

## **CIGS Prof. Selahattin Imrohorglu Seminar**

- Theme:** "Can Guest Workers Solve Japan's Fiscal Problems?"
- Speaker:** Prof. Selahattin Imrohorglu  
(Professor of Finance and Business Economics, Marshall School of Business, University of Southern California / CIGS International Fellow)
- Moderator:** Keiichiro Kobayashi  
(Research Director, CIGS)
- Date & time:** 11th December 2015 (Friday) 10:00 - 12:00
- Venue:** CIGS Meeting Room  
(11th Floor, ShinMarunouchi Building 5-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo)
- Language:** English

### **Abstract of the Speech:**

The labor force in Japan is projected to fall from about 64 million in 2014 to near 20 million in 2100. In addition, large increases in aging related public expenditures are projected which would require unprecedented fiscal adjustments to achieve sustainability under current policies. In this paper, we develop an overlapping generations model calibrated to micro and macro data in Japan and conduct experiments with a variety of guest worker and immigration programs under different assumptions on factor prices and labor productivities. Against a baseline general equilibrium transition which relies on a consumption tax to achieve fiscal sustainability, we compute alternative transitions with guest worker programs that bring in annual flows of foreign born workers residing in Japan for 10 years with the share of guest workers in total employment in a range between 4% and 16%. Depending on the size and skill distribution of guest workers, these programs significantly mitigate Japan's fiscal imbalance problem with a relatively manageable and temporary increase in the consumption tax rate.