

Progressing Priorities for Structural Reform; A case of Japan

日本の構造改革の進め方

February 27th, 2007

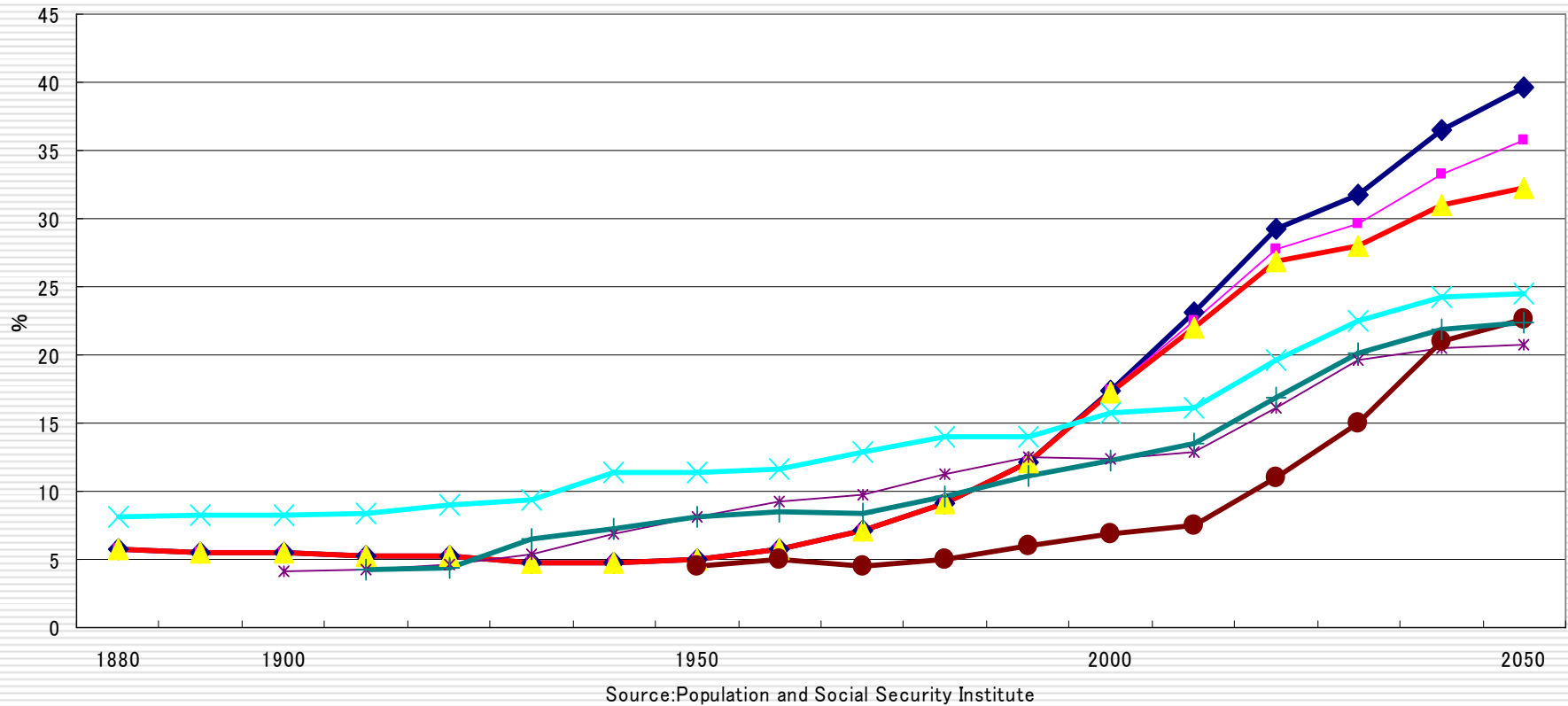
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Speed of the aging in Japan is higher than other OECD, 加速する人口高齢化の進展

International Comparison of the Ratio of the Elderly



Long-run stagnation of the economy is mainly due to a lack of structural adjustment to changing economic circumstances



