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Japan Center for Economic Research



# What should Japan do to prevent widening of inequality?

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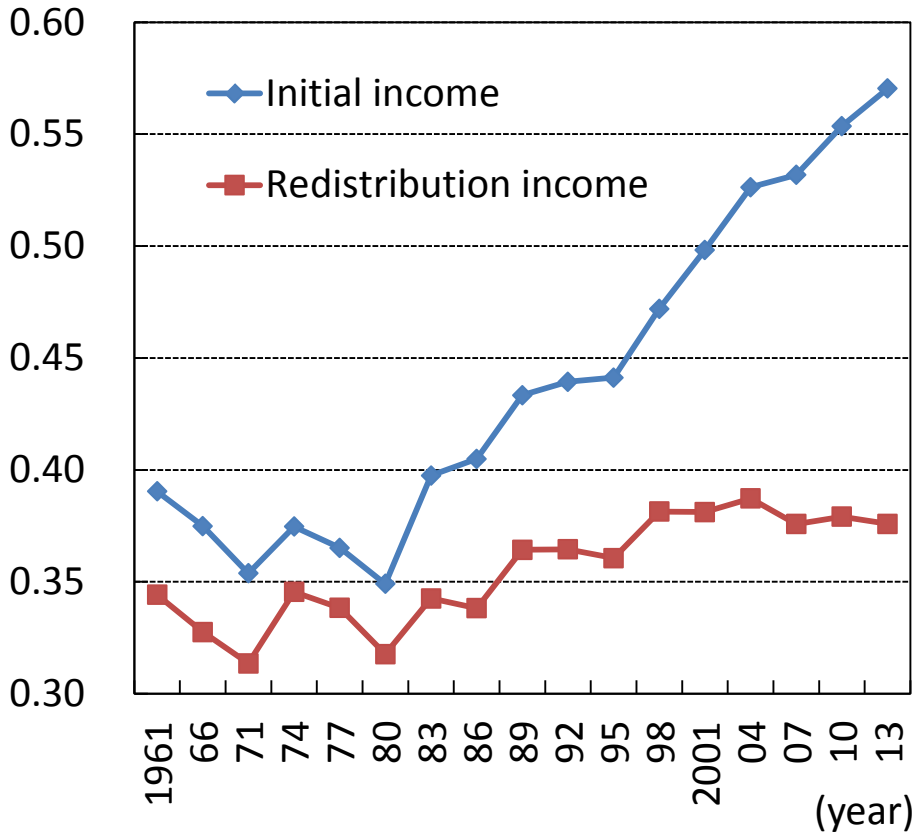
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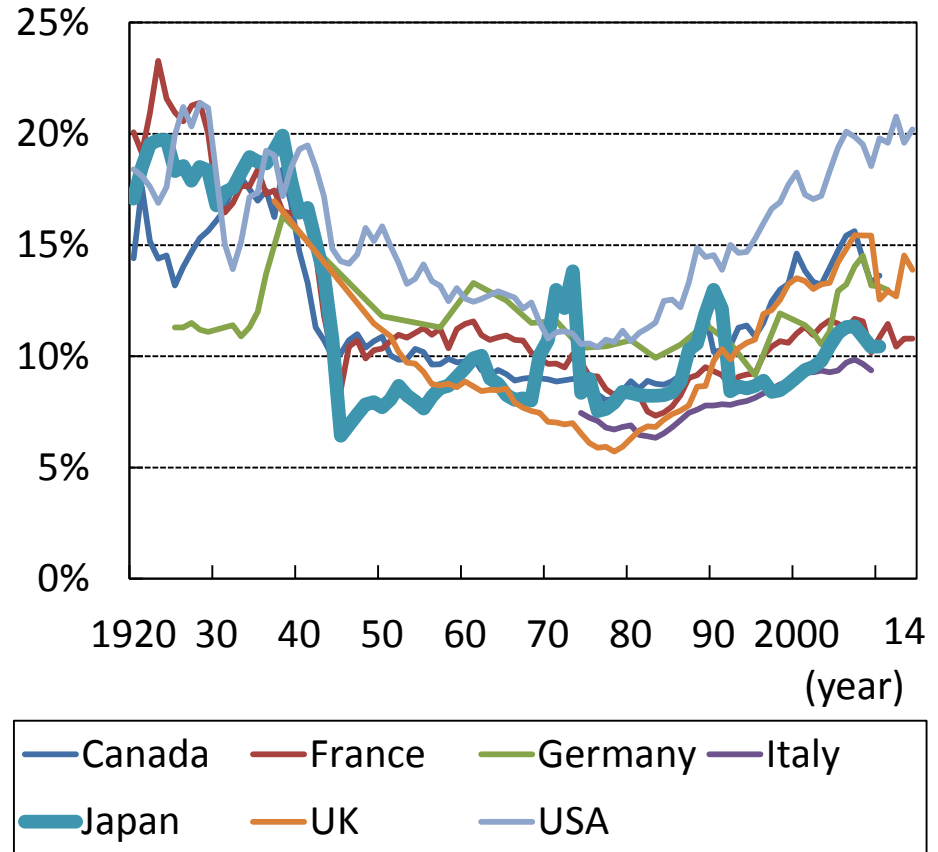
# Current condition 1: In a general indicator, Japan's gap isn't large.

