductions, social insurance premium exemptions and survivors' pension benefits) would have raised women's participation rates by 14% and earnings by 30% (1959-69 cohort).
- Similar findings in the U.S. (Borella, De Nardi and Yang, 2023)

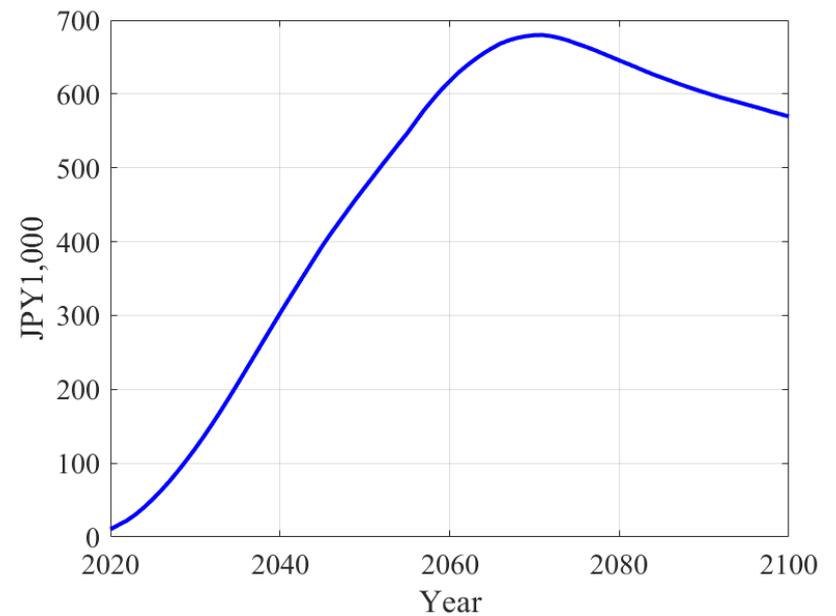
Why Does Women's Work Matter?

- Kitao, Mikoshiba and Nakakuni (2023) quantify effects of demographic aging on macroeconomic and fiscal conditions in the medium to long-run
 - Based on the demographic projections of the IPSS (2023)
 - A life-cycle model of heterogeneous individuals, incorporating tax and social insurance programs (public pension, medical and long-term care insurance)
 - Assume labor supply and productivity by age and gender, and policies remain the same in the baseline

Demographic Aging



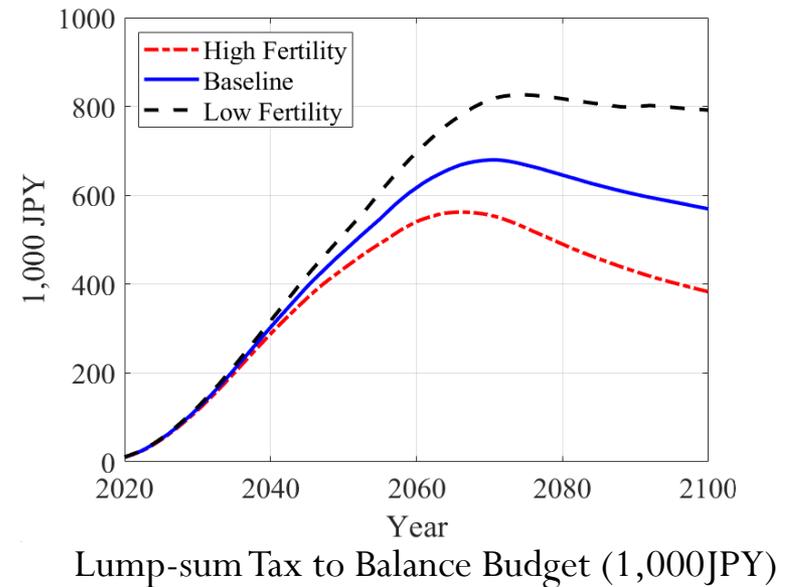
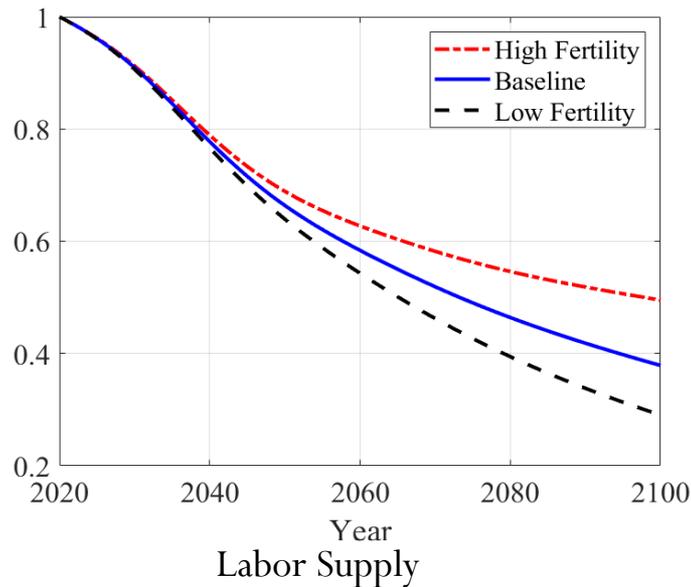
Government Expenditures by Items (% of GDP)



