Japan can look to Quebec for a solution to its work force problem

The participation of women in the work force is crucial to solving a major demographic problem in Japan. The results from Quebec's subsidized daycare policy provides a path that the country could follow

CLÉMENT GIGNAC
566 Words
Wednesday, September 17, 2014
Globe and Mail Update

Back in January, we touched on the subject of Japan's long road toward reform. As a reminder, the Japanese government's plan, usually called "Abenomics," is made up of three parts or "arrows": monetary stimulus, fiscal stimulus and structural reform. At this point, the first two arrows have been shot and seem to have hit their targets. However, as has been stressed countless times, the last arrow is by far the most important and complex of the three.

Many pundits are now calling the third phase a series of "darts" instead of an "arrow," as many structural reforms, large and small, are needed to bring long-term, sustainable change to a lagging economy hit headfirst by the problem of population aging. Since 1998, the core working-age population in Japan, represented by the 20-54 age group, has been shrinking at an accelerating rate. Some even fear that as many as half of Japan's municipalities could disappear by 2040 as women of child-bearing age migrate to big cities, which would exacerbate regional discrepancies. Where the Western world is arriving at the doorstep of major demographic change, Japan crossed that threshold more than 15 years ago.

A large part of Japan's solution to counter the effects of population aging is to encourage more women to enter the work force. An important factor behind Japanese women's low participation rate in the labour force is the country's tax system, which creates a strong incentive for women to stay at home rather than go looking for work. The good news is that Prime Minister Shinzo Abe announced an ambitious package of reforms in June that attacks this issue head-on. Mr. Abe also showcased other elements of his plan to mobilize women in the country's economy, including expanding child care. The results so far have been positive, with 530,000 women joining the Japanese work force in the past year.

There are many reasons why women's participation in the labour force is vital to Japan's chances of turning the boat around, but let's concentrate on the simplest one: wealth generation.

Here in Canada, the province of Quebec has dealt with the issue of limited women's participation in the labour force. By subsidizing daycare for many children, the Quebec government has not only allowed median income families to keep more money in their pockets to spend on other things, but it has also incentivized the decision for many women to pursue careers outside of the home.

The participation rate for women aged 25-44 has risen to 80 per cent from 70 per cent since the program's inception in 1997, a much sharper increase than anywhere else in Canada. (The women's participation rate in Japan is currently only 65 per cent.) The effects have been twofold: More workers means more growth, and higher income means more spending.

Just like in Japan today, Quebec also not too long ago had a greatly underused resource in its women sitting on the sidelines of the labour market. And just like Quebec, Japan is looking to tackle the issue partly by expanding child care and making it easier for mothers to return to work.