[1-a] Gini coefficient in japan



(Source) MHLW Survey on income redistribution

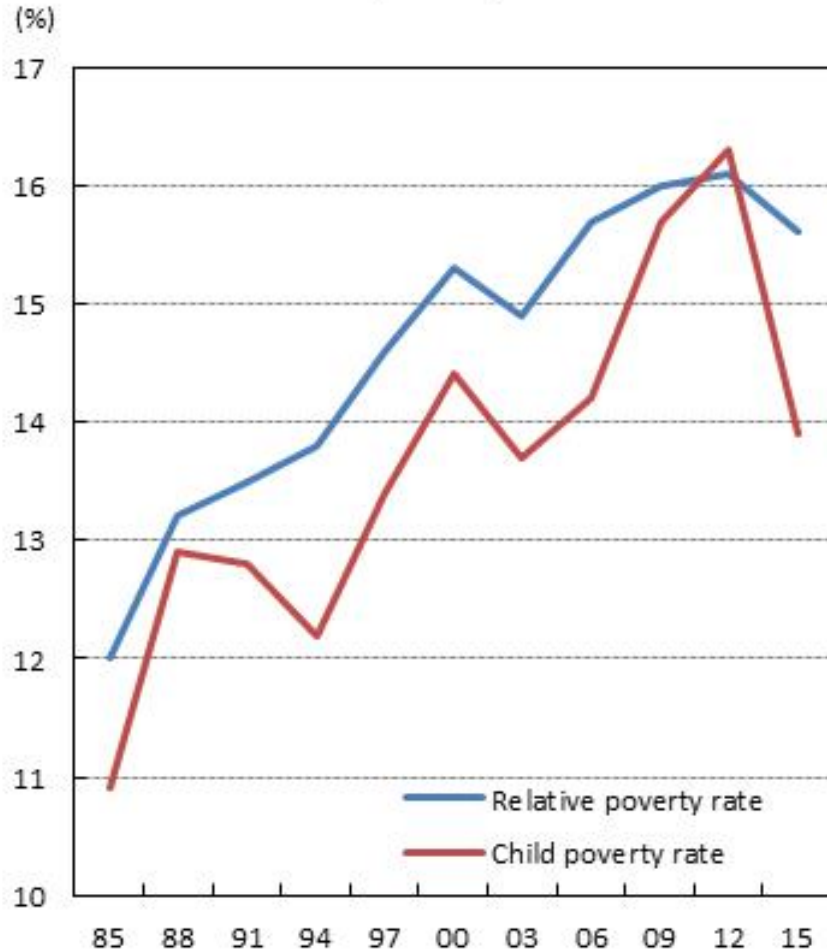
[1-b] Percentage of the top 1% income as a whole



