

Japan's Labor Market under Demographic Decline: Evolving Dynamics and Macroeconomic Implications

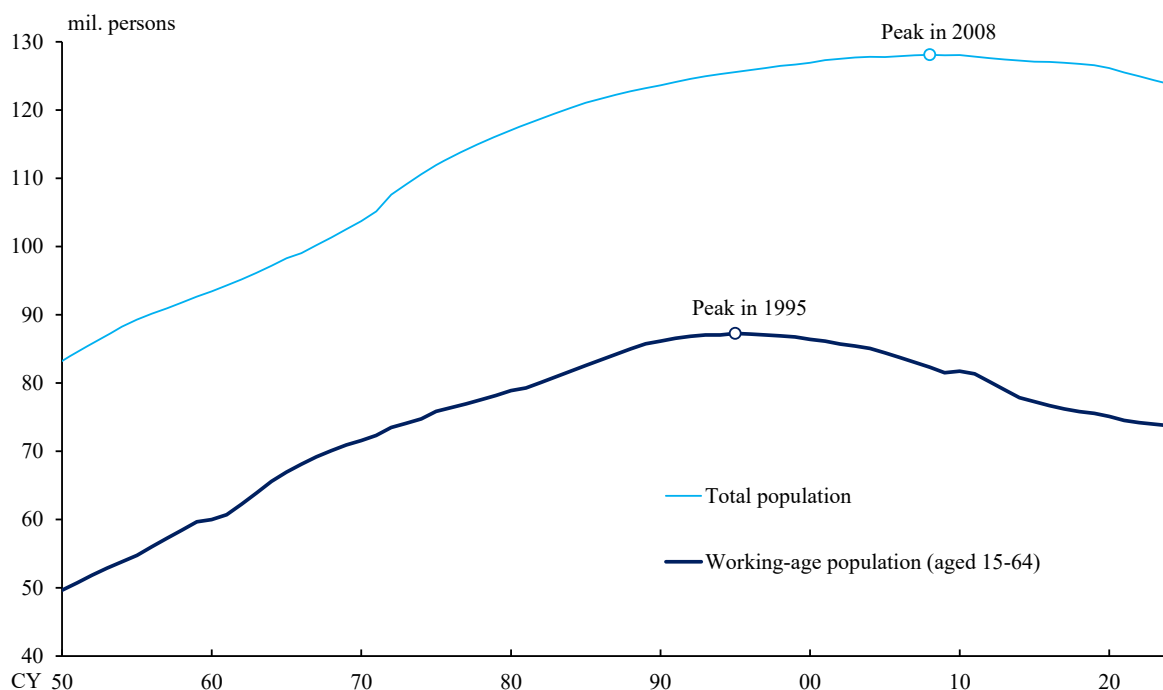
*Remarks at the Panel on "The Policy Implications of Labor Market Transition"
at the Jackson Hole Economic Policy Symposium Hosted by the Federal Reserve Bank of Kansas City*

