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# THE FUTURE OF JAPAN REIGNITING PRODUCTIVITY AND GROWTH

March 24, 2015



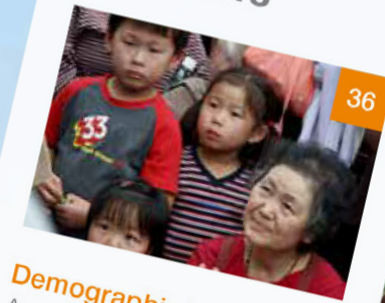
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## THE FUTURE OF JAPAN: REIGNITING PRODUCTIVITY AND GROWTH

MARCH 2015

### HIGHLIGHTS



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**Demographic headwinds**  
A rapidly aging population magnifies the productivity challenge



48

**Advanced manufacturing**  
Revitalizing Japan's signature industries



61

**Innovation**  
Capturing global market share for cutting-edge products



# JAPAN NEEDS TO PUT THE RIGHT POLICIES AND ENABLERS IN PLACE TO SUPPORT PRODUCTIVITY GROWTH

## PROGRESS INDICATORS

■ Today    ■ Aspiration for 2025

### New talent sources

Encourage women's success  
Retain experienced workers  
Increase skilled foreign labor force



% of women in executive and senior management roles



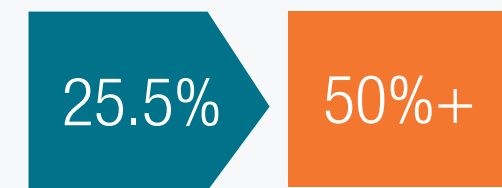
% of 60-64 year-old workers



% of skilled foreign workers attracted to Japan

### Education and skills

Strengthen hard skills  
Instill an innovative and global mindset  
Create a true education-to-employment pipeline



Students expressing the confidence to take on challenges<sup>1</sup>



% of students studying abroad



Average TOEFL score

### Entrepreneurship

Change cultural attitudes toward entrepreneurship  
Increase access to start-up funding  
Create a supportive legal framework  
Create the ecosystem for innovation and mentorship



Share of labor force engaged in entrepreneurship



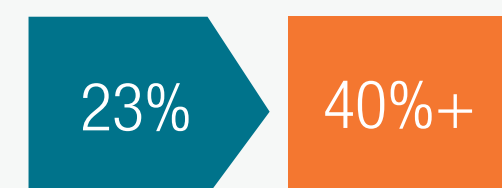
Global Entrepreneurship & Development Index ranking



VC funding per year

### Market-oriented reforms and global competitiveness

Promote competition  
Deepen global trade ties  
Adopt global standards



Trade volume under FTAs as a share of overall trade



International Chamber of Commerce Open Markets Index ranking



World Bank ease-of-doing business ranking

<sup>1</sup> Average % of students who "agree" or "strongly agree" with the statements "I seek explanations for things" and "I like to solve complex problems."

SOURCE: OECD labor statistics; OECD PISA 2012 Results; GEM (Global Entrepreneurship Monitor), World Bank; METI

# DESPITE THEIR HIGH EDUCATION AND A HIGH EMPLOYMENT RATE AT ENTRY LEVEL, WOMEN HAVE A LIMITED PRESENCE IN THE MORE SENIOR ROLES



	University graduates	Entry-level professionals	Mid-to-senior management	Executive committee	CEO	Board
China	50	55	21	9	1	8
India	42	29	9	3	<1	5
<b>Japan</b>	<b>49</b>	<b>45</b>	<b>11</b>	<b>1</b>	<b>&lt;1</b>	<b>2</b>
S. Korea	48	40	6	2	<1	1
Singapore	49	50	20	15	8	7
Malaysia	57	53	11	N/A	5	6
Indonesia	57	47	20	N/A	5	6
Australia	57	45	N/A	12	3	13
Taiwan	49	44	18	9	1	8
Hong Kong	54	52	23	11	2	9