(Source) World wealth & income database

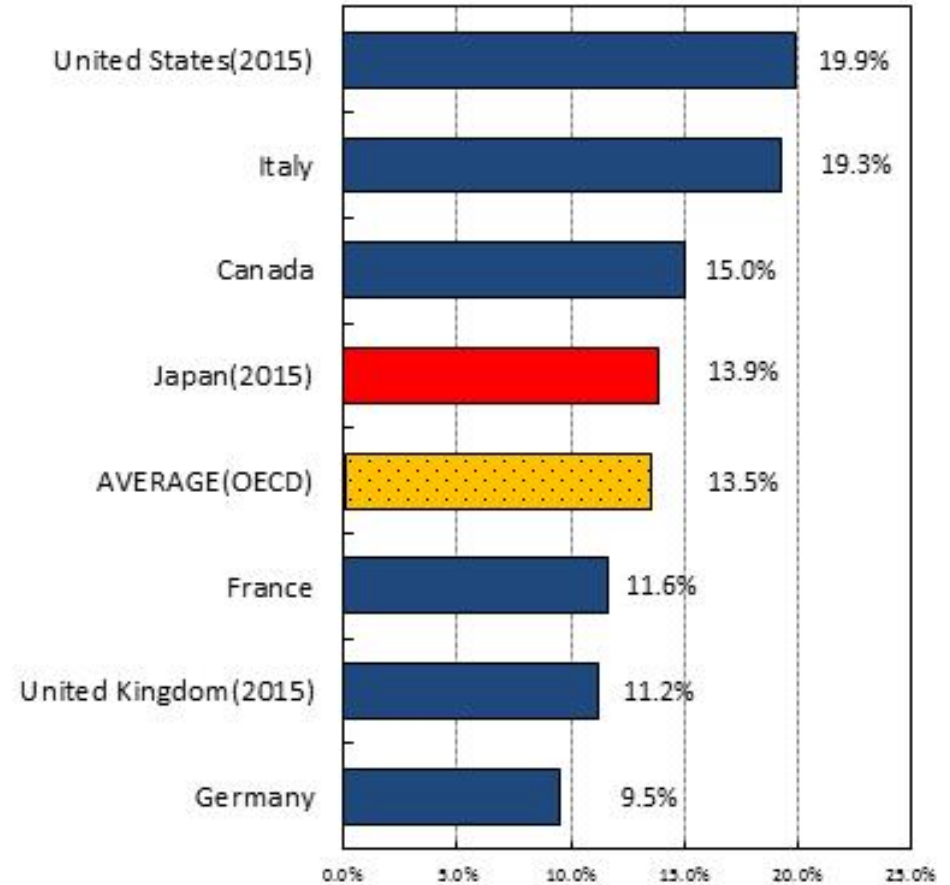
# Current Condition 2: The realization of an equal society is still far away.

### 【2-1】 Relative poverty rate transition



(Source) Ministry of Health, Labour and Welfare  
"Basic survey of people's lives"

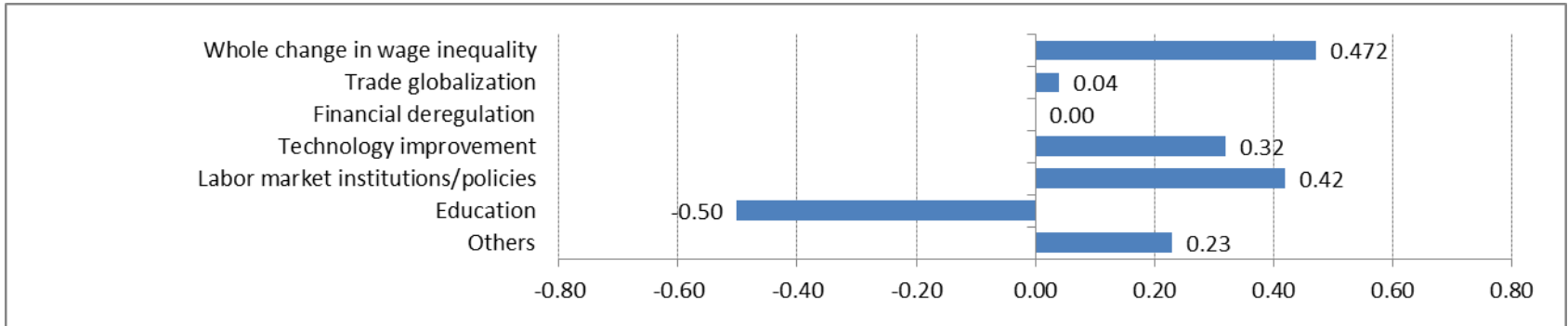
### 【2-2】 International Comparison of Children's Poverty Rate (G7)



