

## 【Grant-in-Aid for Scientific Research (S)】

### Humanities and Social Sciences (Social Sciences)



Title of Project : Service Sector Productivity in Japan: Determinants and Policies

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Research Project Number : 16H06322 Researcher Number : 30173305

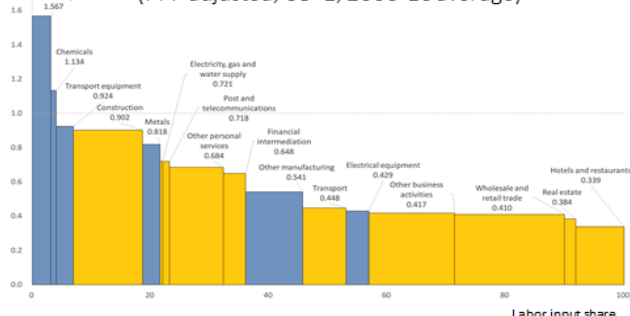
Research Area : Social Sciences

Keyword : Theory of Economic Policy

#### 【Purpose and Background of the Research】

Numerous studies on Japan have shown that growth in service sector productivity has been sluggish and, moreover, that productivity is quite low compared to the United States and Europe. Given that the service sector accounts for about 80 percent of Japan's GDP and employment, boosting service sector productivity plays a crucial role in raising economic growth and living standards. The project team has ample experience in the kind of research proposed and includes members of government-related statistics and research departments, with which the project will work in close cooperation.

Labor Productivity by Industry: US-Japan Comparison  
(PPP adjusted, US=1, 2006-10 average)



Sources: JIP Database 2015 (Hitotsubashi Univ. and RIETI), EU KLEMS Database (Groningen Univ.), World KLEMS Database (Harvard Univ.)  
Note: Primary sector and non-market services are excluded.

#### 【Research Methods】

Research activities will be conducted in four groups that will closely work together.

##### Project Supervision & Measurement Issues:

Construct quality-adjusted deflators and output indexes for major service sectors and propose these to statistical offices; improve indexes of service productivity for international and prefectural comparisons; examine the impact of Industry 4.0; develop a productivity index for creative industries; revise JIP and R-JIP Databases.

Capital Formation: Investment in intangible assets such as ICT and economic competencies plays an important role in raising service sector productivity growth.

Labor & Human Capital: Estimate production functions taking imperfect competition into account; examine the impact of the elderly and

women re-entering the labor market after raising children on labor supply and wages; and others.  
Simultaneity of Production and Consumption: Estimate utility functions taking the complementarity of service consumption and leisure into account.

#### 【Expected Research Achievements and Scientific Significance】

The proposed project, comprising Japan's leading researchers on productivity, seeks to remedy this situation in collaboration with statistical agencies and in conjunction with ongoing research initiatives abroad through comprehensive research on service sector productivity to drastically improve the measurement of real service sector output and productivity and to develop a new approach to the study of service sector activity taking the simultaneity of production and consumption into account. Such a large-scale research endeavor is almost unprecedented both in Japan and abroad. The project will make a substantial contribution to global research on the measurement of, and policies to raise, service sector productivity.

#### 【Publications Relevant to the Project】

- Fukao, Kyoji, *The Structural Causes of Japan's "Two Lost Decades": Forging a New Growth Strategy*, Nikkei Publishing Inc., Tokyo, 2012. (in Japanese)
- Morikawa Masayuki, *Productivity in Service Industries: Empirical Analyses Using Microdata*, Nippon Hyoronsha Co., Ltd., 2014. (in Japanese)

【Term of Project】 FY2016-2020

【Budget Allocation】 98,900 Thousand Yen

#### 【Homepage Address and Other Contact

**Information】** <http://sspj.ier.hit-u.ac.jp/English>  
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