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Topics in International Economics

Japan's Decreasing Fertility Rate: A Demographic Challenge

Seminar Paper

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Abstract

This paper investigates the causes and consequences of Japan's declining fertility rate, including macroeconomic effects such as labor market shrinkage and pressure on social security systems, as well as social factors such as changing gender roles, marriage trends, migration and work-life balance. The analysis is based on existing literature, demographic data, and comparative policy evaluation. The main reseach question is this What types of policies have proven effectivein increasing fertility rates in Japan?

1 Introduction

Fertility rates have been declining for decades in many developed countries, and Japan is among the countries experiencing this demographic trend. As of 2025, Japan has approximately 123 million people, making it the 12th most populous country in the world, but the population is expected to decrease to 105 million by 2050 (United Nations, Department of Economic and Social Affairs, Population Division, n.d.-b)(1). Although this is still a high number, the country is facing serious demographic challenges. The fertility rate was 1.26 in 2022 and dropped further to 1.20 one year later, while the rate has decreased by approximately 16% over the past 10 years (Ministry of Health, Labour and Welfare, 2024), and in just three years, the population has decreased by 2 million people (Statistics Bureau of Japan, 2025). This downward trend has raised serious concerns not only about the population itself but also about the macroeconomic stability of the country, especially in terms of labor supply, growth, and the sustainability of its social systems. demographic downturn started in the 1970s and has continued to accelerate (**worldbank**).

In response to these trends, the government considered this a problematic situation and started implementing policies. In response, the government introduced several pronatalist policies, such as the Angel Plan in the 1990s, aiming to support families and encourage childbirth. But still these efforts, fertility rates remained low, prompting further policy adaptations in the 2000s and 2010s. As a result, as a highly industrialized economy, this can create problems such as a bottleneck in the labor market and a decrease in supply, which affects the output of the economy.

This paper investigates the social and economic causes behind Japan's declining fertility rate and evaluates the effectiveness of the country's policy responses over time. As Japan's population continues to shrink and age, the government has introduced various policy measures in an attempt to reverse or mitigate these trends. These include financial incentives, childcare support programs. They also cover family and workplace reforms, along with recent attempts to improve migration policies. However, despite the wide range of interventions, from the Angel Plans of the 1990s to the recent Children's Future Strategy—fertility rates have remained persistently low, indicating that the policies implemented so far have not been sufficient to address the root causes of the crisis. This reveals the need for more comprehensive and systematic reforms that go beyond the limitations of previous efforts.

The central research question focuses on which types of policy interventions have proven effective and which have had limited or no impact on fertility rates. In addition, the paper examines the role of migration as a potential demographic buffer, analyzing how Japan's cautious shift toward more open labor immigration contrasts with more proactive strategies in countries like Canada and Germany. The paper further includes a brief comparison and review of South Korea, where aggressive policy interventions have struggled to reverse fertility decline, and France, where long-

standing and well-funded family support measures have had comparatively more success in stabilizing birth rates.

By combining demographic data, policy reports, and international comparisons, this research aims to provide a comprehensive overview of Japan's demographic trajectory and offer insights into what works—and what does not—in responding to fertility decline. In the end, the findings contribute to broader debates on the interplay between demography, social policy, and economic sustainability in rapidly aging societies.

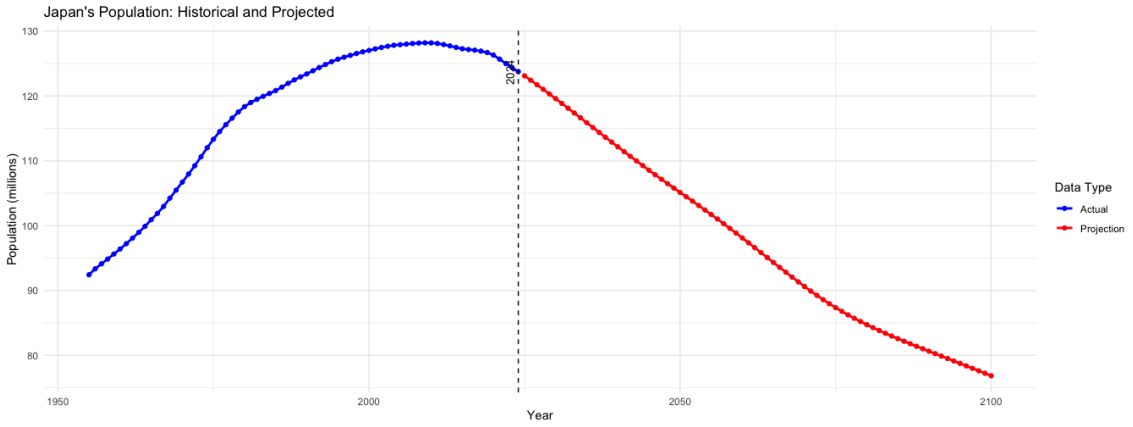

FIGURE 1
Source: United NationsUnited Nations, Department of Economic and Social Affairs, Population Division, n.d.-a