A New Growth Strategy

新成長戦略

- Increase in average productivity by utilizing Information Technology
- Improving competitiveness of under-developed industries through globalization
- Removing obstacles for new firms entering the emerging markets in the aging society
- Movement of labor force from low productive to high productive industries and regions

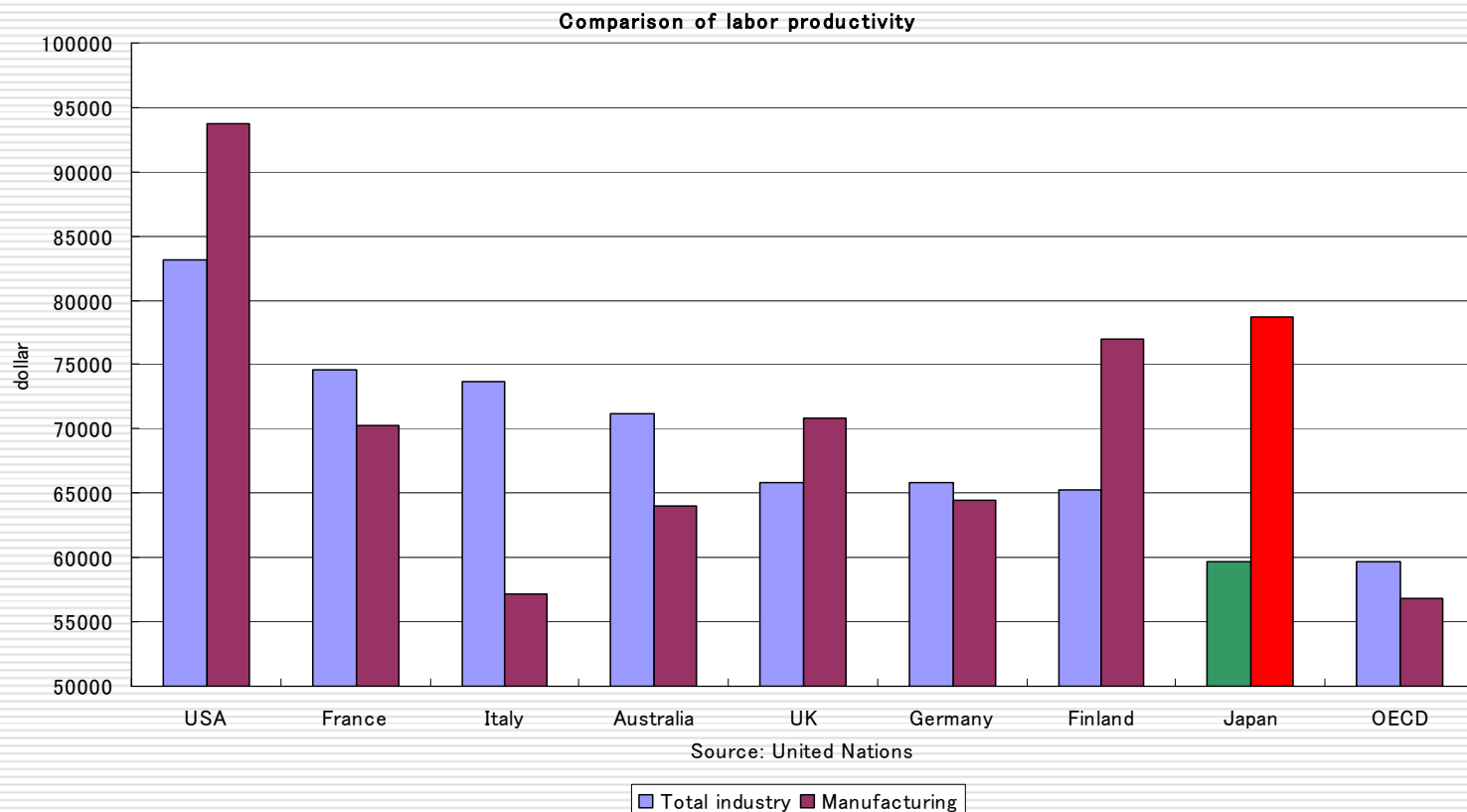
Productivity growth for offsetting the declining labor force