(Source) OECD 2014data  
Ministry of Health, Labour and Welfare (%)

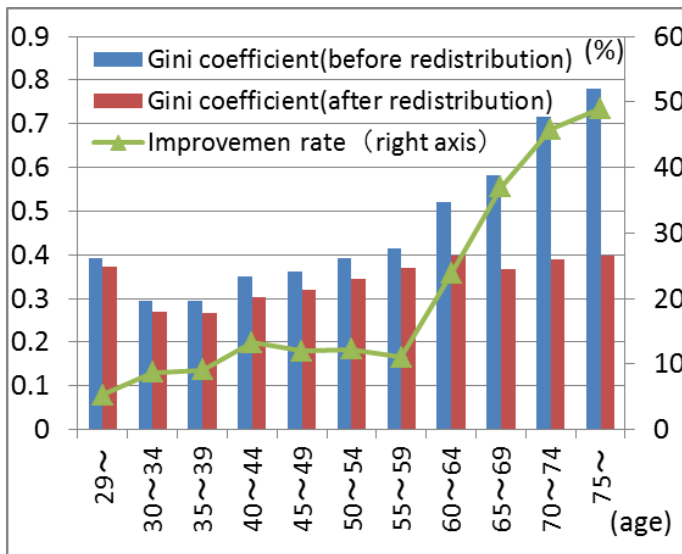
# Background of inequality 1: Japanese public expenditure is small.

[3-a] Accounting for changes in wage inequality of the world (average annual percentage changes)



(Source) OECD Divided We Stand(2011)

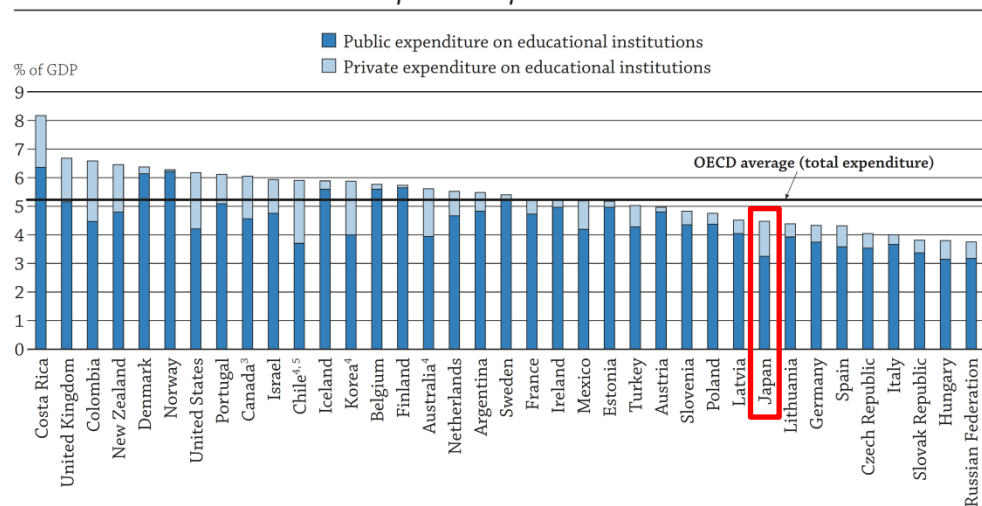
[3-b] Japanese Gini coefficient improvement rate



(Source) MHLW Redistribution of income research(2014)

