

The Cost of Women's Talent Misallocation in Japan 2010–2020 *

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Abstract

Despite the convergence of men's and women's labor force participation, gender differences in occupational choice have persisted in Japan from 2010 to 2020. We quantify the output and welfare losses due to labor supply and occupational choice frictions women face using a two-sector general equilibrium Roy model. We calibrate the model using the data in Japan. In this calibration, occupations are defined by service-related sectors where many women work and others. The analysis shows that in the 2010s, while the output loss due to labor supply frictions decreased from 14% to 8%, occupational choice frictions remained roughly constant at around 6–8%. Whereas the welfare loss due to the former decreased from 10% to 5%, the latter remained roughly constant at around 5–6%. Our results suggest that policies to remove barriers to women's occupational choice have become more important for promoting productivity and growth.

Keywords: misallocation, occupational choice, gender, comparative advantage, labor productivity, Roy model, Japanese labor market

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