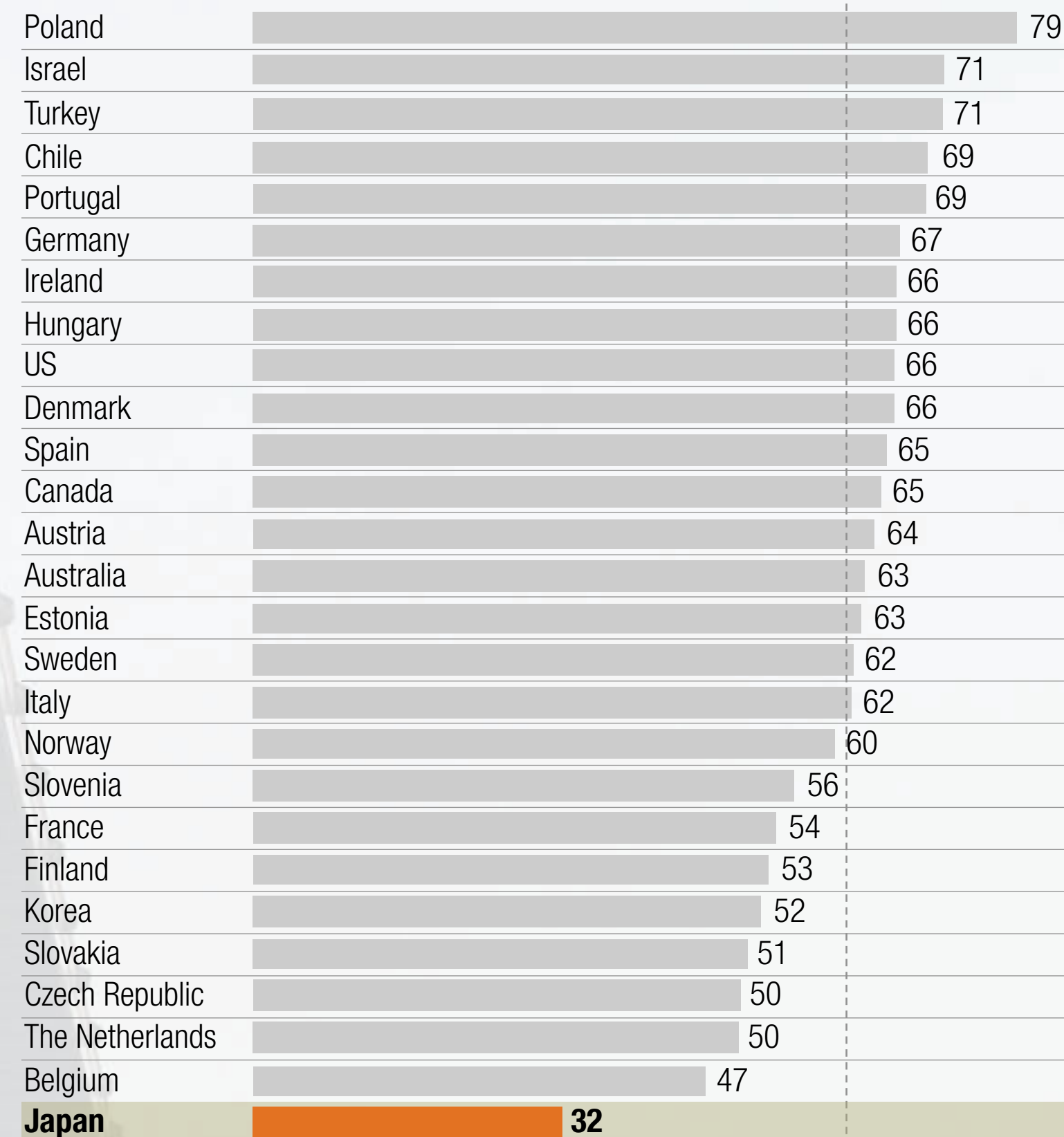
SOURCE: McKinsey proprietary database, 2011; government publications; literature search

# JAPANESE STUDENTS THEMSELVES DO NOT FEEL CONFIDENT TO TAKE ON CHALLENGES

Percentage of students across OECD countries who reported that they "agree" or "strongly agree" with the following statements



