



# OECD Employment Outlook 2023

## ARTIFICIAL INTELLIGENCE AND THE LABOUR MARKET

### Country note



## Japan

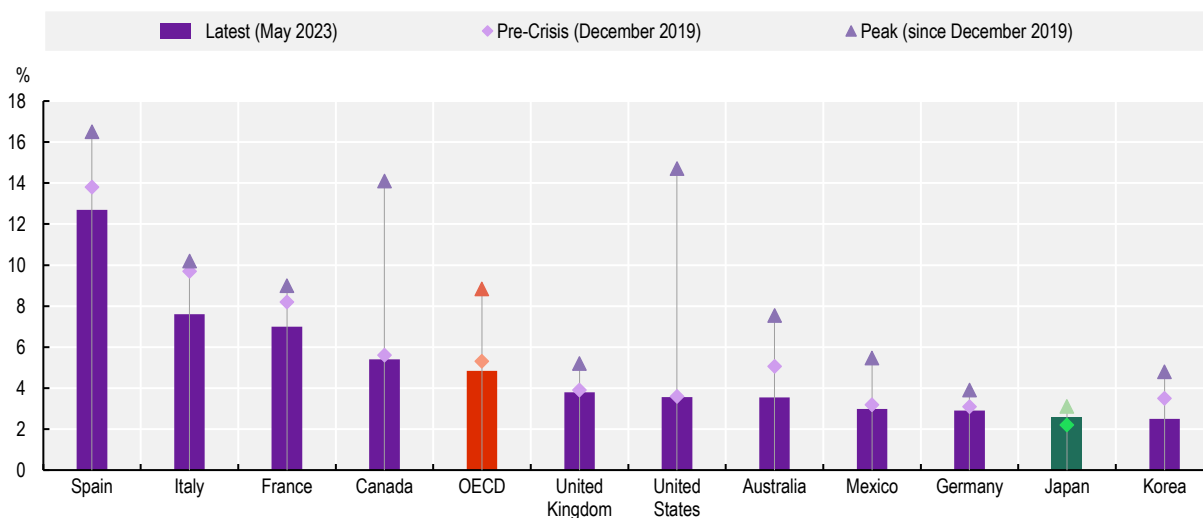
### Labour markets have been resilient despite the significant slow-down in economic activity

The labour market recovery from the COVID-19 recession has been strong, but lost momentum in 2022 and early 2023 in the context of the economic slowdown. However, employment and unemployment have held their ground, and job vacancy rates remain high in most countries, despite some signs of easing. By May 2023, the OECD unemployment rate had fallen to 4.8%, a level not seen in decades.

- In Japan, both employment and unemployment have been broadly stable in the past year. In May 2023, the number of employed fell to 67.4 million compared with December 2019 (-0.7%) due to population ageing and decline, while the unemployment rate eased back to 2.6%, still above pre-crisis levels.
- The *OECD Economic Outlook 2023* projects that Japan's unemployment rate will remain stable, at 2.5% in Q4 2023 and at 2.4% in Q4 2024, and that its total employment is to stabilise around 1.0% below the Q4 2019 level over the course of 2023-24.
- Gender-based disparities in labour markets remain large in Japan. For instance, its gender pay gap was 22% in 2021, in contrast to an OECD average of 12%. Recently, however, a series of reforms have been taken to tackle gender issues. From July 2022, the Act on Promotion of Women's Participation and Advancement in the Workplace obliges large firms to disclose the gender pay gap. In April 2023, the Children and Families Agency was established to centralise childcare and parenting support policy and its budget is to double by the early 2030s. In June 2023, the government announced the initiative to encourage firms listed in the Tokyo Stock Exchange Prime Market to: i) select at least one female board member by 2025; and ii) ensure that female representation in the boardroom be at least 30%.

**Figure 1. Unemployment rates remain low across the OECD**

Unemployment rate (percentage of labour force), seasonally adjusted



Note: Latest month available refers to March 2023 for the United Kingdom; and June 2023 for Canada and the United States.

Source: OECD (2023), "Unemployment rate" (indicator), <https://doi.org/10.1787/52570002-en> (accessed on 11 July 2023).