2 Data and Methodology

2.1 Data Sources

This paper uses secondary data and academic literature to understand the causes and effects of Japan's declining fertility rate and to evaluate whether government responses have been effective. The main data sources include Japanese institutions including the Ministry of Health, Labour and Welfare (MHLW), the National Institute of Population and Social Security Research (IPSS), and the Statistics Bureau of Japan, which provide detailed demographic datasets. In addition, reports from international organizations such as the OECD, International Monetary Fund (IMF), and the United Nations offer macroeconomic and population-related indicators. Using both national and various international data helps improve the reliability of analysis. The data covers periods from the mid-20th century to 2025, depending on availability. , allowing the observation of demographic trends, projections, and the impact of policy interventions. Key indicators include Total Fertility Rate (TFR), population size and structure, average age at first marriage, and public expenditures on family policies. Comparison from countries like France, and South Korea are also included, offering useful models for policy analysis. These countries' different family support policies provide useful lessons.

2.2 Analytical Approach

The research design is qualitative and structured around three main analytical tools:

- Thematic synthesis of academic literature and policy documents, focusing on fertility, family policies, gender, and cultural roles.
- Comparative policy evaluation, highlighting Japan's efforts in comparison with those of other countries.
- Descriptive visual analysis, using figures to interpret demographic patterns and trends.

2.3 Limitations

As a non-empirical study, it does not include surveys, fieldwork, or regression analysis. In particular, some data—especially those related to recent reforms and projections—may be limited or preliminary. Nevertheless, the combination of governmental, academic, and international sources helps ensure the reliability and relevance of the evidence base. Moreover, Some of the reviewed documents were originally published in Japanese, and their use required careful interpretation to maintain accuracy.

3 Literature Review

Academic research on declining fertility can generally be divided into two connected areas: economic analyses and sociocultural approaches. The economic studies focus on factors such as, demand structure, financial insecurity, housing costs, and the availability of government support as crucial influences on fertility decisions. For example, Nakajima and Tanaka Nakajima and Tanaka, 2014 and (Suzuki, 2006 emphasize about job uncertainty, high opportunity costs. Nakajima and Tanaka specifically show that although local government efforts to encourage childbirth in Japan can have some beneficial effects, these impacts tend to be limited and often overestimated if the effects of household self-selection and migration are ignored. Schoppa Schoppa, 2020 adds that without changing Japan's long work hours and gender norms, policies like childcare and parental leave will have little impact on increasing birth rates.

International organizations such as the OECD, IMF, and the United Nations have also contributed significantly to the academic and policy discourse. The IMF literature points out that the demographic shift toward an aging population is not only a labor market issue but also creates long-term deflationary pressures by suppressing consumption. These economic dynamics further weaken fertility by reinforcing insecurity and stagnation, particularly among younger generations.

Some researchers say that changing policies and giving financial support alone is not enough. Atoh Atoh, 2008 highlights that we need broad policies that address not only money problems but also work practices, gender inequality, and social expectations. So, fertility should not be seen only from an economic point of view. Effective solutions need to combine family support policies with deeper changes in institutions. In this context, macroeconomic approaches have also emerged to evaluate the broader implications of demographic change. For example, Katagiri Katagiri, 2021introduces a multi-sector New Keynesian model to assess how aging alters demand structures and weakens growth potential—a theme that will be discussed in more detail later in this paper. This growing body of research underlines that fertility decline in Japan is not merely a social issue, but a deeply embedded challenge with broad economic consequences.