August 23, 2025

UEDA Kazuo
Governor of the Bank of Japan

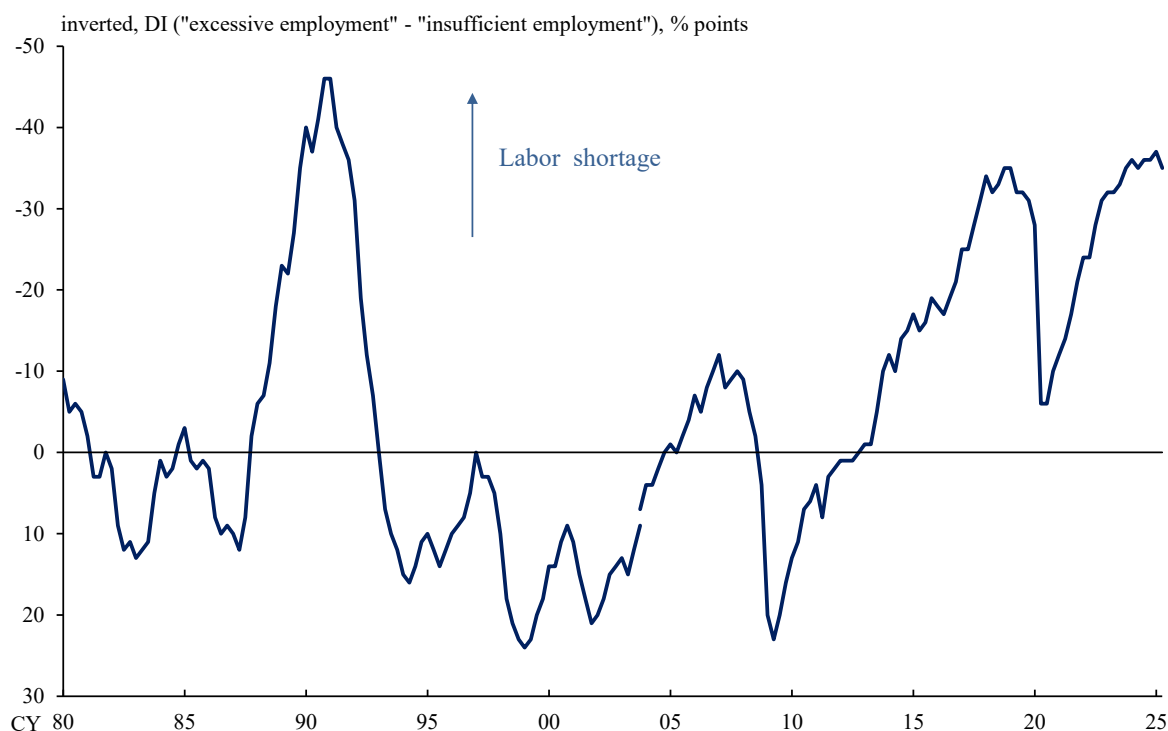
Chart 1

Japan's Population Trends



Note: Figures from 1950 to 1971 exclude Okinawa Prefecture.
Source: Ministry of Internal Affairs and Communications.

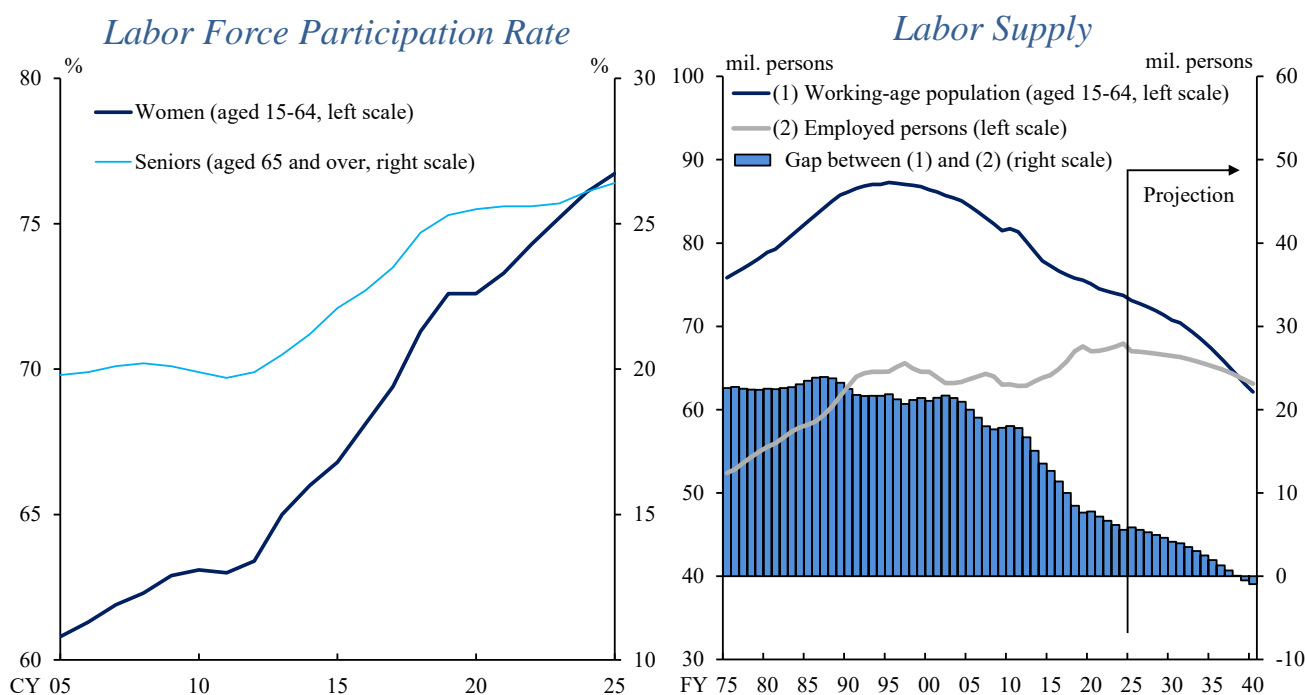
Labor Market Tightness in Japan



Note: Based on the *Tankan*. There is a discontinuity in the data for December 2003 due to a change in the survey framework.
Source: Bank of Japan.