[3-c] expenditures on educational institutions

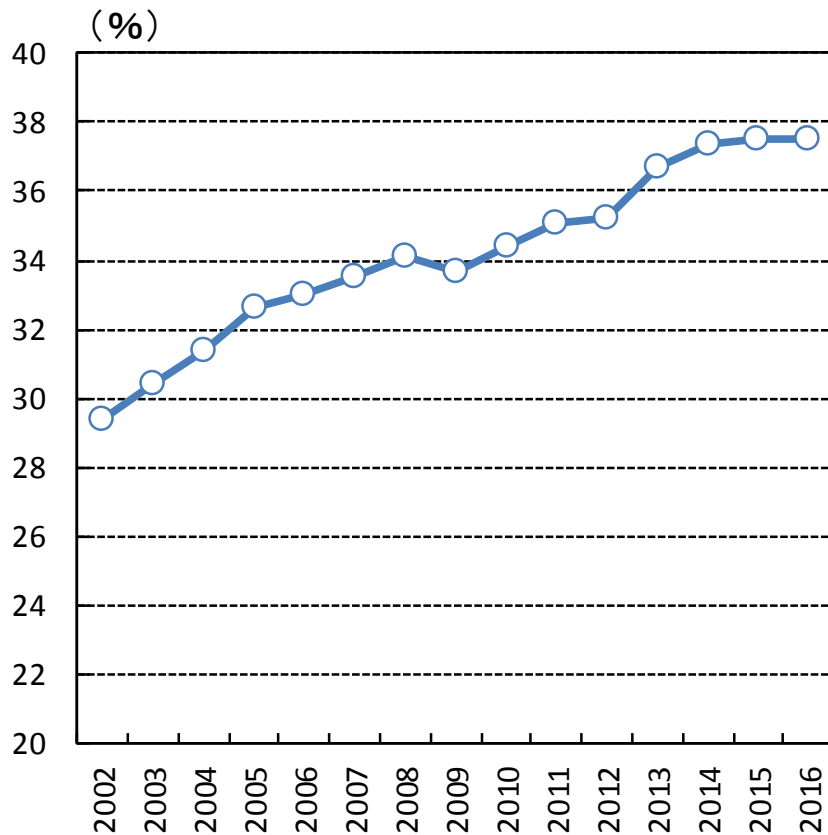
Figure B2.1. Public and private expenditure on educational institutions, as a percentage of GDP (2013)  
From public<sup>1</sup> and private<sup>2</sup> sources



(Source) OECD Education at a glance(2016)

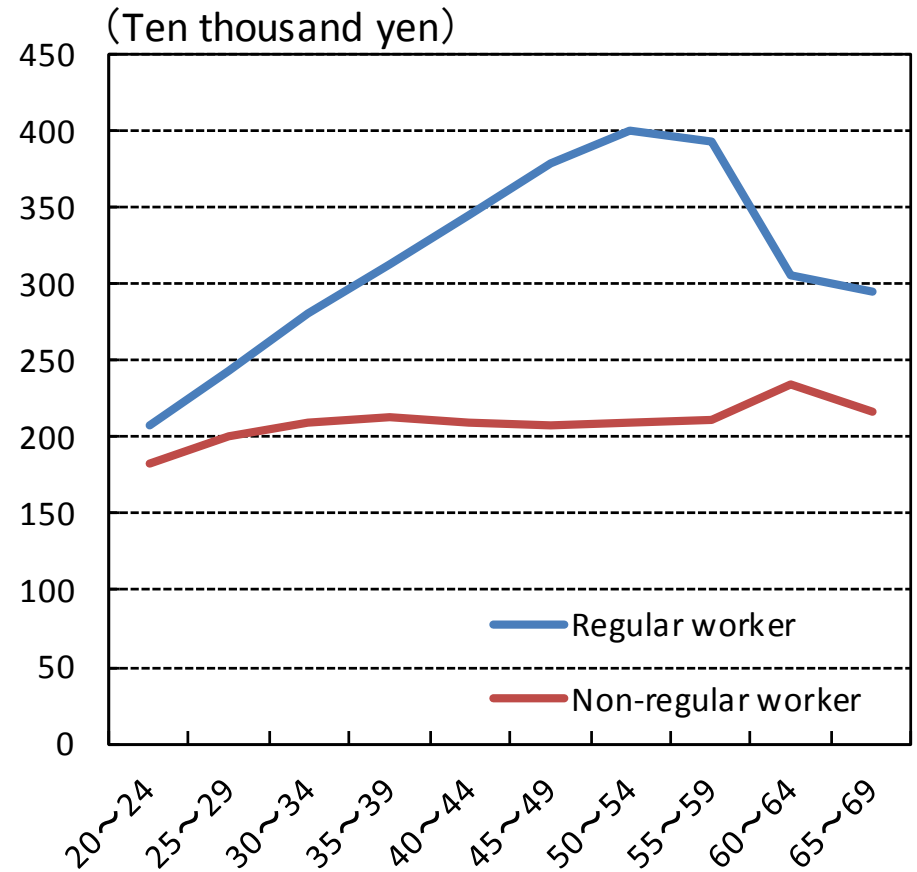
# Background of inequality 2: Non-regular workers are increasing.

