

Section A

Read the source material carefully before answering Question 1.

Source material: Labour shortages in Japan

Japan fact file	2022
Population	125m
Total labour force including foreign workers	70m
Foreign workers	1.75m
Inflation rate	2.5%
% of income saved	29%

Japan has a high average age of population and a varied economic performance. It has a low birth rate, low inflation rate, good healthcare, high life expectancy and low unemployment rate. Fewer Japanese people enter the labour force each year. It is predicted that Japan's labour force will fall by 10 million by 2040. Many young Japanese people emigrate to Australia, Canada and the US in search of higher wages. However, Japan now experiences net immigration although foreign workers are currently only a small proportion of Japan's labour force.

To achieve an annual economic growth rate of 1.2%, it has been estimated that the number of foreign workers would have to increase to 7 million by 2040. Some foreign workers are discouraged from working in Japan due to the requirement to pass a Japanese language test. Only the most skilled are allowed to stay for more than 5 years and to bring their families with them.

Many Japanese industries are affected by labour shortages and the country's decline in population. For example, the fall in population has affected the quantity of furniture traded. It has also influenced the country's air transport industry. Air travel is the most important method of transport in Japan for foreign travel and long-distance internal travel. Japan's air passenger numbers follow a similar pattern to global air passenger numbers. Table 1.1 shows global GDP per head and global air passenger numbers between 2016 and 2022.

Table 1.1 Global GDP per head and global air passenger numbers 2016 – 2022

Year	Global GDP per head (\$)	Global air passenger numbers (billions)
2016	10 217	3.8
2017	10 745	4.1
2018	11 289	4.4
2019	11 356	4.5
2020	10 884	3.3
2021	12 350	2.2
2022	13 200	3.7

Demand for goods and services, including air travel, is influenced by how much people save. Japanese people save a relatively high proportion of their income. This has affected the country's inflation rate, current account balance of the balance of payments and its economic growth rate.

Japan's macroeconomic performance is also influenced by the mobility of its labour force. There are several reasons why the mobility of Japan's labour force may change in the future. These include its ageing labour force and possible changes in education and training, house prices and the quality and price of transport.

Answer all parts of Question 1. Refer to the source material in your answers.

- 1 (a) Calculate foreign workers as a percentage of Japan's labour force in 2022. [1]
- (b) Identify **two** reasons why Japan has a high average age of population. [2]
- (c) Explain why some young Japanese people emigrate. [2]
- (d) Explain **two** ways Japan could attract more foreign workers. [4]
- (e) Draw a demand and supply diagram to show the effect of a decrease in population on the market for furniture. [4]
- (f) Analyse the relationship between global GDP per head and global air passenger numbers. [5]
- (g) Discuss whether or not a high savings rate is likely to benefit Japan. [6]
- (h) Discuss whether or not labour mobility in Japan is likely to increase in the future. [6]

Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answer you may refer to this material and/or to other examples that you have studied.

- 27 Country Y decides to specialise in the domestic mining of rare metals required in the production of electric-car batteries.

What is a likely benefit of this for country Y?

- A increased emigration
- B increased exports
- C increased imports
- D increased tariff revenue

24 A government increases the rate of progressive income tax and its spending on hospitals.

What is likely to happen to the distribution of income and to living standards?

	distribution of income	living standards
A	becomes less even	fall
B	becomes less even	rise
C	becomes more even	fall
D	becomes more even	rise