2

Labor Force Participation in Japan



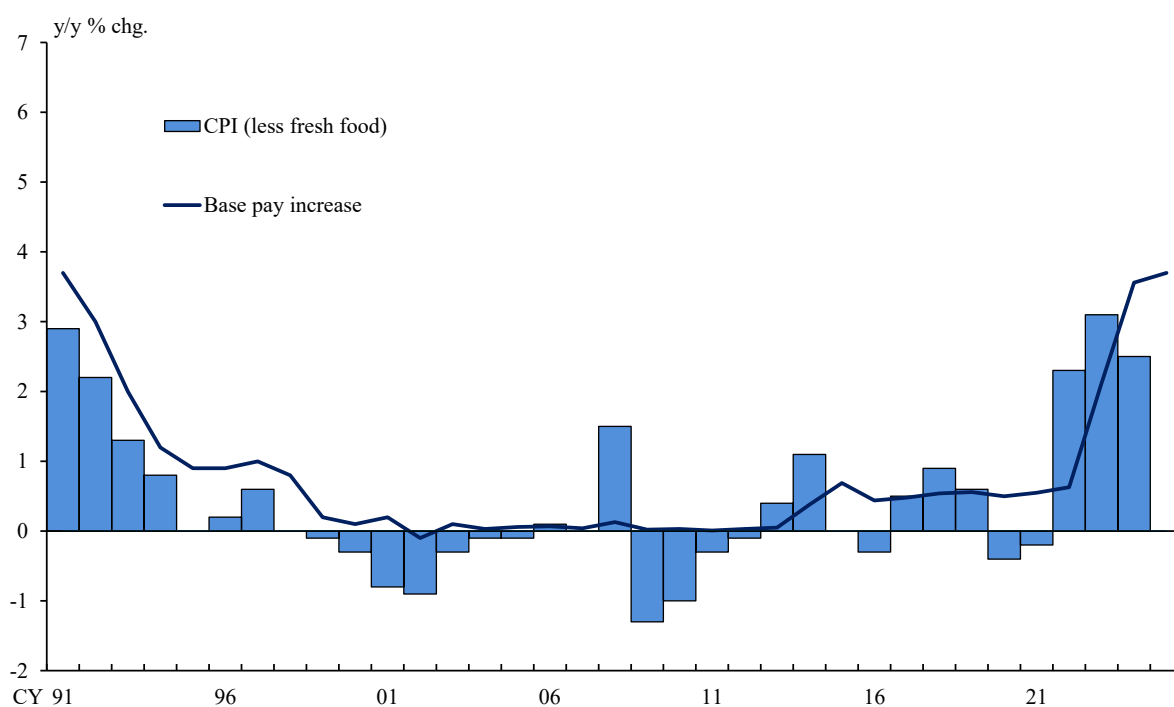
Notes: 1. Figures for 2025 in the left-hand panel are January-June averages.

2. In the right-hand panel, the projection for the working-age population is by the National Institute of Population and Social Security Research. The projection for the number of employed persons is calculated based on projections by the Japan Institute for Labour Policy and Training.

Sources: Ministry of Internal Affairs and Communications; National Institute of Population and Social Security Research; Japan Institute for Labour Policy and Training.

3

Developments in Wages and Prices in Japan



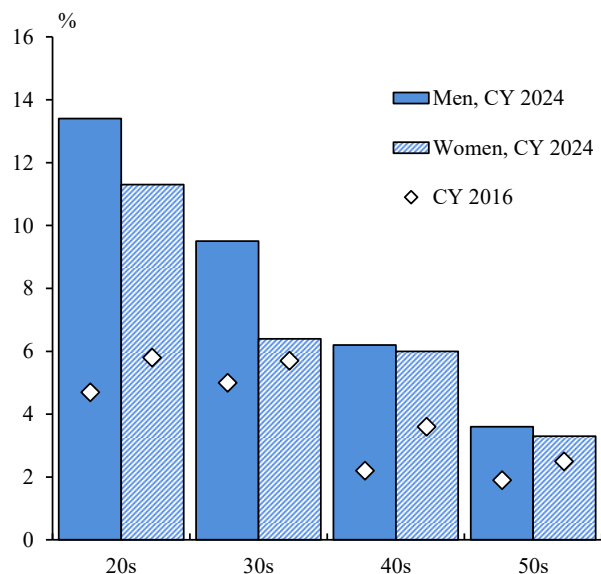
Notes: 1. The CPI figures exclude the effects of the consumption tax hikes etc.