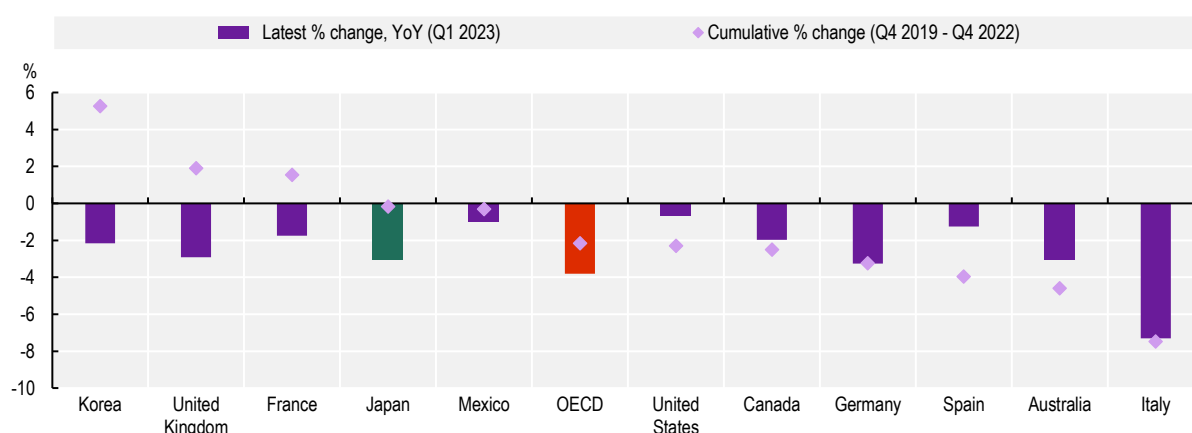
## Real wages are falling amid a cost-of-living crisis

Russia's war of aggression against Ukraine contributed to a surge in inflation, which was not matched by nominal wage growth. Consequently, real wages have fallen in virtually every OECD country. On average, real wages were down 3.8% in Q1 2023 year-on-year among the 34 OECD countries with data available. The loss of purchasing power is particularly challenging for low-income households who have less capacity to deal with increases in prices through savings or borrowing.

- In Japan, real wages dropped by only 0.2% between Q4 2019 and Q4 2022 thanks to Japan's relatively moderate inflation rates. In May 2023, nominal hourly wages rose by 0.6% but fell by 0.8% among establishments of 500 employees and more. It suggests the annual *Shunto* wage negotiations, whose outcomes typically come into effect from April, have not yet contributed to significant wage growth.
- The decline in real wages is expected to continue in the near term, as nominal wage growth remains weak and inflation shows no significant sign of abating. While most OECD countries saw headline inflation peak towards the end of 2022, it remains elevated in Japan. Given the increase in household electricity bills expected from June, inflation will most likely keep outpacing wage growth in Japan.
- In June 2023, the Japanese Government laid out the blueprint of a labour market reform to improve job-to-job mobility and to address wage stagnation. Recommendations discussed at the Council of New Form of Capitalism Realisation include: i) promoting off-the-job training for individual workers to reduce the relative reliance on company-led training to less than 50% within the next five years; and ii) providing more generous subsidies for training programmes that develop in-demand skills.

## Figure 2. Real wages are falling in most countries

Change in real hourly wages, Q1 2023



Note: OECD is an unweighted average of 34 OECD Member States (not including Chile, Colombia, Ireland and Türkiye). For the United Kingdom, average weekly earnings are used.

Source: *OECD Employment Outlook 2023*, Chapter 1.

