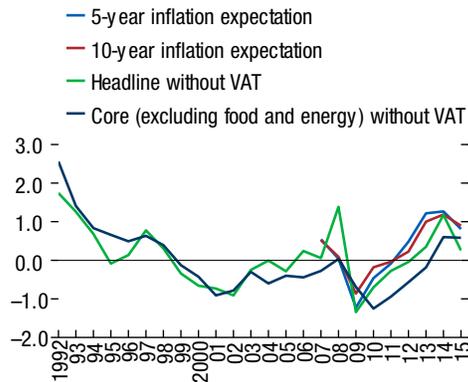


**Figure 1.4.1. Japan's Labor Market**

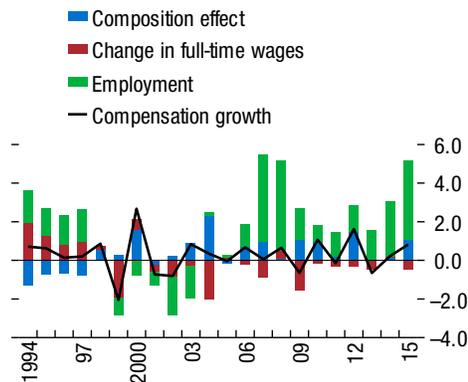
Escaping from deflation remains a challenge...

**1. Japan: Inflation and Headline Inflation Expectations**  
(Year-over-year; percent change)



as full time wages are hardly moving.

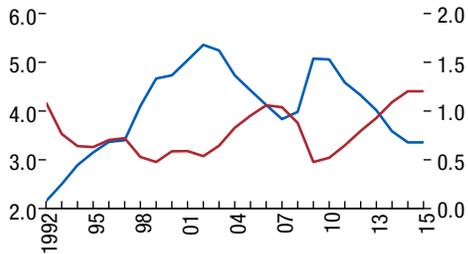
**2. Japan: Wage Growth**  
(Year-over-year; percent change)



The labor market is very tight..

**3. Japan: Labor Market**

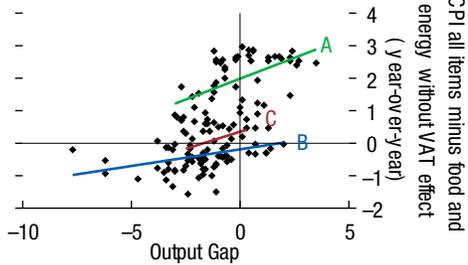
- Unemployment rate
- Job-opening-to-application ratio (right scale)



but the Phillips curve is very flat.

**4. Japan: Phillips Curve**

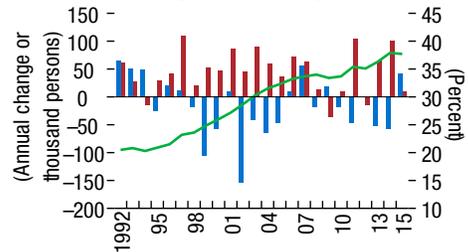
- A: 1983:Q1-1995:Q4  $y = 0.3x + 2.0$
- B: 1996:Q1-2012:Q3  $y = 0.1x - 0.2$
- C: 2012:Q4-2015:Q3  $y = 0.2x + 0.4$



Hiring consists mostly of non-regular workers...

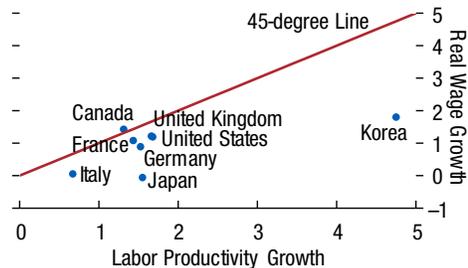
**5. Japan: Regular and Nonregular Workers<sup>1</sup>**

- Regular workers excluding executives (left scale)
- Nonregular workers (left scale)
- Share of nonregular workers (right scale)



with real wages lagging productivity more than elsewhere

**6. Japan: Real Wage and Productivity Growth<sup>1</sup>**  
(Percent; average of 1992-2014)



Sources: Bank of Japan; Bloomberg, L.P.; Cabinet Office; Haver Analytics; Ministry of Internal Affairs and Communications; Organisation for Economic Co-operation and Development; and IMF staff estimates.

<sup>1</sup> February 1985–2001, 2002–2015 January–March average