労働力減少を補う労働生産性の向上

	GDP	Productivity	Employment
Japan			
2003-2007	1.5	1.8	-0.3
2008-2012	1.4	2.2	-0.7
USA			
2003-2007	3	2.3	0.7
2008-2012	3.1	2.1	1
Euro area			
2003-2007	1.9	1.2	0.8
2008-2012	1.8	1.6	0.1

Diversion between a highly productive manufacturing sector and a low productive service sector

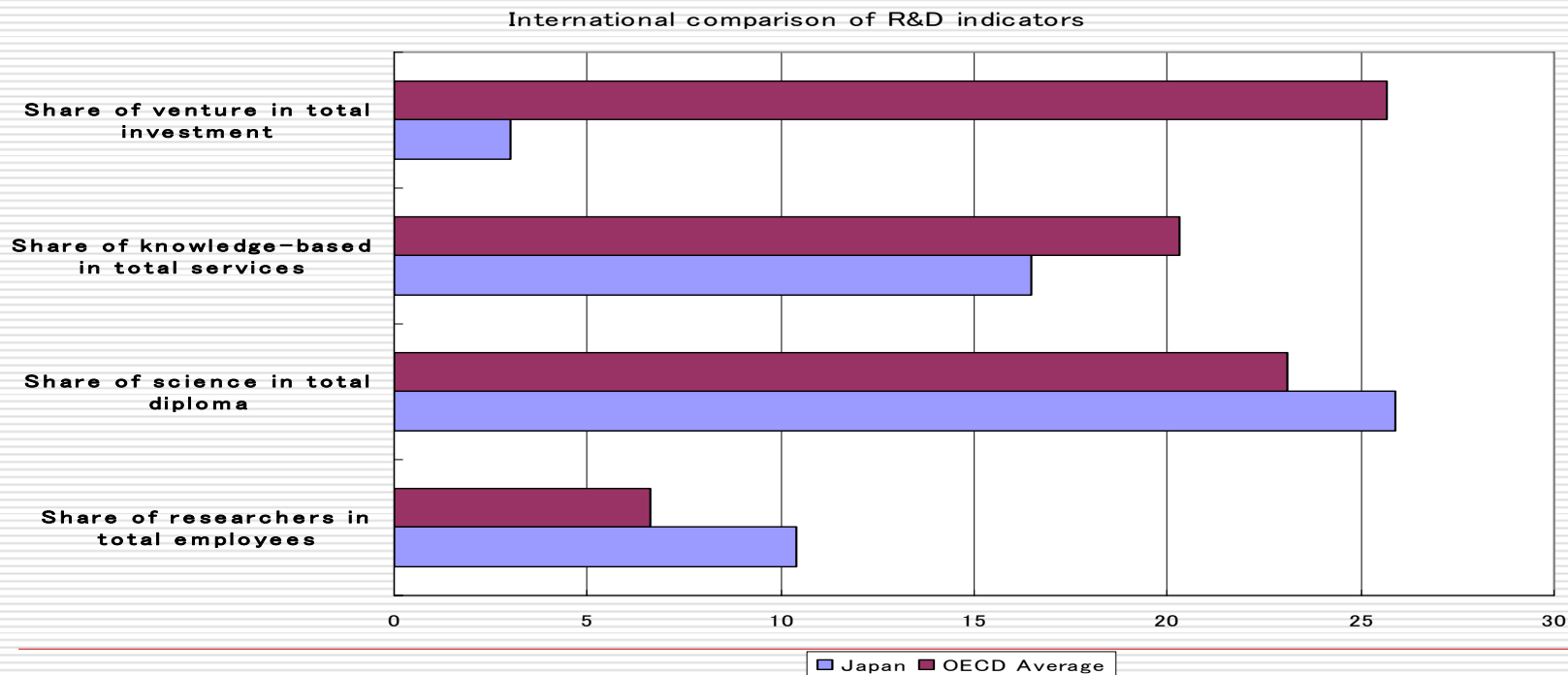
生産性の高い製造業と低いサービス部門との乖離



Large gap between inputs and outputs of research and development

研究開発の効率性

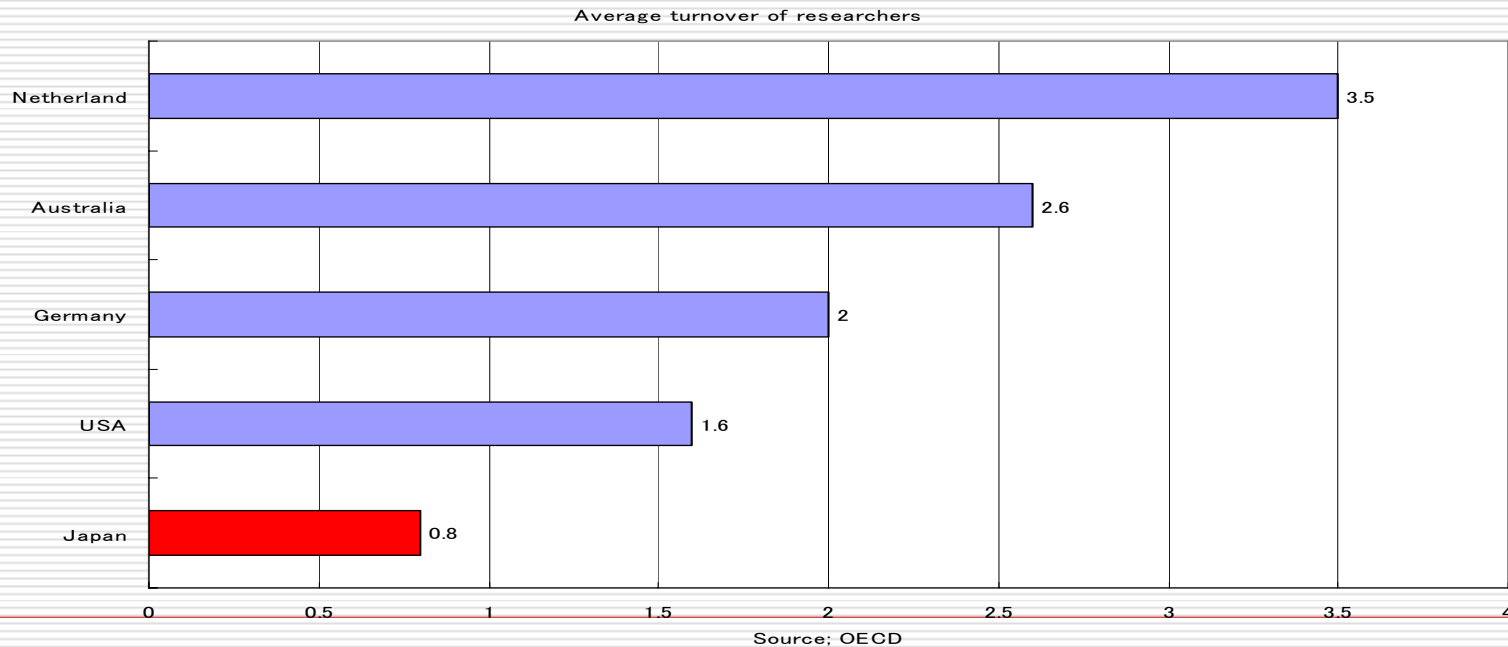
University management, labor markets, and competition policies need to be improved