2. Figures for base pay increases from 1991 to 2013 are those published by the Central Labour Relations Commission, while those from 2014 to 2025 are figures released by Rengo.

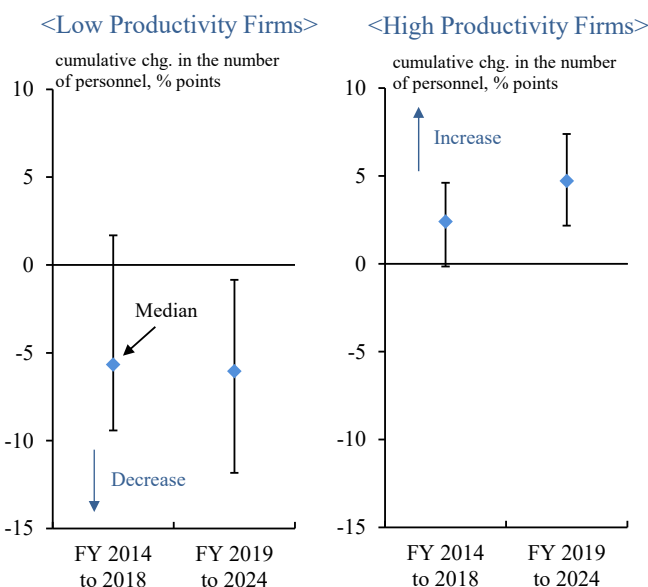
Sources: Ministry of Internal Affairs and Communications; Japanese Trade Union Confederation (Rengo); Central Labour Relations Commission.

Labor Mobility in Japan

Job-Change Rates among Regular Employees by Age



Labor Shift toward Firms with High Productivity



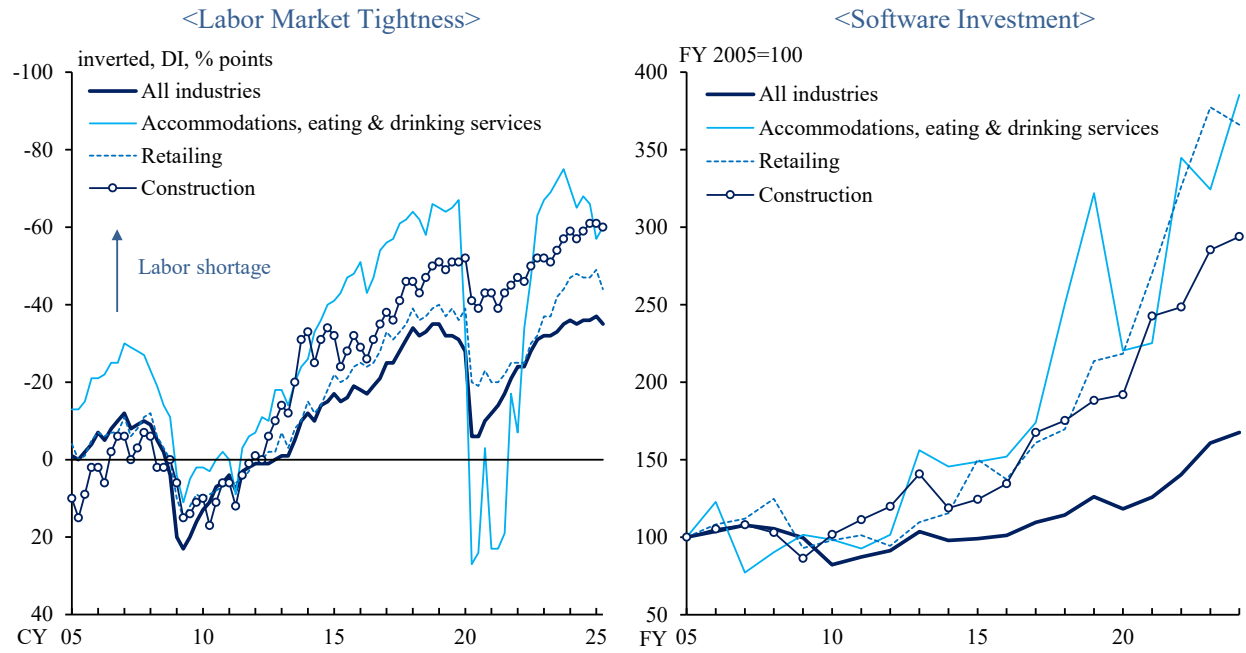
Notes: 1. Figures in the left-hand panel are the shares of regular employees in their 20s to 50s who changed jobs in the past year.