Moreover, to understand the phenomenon of declining fertility in advanced country such as Japan, understanding multidimensional theoretical framework is important. These frameworks integrate both economical rationality and sociocultural grounding. Neoclassical economic theories from Beckerian tradition assume that fertility decisions are shaped by utility maximization behavior under constraints in income, time and opportunity costs. (Becker et al., 1990) Within this framework, fertility declines in response when cost of the raising children raise, more women participate in the labor market, and uncertainty increases in employment and housing. Demographic Transition Theory (DDT) by Dudley Kirk also offers a foundational perspective on fertility trends by connecting it to broader modernization process. According to Dudley Kirk, societies transition through stages. from high fertility to low fertility. In this case of Japan this transition has moved beyond the classical model's final st age. While first transition was primarily effected by health, economic and sanitation improvements, the second phase is can explained by shifts in values, gender roles, individualism and delayed family formation.(Kirk, 1996

4 Gender Inequality and Labor Market Constraints

In Japan and other countries, cultural expectations about family have long been shaped by traditional norms. In the past, raising children often had a practical economic purpose. In agrarian societies, children were expected to help with labor. They worked in the fields or in family businesses. In addition, without formal pension systems, they were also expected to support their parents in old age. Today, the economic system is very different. Urbanization and globalization have changed how people live and work. Service-based economies now require different types of commitment. Raising children has also become more expensive. Education and housing costs, in particular, are much higher. As a result, parenthood is now seen more as a personal investment than a shared family responsibility. Japan's difficult work culture adds more pressure. Long working hours are common. Work often comes before personal or family life. This makes it hard to balance career and parenting. Men usually have little flexibility or support to take part in childcare. According to Komura's survey, (as cited in Asao et al., 2024), Most of the domestic work falls on women, and they face with salary reduction and career opportunities after childbirth. This situation discourages many people from starting families.

Below, we present the average age for starting a family for both men and women, along with the fertility rate. Over the years, it is clear that people tend to postpone marriage.2 This trend also suggests that delayed marriage can be one of the key factors behind the declining fertility rate. As people marry later, the time window for having children becomes shorter. This can reduce the total number of children per family. It also reflects changing social values, where career or personal goals are often prioritized before starting a family. Economic insecurity, especially among young people, leads to delayed marriage and fewer children. However, even though working hours remain high, they have decreased over time and are now lower than in South Korea, which faces an even more severe fertility problem.

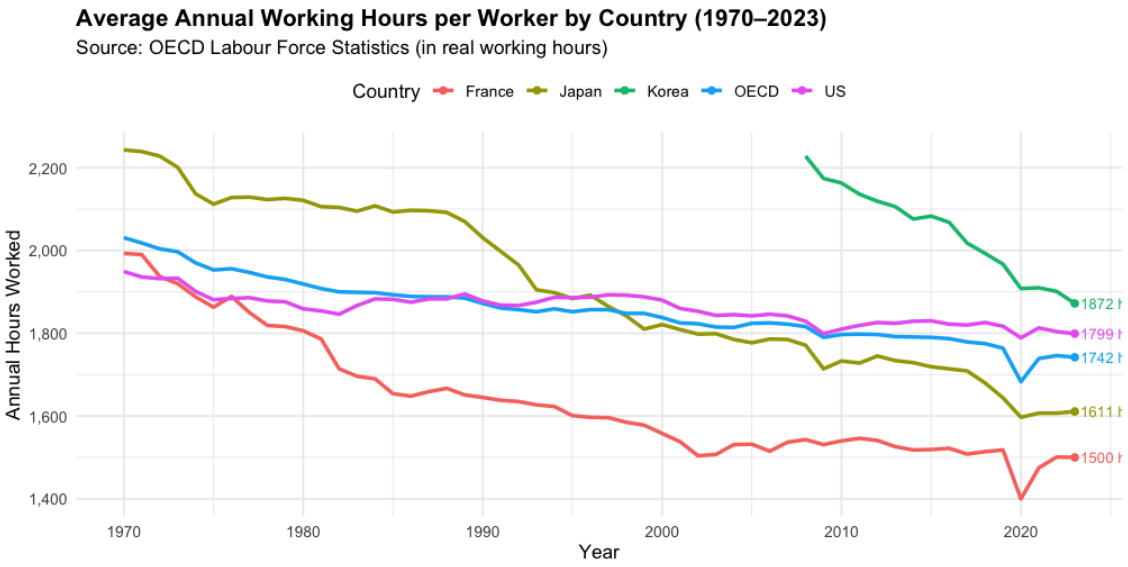

FIGURE 3
Source;OECD, n.d.