Lump-sum Tax to Balance Budget (1,000JPY)

Source: Kitao, Mikoshiha and Nakakuni (2023)

Alternative Fertility Scenarios

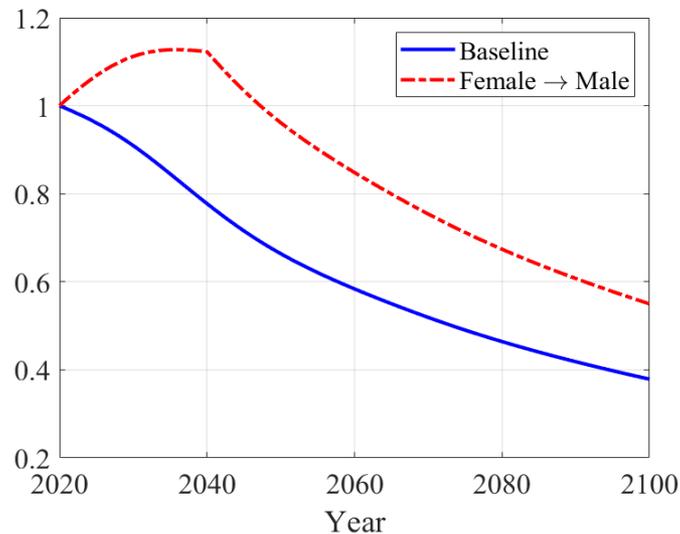


Under the demographic projections of the IPSS 2023, total fertility rate in 2070 is **1.36** in the baseline, and **1.13 and 1.64** under low and high scenarios, respectively.

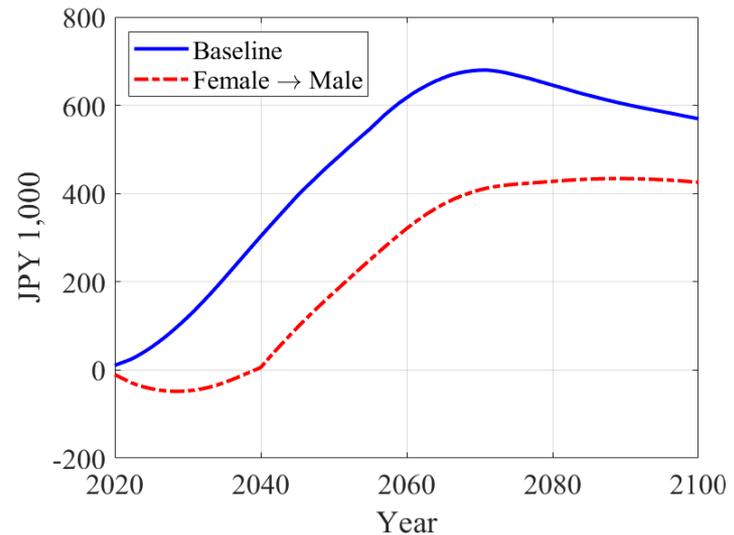
Source: Kitao, Mikoshiba and Nakakuni (2023)