Factors for low return to R&D investment

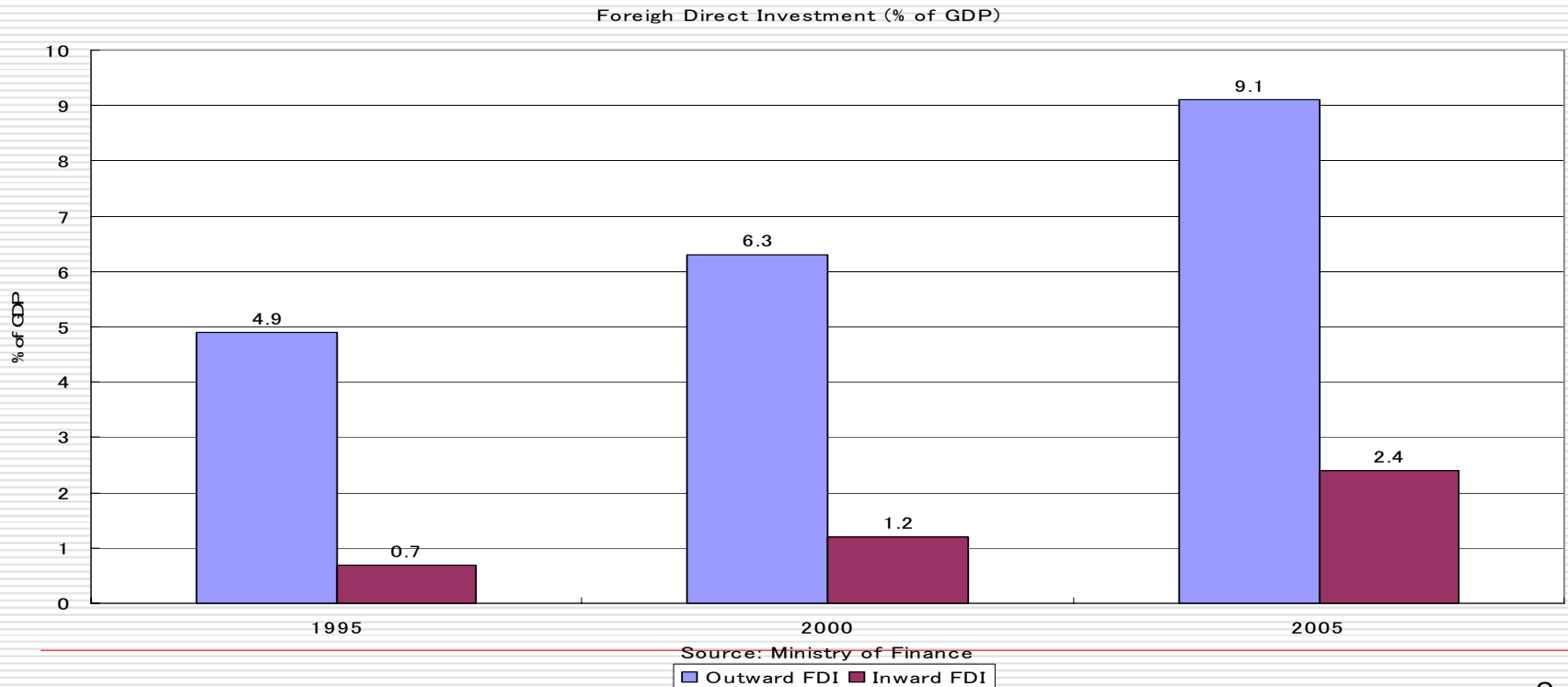
低い研究開発投資の収益性の要因

- Lower mobility of researchers between firms, research institutes and government
- Low ratio of foreign researchers



Widening gap in outward and inward foreign direct investment

Leading to less competition and less employment opportunities in the domestic markets;



Growth prospect in health care services

医療サービス産業の発展可能性

- ❑ Quality difference in health care services are not reflected in prices;
 - ❑ Insufficient information on quality of health care services;
 - ❑ Restrictive rule on combining public insurance and private insurance in the same treatment based on an egalitarian rule;
 - ❑ Prohibition of firm-managed hospitals makes M&A quite difficult and preventing dynamic efficiency in the medical service markets;
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Labor-market “Big Bang”

カギとなる労働市場改革

- ❑ Flexibility in the labor market is a key to improve labor productivity;
- ❑ Shifting the labor force to high-productive sectors by lowering employment barriers;
- ❑ Introducing the “white-collar exemption”
- ❑ Equal treatment of workers between internal and external labor markets based on occupation;
- ❑ Using private initiatives in the public employment services, despite the ILO treaty