[4-a] Percentage of non-regular workers



(Source) Ministry of Internal Affairs and Communications (year)

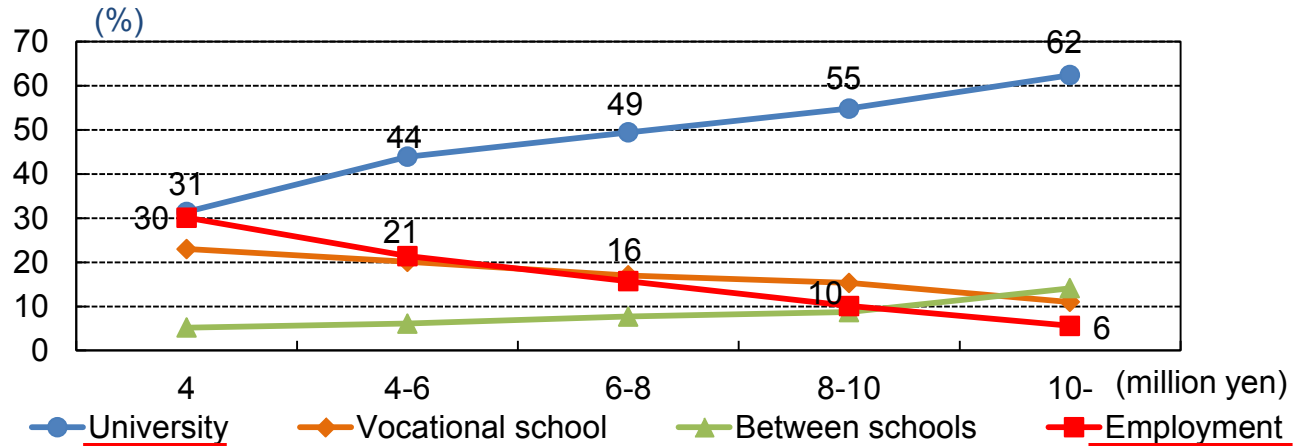
[4-b] Wage by type of employment / age class



(Source) Ministry of Health, Labour and Welfare (age)

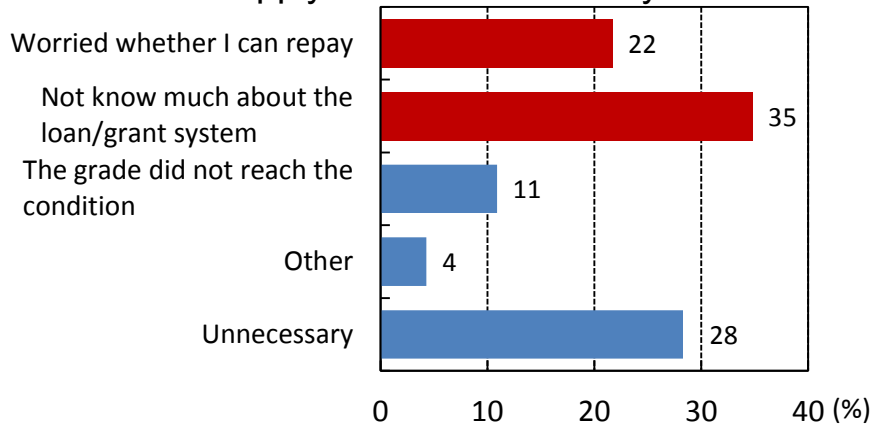
# Solution 1 : Improve the Educational Loan/Grant System