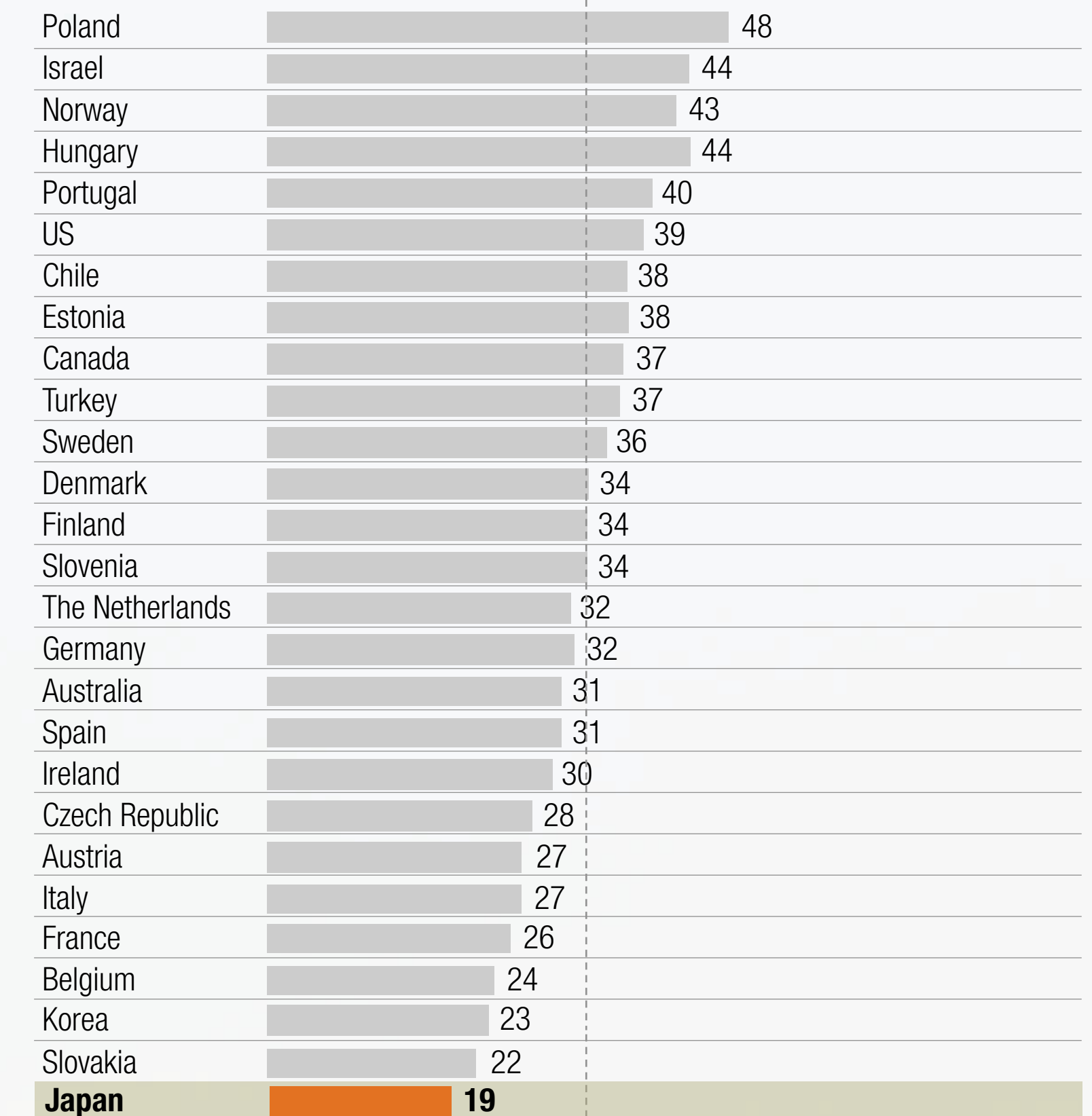
## I seek explanations for things



OECD average

61

## I like to solve complex problems



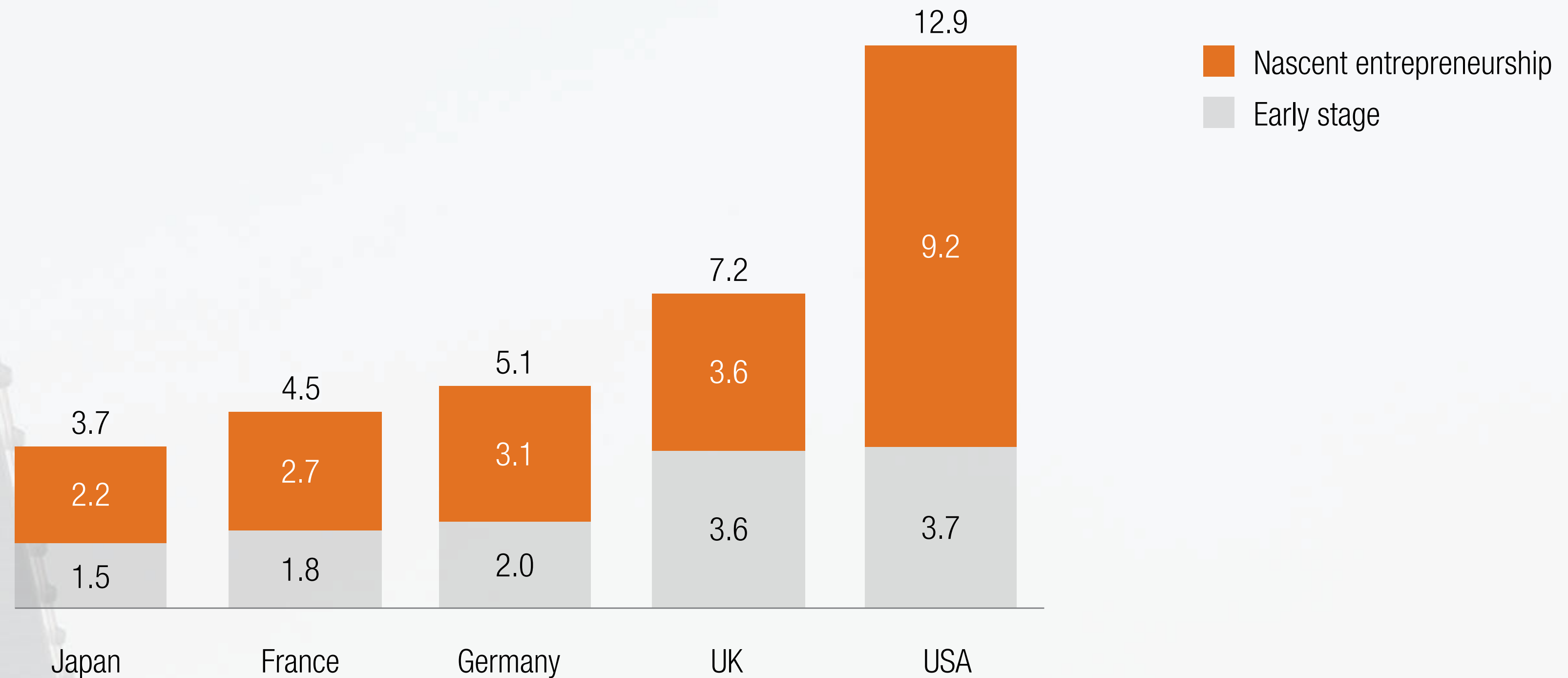
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# ENTREPRENEURSHIP HAS BECOME A POWERFUL FORCE FOR INNOVATION AND GLOBAL GROWTH, BUT JAPAN HAS FALLEN BEHIND PEERS IN ENTERPRISE CREATION AND GROWTH

## Share of labor force<sup>1</sup> engaged in entrepreneurship in 2013

%



<sup>1</sup> Defined as individuals 18-64 years old.  
SOURCE: GEM (Global Entrepreneurship Monitor); World Bank