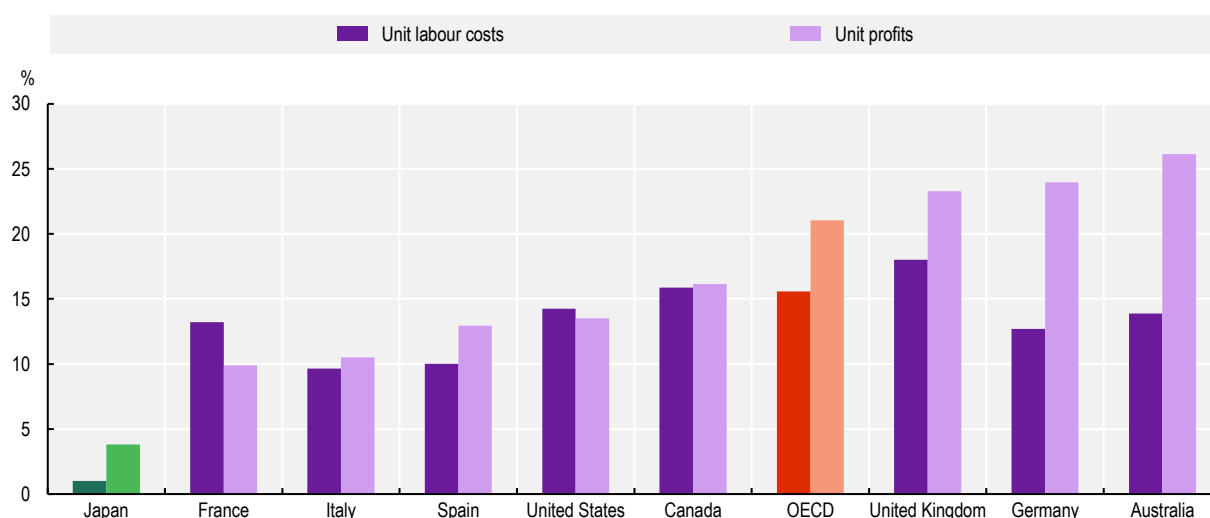
## Profits increased more than labour costs in many countries

In most countries, profits have increased more than labour costs, making a large contribution to price pressures, and leading to a fall in the labour share of income. Data from Europe and Australia indicate that this is not limited to the energy sector. This indicates room for profits to absorb some future wage increases, but this might be less the case in small and medium firms that are more squeezed by other cost increases.

- In Japan, the nominal change in unit labour costs was 1%, only a quarter of that in unit profits between Q4 2019 and Q1 2023. This gives headroom for profits to absorb some wage increase without generating a wage-price spiral.

### Figure 3. Profits have increased more than labour costs in many countries

Percentage changes, seasonally adjusted, from Q4 2019 to Q1 2023



Note: OECD is an unweighted average of 29 OECD Member States (excluding Chile, Colombia, Costa Rica, Iceland, Israel, Korea, Mexico, New Zealand and Türkiye). Unit labour costs and unit profits are calculated by dividing compensation of employees and gross operating surplus by real GDP, respectively. Unit labour costs and unit profits are components of the GDP deflator, which captures the price changes of all goods and services produced in an economy.

Source: OECD Employment Outlook 2023, Chapter 1.

### Current AI applications can improve job quality, but they come with risks

On average in the workplaces surveyed by the OECD, AI adoption has so far gone hand-in-hand with greater job satisfaction, improved mental and physical health, and higher wages for those workers with skills to develop and work with AI. Yet, some workers – e.g. those managed by AI and women – have benefited less or have had negative experiences. Using AI entails risks for privacy, work intensity, and bias. Recent advances in generative AI may augment such risks. Addressing them is key to ensuring that AI contributes to more inclusive labour markets.

- In this year's G7 Summit hosted by Japan, the leaders agreed to initiate the Hiroshima AI Process (HAP) to take stock of the positive and negative effects of generative AI (through a questionnaire to be prepared and submitted by Japan) and ensure the development of inclusive AI governance standards. HAP is expected to conclude within this year. Meanwhile, a study group in the Ministry of Health, Labour and Welfare is discussing current issues related to employment policy, including the effects of generative AI on skill needs, to report a way forward.
- Japan's working age population is ageing and declining, and so AI technologies can offer opportunities to address labour shortages. Compared to other countries, in Japanese firms, the adoption of AI technology often comes with direct worker consultation so that employers and employees can agree on its use. Worker consultation tends to be associated with better outcomes for workers in terms of performance and working conditions.

### Contact

Mark KEESE (✉ [mark.keese@oecd.org](mailto:mark.keese@oecd.org))

Satoshi ARAKI (✉ [satoshi.araki@oecd.org](mailto:satoshi.araki@oecd.org))



From:

## OECD Employment Outlook 2023

### Artificial Intelligence and the Labour Market

Access the complete publication at:

<https://doi.org/10.1787/08785bba-en>

#### Please cite this chapter as:

OECD (2023), “Japan”, in *OECD Employment Outlook 2023: Artificial Intelligence and the Labour Market*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/f6705504-en>

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.