## ○ [5-a] Parents' Annual Income and Children's Education



(Source) CRUMP, "Course tracking survey of high school students primary report"

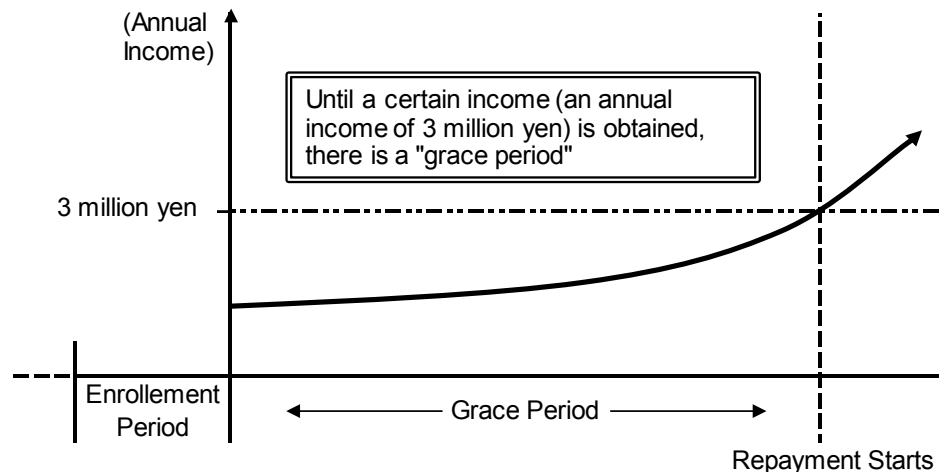
## ○ [5-b] Why Low-income Households Students Did Not Apply for a Loan/Grant System



(Note) "Low-income" means an annual household income less than 4 million yen

(Source) Kobayashi (2015), *Empirical study of cost-sharing and student assistance policy in higher education*