Roles of Women's Labor Supply

Alternative Scenario about Women's Labor Supply → Men



Labor Supply



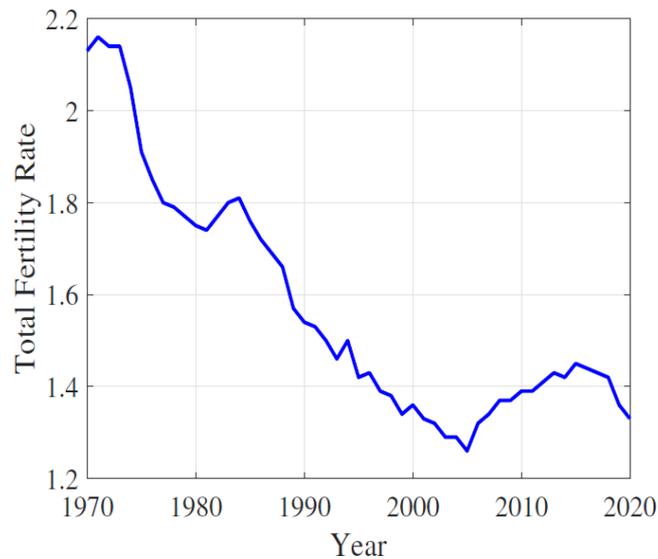
Lump-sum Tax to Balance Budget (1,000JPY)

Assume that the age profile of female labor force participation rates and productivity converge to those of males over a 20-year period.

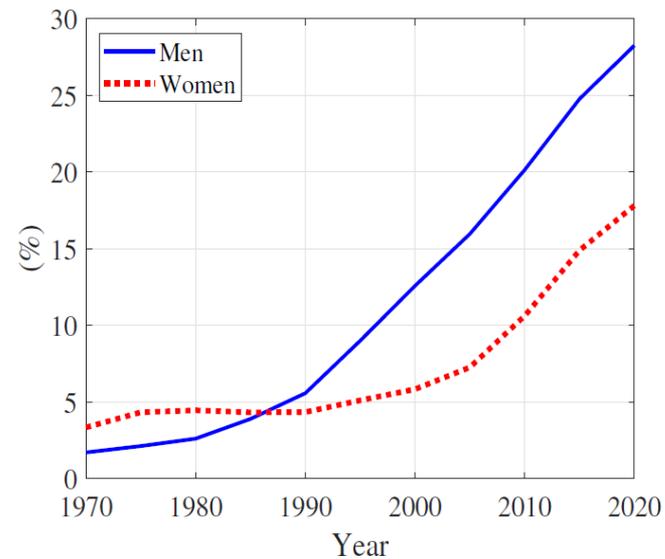
Source: Kitao, Mikoshiha and Nakakuni (2023)

Life-cycle Decisions of Women and Households

- Women makes not only work decisions, but also marriage, fertility, time allocations to different activities including work, leisure, childcare and housework.



Total Fertility Rate



Fraction of Never-Married at age 50

Trends of Time Allocation

Average time use (% of total disposable time) of
married men and women aged 25-59

	Men		Women	
	1976	2016	1976	2016
Market work	77.5	71.5	37.2	30.6
Housework	0.7	2.1	38.2	32.3
Childcare (per child)	0.5 (0.2)	2.7 (1.7)	7.1 (3.2)	13.9 (8.6)
Leisure	21.3	23.7	17.5	23.1
Total	100.0%	100.0%	100.0%	100.0%

Source: Survey on Time Use and Leisure Activities. Ministry of Internal Affairs and Communications, Table from Kitao and Nakakuni (2023)

Life-cycle Decisions of Women

- If “career-or-family” tradeoff continues, improvement in women’s market opportunities may exacerbate the fertility trend. Plus, the opportunity costs of having children are likely to continue rising, also with the rising demand for skills and education.
- No silver bullet solution to tackle all the problems. Need a multi-dimensional approach. Important to know where we stand and how we came here, considering long-run micro and macro trends surrounding families.
- Removing obstacles for women such as outdated fiscal policies, and mitigating the burden within a household are essential to enhance their economic wellbeing and to achieve income growth at both the micro and macro levels.

References

- Borella, M., M. De Nardi, and F. Yang (2023) “Are marriage-related taxes and social security benefits holding back female labor supply?” *Review of Economic Studies* 90 (1), 102–131.
- Kitao, S. and M. Mikoshiba (2022) [“Why Women Work the Way They Do in Japan: Roles of Fiscal Policies”](#) RIETI Discussion Paper Series 22-E-016.
- Kitao, S. and K. Nakakuni (2023) [“On the Trend of Technology, Family Formation and Women's Time Allocations”](#) RIETI Discussion Paper Series 23-E-075.
- Kitao, S., M. Mikoshiba and K. Nakakuni (2023) “Female Labor Supply and Demographic Aging and Their Impacts on the Aggregate Economy and Fiscal Sustainability” [ESRI Discussion Paper Series No. 384](#) (in Japanese).