

Human Capital Program

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Having reached the 10th year of its establishment, RIETI, in its third medium-term plan, has decided to newly create a program for each major research area. Under this plan, research on employment, labor, and education will be conducted in the Human Capital Program. As the program director, I will briefly explain the research themes and other matters of the Human Capital Program, focusing on matters in which I will be closely involved.

For RIETI to categorize themes including employment, labor, and education as “human capital,” there should be a significant reason. This is because—amid the rapid aging of its society, intensifying global competition, and recovery from the Great East Japan Earthquake—utilizing its human resources will be critical for Japan, a nation relatively lacking in natural resources, to maintain and strengthen its economic dynamism and increase its growth potential. In other words, even when conducting research on employment, labor, and education, how these factors can eventually be linked to the growth of the Japanese economy will be important.

The Human Capital Program will be broadly structured around two perspectives. The first perspective is on the design of labor market institutions that increase worker incentives and ability. In its second medium-term research program, RIETI set up the Reform of Labor Market Institutions project, in which diverse research activities were undertaken including a book published in June 2011, *Non-regular Employment System Reform in Japan: Changing the way people work* (written and edited by Tsuru Kotaro, Higuchi Yoshio, and Mizumachi Yuichiro, Nippon Hyoronsha Co., Ltd., in Japanese). Related to this project, which will continue in the third medium term, a symposium will be held in December 2011 and focus particularly on wages and other employment conditions, factors that strongly affect worker performance. There are also plans to discuss the effects of the Great East Japan Earthquake and the appropriate employment and labor policies, both of which are themes of high urgency. Furthermore, we plan to focus on minimum wages and conduct research that will lead to

the publishing of a comprehensive book on its effect on the labor market and appropriate policies.

Additionally, recent empirical research in labor economics has shown the importance of constructing original panel data. RIETI has conducted a number of surveys in the labor/employment field in the past. In the third medium-term program, the objective will be to enhance these surveys and also to develop another one that will enable the construction of comprehensive panel data on both the supply and demand sides of labor (i.e. firms and employees).

The second perspective is on measures for strengthening human capital and human resources capabilities from a full life-cycle perspective. When we refer to human resources, importance is often attached to human resources development in the employment age years such as vocational training and ability development. Recent studies, however, show the significance of early childhood education. There are also issues as to the appropriate form of higher education that effectively bridges to the working age. Additionally, as we are rapidly moving to a super aging society, there are roles the elderly are expected to play in matters such as passing on skills to the young and educating children. Discussions are underway to set up a new project to conduct multifaceted, comprehensive research on measures for strengthening human capital and human resources capabilities from a full life-cycle perspective.

In conducting research for the Human Capital Program, we will aim to achieve synergy and coherence collectively by encouraging the different projects to share information and collaborate among each other.

Program Draft (Example)

(1) Reform of Labor Market Institutions

- Minimum wage group

- Labor law study group

- Regular/non-regular employees panel data analysis group

- Firm/employee panel data analysis group

(2) Human Capital/Human Resources Reform

- (3) Vibrant Japanese Economy and Society, etc.
- (4) Education Finances and Governance
- (5) Developing Human Resources/Management Strategy for Globalization