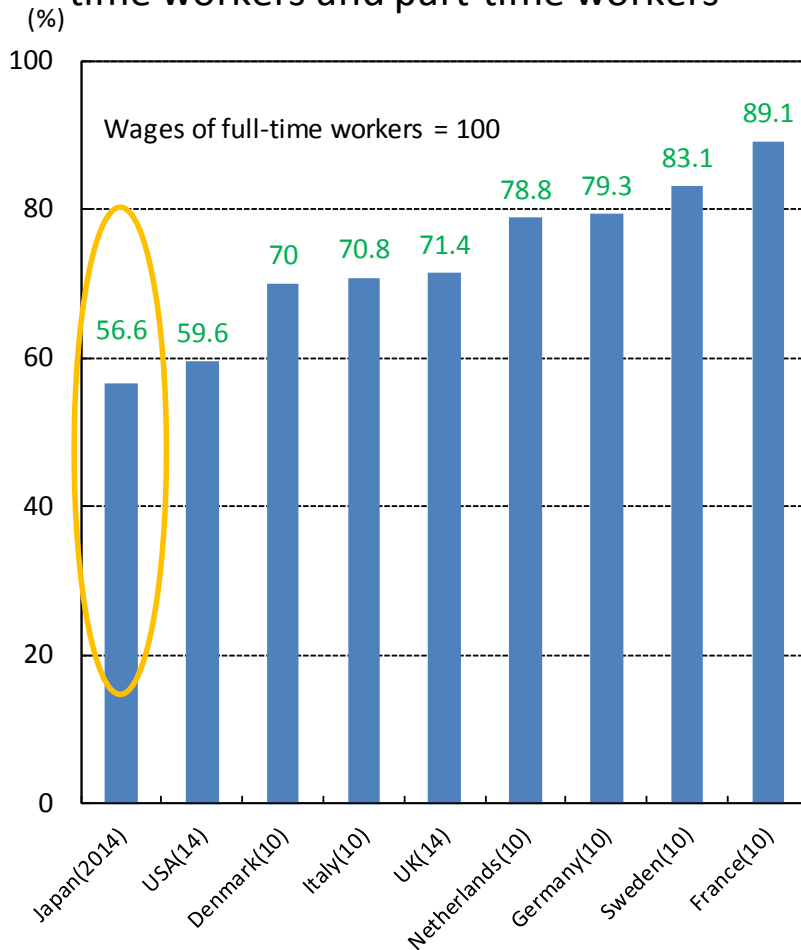
## ○ [5-c] Income Contingent Loan



(Source) Japan Student Services Organization

# Solution 2: Labor market reform is necessary.

[6-a] Comparison of wages between full-time workers and part-time workers



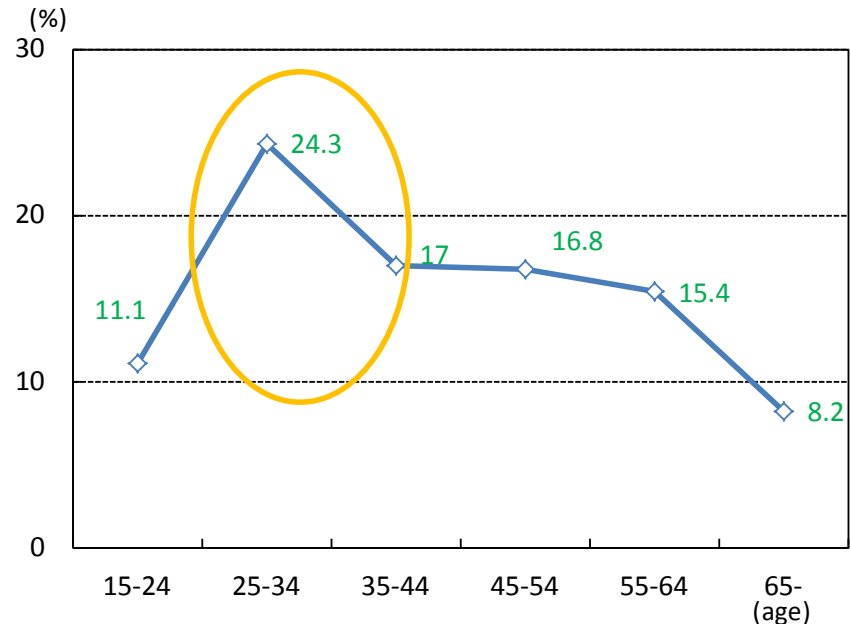
(Source) Ministry of Health, Labour and Welfare

[6-b] Four requirements of dismissal

- (1) The necessity of manpower reduction.
- (2) The employer made efforts to avoid dismissal.
- (3) The choice of personnel is reasonable.
- (4) Sufficient consultation between labor and management.

[6-c] Percentage of employees who are unwillingly working as non-regular workers

(among total non-regular workers)



(Source) Ministry of Internal Affairs and Communications



## Conclusion.

- In a general indicator of gap, Gini coefficient and Percentage of the top 1% income as a whole, Japan's gap is not large.
- The relative poverty rate in Japan is on an upward trend, and the poverty rate of children is at the same level as the average of OECD countries. Both rates need to be improved.
- Education has a strong power to decrease inequality, but the Japanese education expenditure and redistribution to younger generations is insufficient.
- The proportion of non-regular workers continues to rise and the wage gap is increasing.
- We suggest to improve the educational loan/grants system to allow all students who wish to study can do so regardless of their parent's income.
- Lastly, we should embrace an 'Equal pay for equal work' mentality, and should improve the non-regular workers' terms of employment.

**Thank you for your kind attention.**

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