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**SERVICE INDUSTRIES  
: SOME FEATURES IN JAPAN**

(Session 3)

Abstract

Recently, the weight and the importance of service industries in the national economy have been steadily increasing, reflecting the development of service and of a more sophisticated economy. The objective of this paper is to profile the some features in service industries in Japan. The paper introduces some of characteristic features in the aspect of our service sector economy. The additional paper shows more detailed aspect on information service containing the result of the recent survey on information service industry in Japan and some problems on classification of information services sectors.

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## „Service Industries: Some Features in Japan

### A. Introduction

1. The direction of today's Japan's economic society is usually characterized by the terms, such as Globalization, Informatization, Aging population, Shift to more service dominated economy and Soft or knowledge based society. These movements proceed interrelatedly each other and carry our society to a new frontier.

2. This mega movement is hard to be measured in, say, statistical terms which we have now. A number of challenging efforts are being made to provide more reliable information for the better understanding of today's world.

3. Japanese official statistics has experienced many challenges during the course of economic growth and developed number of new statistics. In the field of service statistics, the story is the same. Many statistical products such as the Survey on Selected Service Industries, the Basic Survey on Service Industries, Index Numbers of Tertiary Industries' Activities, CSPI or the Corporate Service Price Indices and so on have been developed and now widely used. These statistical surveys and indicators were already introduced at the former sessions of the Voorburg Group meetings and I don't want to repeat it here.

4. In this paper, I will introduce some of the characteristic features in Japanese economy, particularly in the aspect of service sector economy.

### B. Service Sector Growth Continues

5. Tertiary industry, or service industry in wider sense, now produces well above 60 %

of the total GDP in Japan (see Table 1.). The same is true for its employment share. Tertiary industry covers various industries including banking and insurance, retail and wholesale, electricity, gas and water supply, transport and telecommunications, real estates and service industry in narrow sense. These are industries not producing goods but producing services.

6. Employment in the tertiary industry increases 20% from 1985 to 1995, (see Table 2.) during which period employment in the service industry increases 33.5%. During the same period, manufacturing industry increases only 0.2% in terms of employment.

7. Recent growth in the tertiary sector, or the service sector in wider sense, has an important and widespread effect on national economies, particularly on advanced economies. Emerging new types of society was once called 'a post industrial economy'. And it is now called 'information society' or 'service economy'. Today's economy of mass consumption is being transformed from that of consumption of goods to that of consumption of services.

### C. Service Sector Produces More Jobs, But

8. These increasing demands for services are producing new jobs in our products market. Service sector is now regarded as a job creating industry.

9. Service sector in general has been regarded as a low productivity sector except for some industries such as banking and insurance sector. In terms of labor productivity, its level in non-manufacturing industries compared to manufacturing sector is still only 91% in 1995, according to the National Accounts data compiled by the Economic Planning Agency. More specifically, productivities in finance and insurance industry and electricity and gas industry are well above the level of manufacturing industry. However, in retail and wholesale industry, transport and communication industry and service industry in narrower sense, labour productivity levels are far below the level of manufacturing industry (see Table 3.). Particularly, the labor productivity in service

industry in narrower sense is only a little bit more than that of manufacturing sector. But wage gaps between service sector and manufacturing sector are getting narrower today.

10. Productivity in the service sector does not grow equally among industries in the sector but some of them requiring professional skills or abilities yield higher wages leaving jobs without requiring professional qualifications behind. Emerging jobs in service sector are those require professional skills.

Here are some examples.

11. With the increase in outsourcing of works in business, manpower delivery services are growing. Services which business requires are changing from general service to more professional- and management-oriented services. According to the Survey on Selected Service Industries, sales of business services grows at high rates, for example, in information service industry and advertising industry. In financial service industry, new jobs which require more advanced knowledge and skills on, say, financial derivatives are emerging.

In the retail industry, workers become more and more required capability to sell highly sophisticated and complex products.

Women's employment grows enormously, particularly in more professional services such as education and health services. Wage gaps between women and men are narrowing in those sectors.

12. Changes in employment structure in service sector or, more correctly, tertiary industry, here, produces new wage gaps based on 'quality of labor', I mean, qualification or professional ability instead of traditional or gender based gaps.

13. In addition to these changes, as an important problem we have to recognize in the future, it is predicted that the time will soon come when the productive-age population decreases in Japan. This means that the productivity of service sector should be enhanced to deal with a difficult situation causing by the shortage of the manpower supply. Human resources with high professional qualifications would be more and more

significant and necessary to solve the problem on the productivity. The investment for human resources should be promoted to compensate the decrease of the productive-age population.

#### D. Information Industry in Service Sector

14. Another important feature in today's service economy is the growth of information and communication related industry. Along with the rapid development in information technology (IT), many parts of our economic life is enjoying wider application of IT.

15. According to the recently published Survey on Selected Service Industries done by the Ministry of International Trade and Industry (MITI), the growth in information service industry is remarkable. Its annual growth rate in 1996 is 12.3% and this is the highest growth rate ever for this industry (see Table 4). The number of system engineers or SE in this industry increases by 6.3% to 168,589 in 1996. Computer and related facility leasing industry is also enjoying favorable growth rate of 8.3%. In the engineering industry, communication plant system increases its order by 32.0% according to the rapid growth in communication network systems.

#### E. Final remarks

16. Service sector is not a fringe industry but power generating industry in Japan's economy today. It influences labor market and distribution of wealth. Along with the development of information technology, service sector put an effect on economic structure to more value added one.

17. At the same time, however, as more and more new services enter into market as marketable products, it would become more difficult to measure the economic performance as a whole. And non-market services such as housekeeping services still remain outside the economic measurement.

18. Service statistics are challenged by the profound structural change of our economy.

Table 1. Ratio of gross domestic products by industry  
at current prices

	primary industry	secondary industry	tertiary industry
1955	19.2%	33.7%	47.0%
1960	12.8	40.8	46.4
1965	9.5	40.1	50.3
1970	5.9	43.1	50.9
1975	5.3	38.8	55.9
1980	3.6	37.8	58.7
1985	3.1	36.3	60.7
1990	2.4	36.7	60.9
1995	2.0	34.0	63.9

Table 2. Number of employees by industry

	primary industry	secondary industry	tertiary industry
1970	886	1,791	2,409
1975	661	1,841	2,701
1980	577	1,926	3,020
1985	509	1,992	3,283
1990	451	2,099	3,669

1995	367	2,125	3,894
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Table 3. Labor productivity in non-manufacturing industries  
(manufacturing industry = 100, 1995)

Electricity, gas and water supply	339.7
Retail and wholesale	67.3
Finance and Insurance	136.4
Transports and communication	95.1
Service	57.9
Total	91.0

Table 4. Main results of the Survey on Selected Service Industry 1996

Industries	Number of establishments	Number of employees	Total sales in billion yen	rate of increase
Lease/Rental	3,929	69,850	92,727	2.7%
Information				



service	6,297	417,087	71,435	12.3
Advertising	4,707	91,076	69,748	7.2
Credit cards	573*	44,213	195,737	7.4
Engineering	366*	212,976	134,867	4.4

\* : these figures show the number of enterprises