2. Figures in the right-hand panel are staff estimates, using microdata from the *Financial Statements Statistics of Corporations by Industry, Quarterly*, for firms that responded to the survey for the statistics for eight consecutive quarters. High/low productivity firms are defined as those in the top/bottom tercile within each period and industry. The diamond markers indicate medians of deviations in the rate of change in the number of personnel from that of the entire sample. The bands indicate 95 percent confidence intervals calculated using the bootstrap method.

Sources: Mynavi, "Job Change Trends Survey 2025 (2024 Results)"; Ministry of Finance.

Substitution of Labor with Capital in Japan

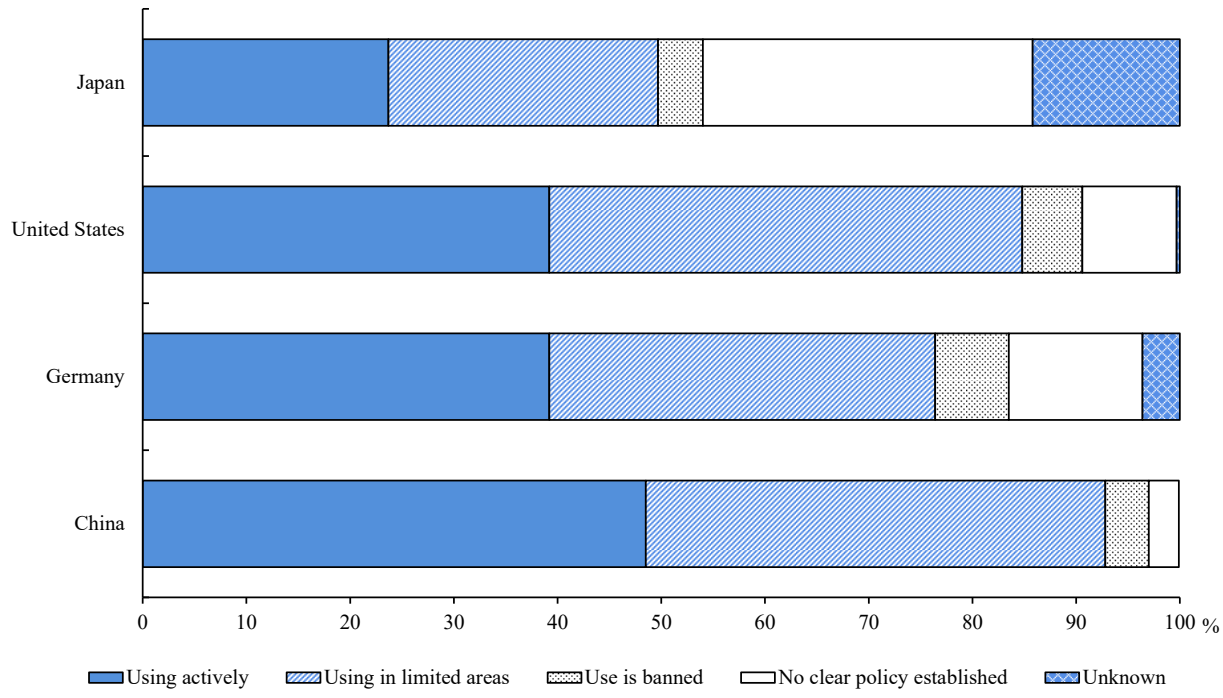
Industries with Labor Shortages and Software Investment



Note: Based on the *Tankan*.
Source: Bank of Japan.

Firms' Stance on the Use of Generative AI

Results of Fiscal 2024 Survey



Source: Ministry of Internal Affairs and Communications.