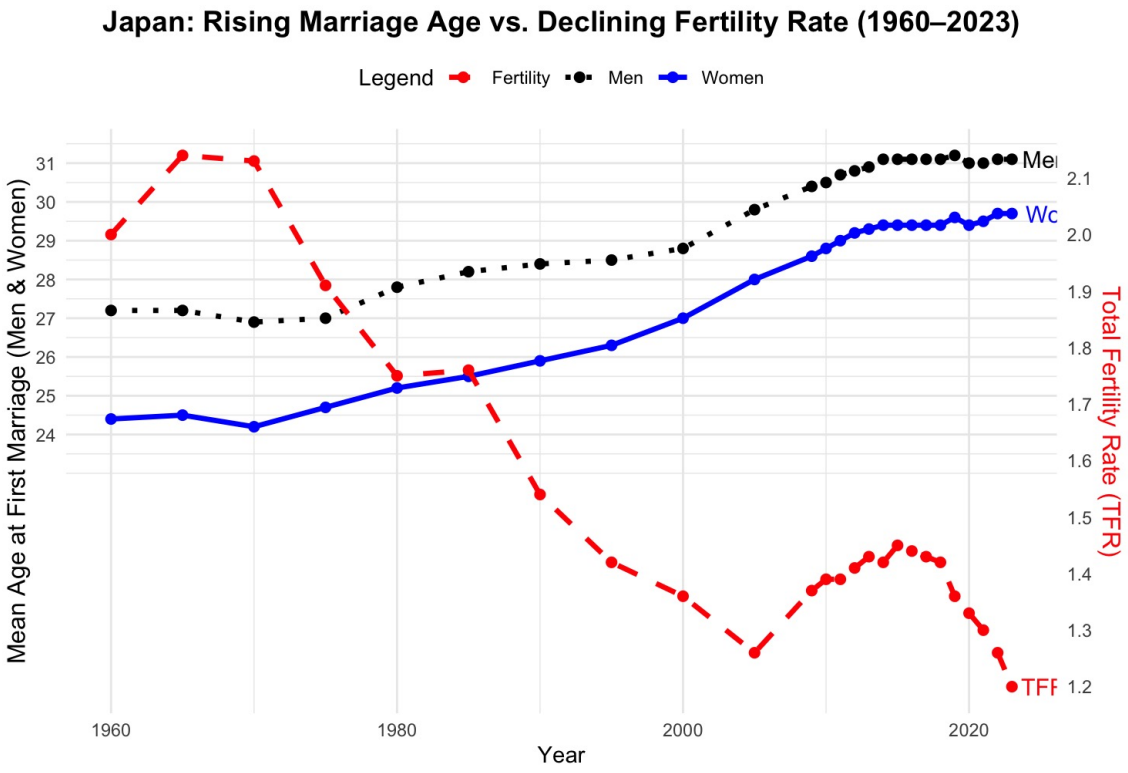

FIGURE 2: SOURCE:STATISTICS BUREAU OF JAPAN, STATISTICS BUREAU OF JAPAN, N.D.),

In the 1990s, researchers like Ōsawa Machiko explained this situation using the idea of economic opportunity costs, which later influenced government policies (Schoppa, 2020). Problems related to urban living conditions, such as housing costs and access to child rearing support, can discourage family formation, as households tend to self-select into municipalities offering better pronatal policies (Nakajima and Tanaka, 2014). The opportunity cost basically means that many women prefer career opportunities as they gain more prospects, and instead of raising children, many of them delay or avoid having children to maintain their jobs and income. This in-

fluenced policymakers to create more family-friendly policies such as parental leave, childcare support, and flexible work hours to help balance work and family life.

5 Government policies

The Japanese government implemented various sets of policies to increase fertility. If we look back from the 1990s, we first see the Angel Plan, which continued between 1995–1999. In these years, further steps were taken to expand childcare infrastructure. In 1997, a revision to the Child Welfare Law allowed parents to choose their preferred daycare facility instead of being assigned one by municipalities. This law gave families more flexibility in accessing childcare. (Suzuki, 2006) The effectiveness of the plan was limited due to low public awareness. The new plan introduced later (2000–2004) was named the New Angel Plan, which emphasized achieving better work-life balance and more manageable social environments to make child-rearing more manageable. During this plan, the government adopted a new target named "Zero waiting list for Daycare" program in 2001, for reducing times and support working parents.(Suzuki, 2006) But despite all of these efforts, TFR fell to 1.26 in 2005. In the same year, the New-New Angel Plan, Support Plan for Parents and Children, was introduced. Unlike previous plans, this issue was seen not only as a demographic concern. It encouraged cooperation between government, businesses, and citizens, marking a shift toward more integrated and systemic approaches to address the fertility crisis (Atoh, 2008). After the New-New Angel Plan, a small increase was observed in 2008, with the TFR reaching 1.37. Support was expanded with monthly payments of up to 26,000 yen per child. However, this number started to decline again in 2009. Following the introduction of the New-New Angel Plan, the Japanese government continued to expand its family policies in the 2010s. Under strong political initiatives, a new Act of Child Allowance was enforced in 2010 and revised in 2012 to include income thresholds. The updated scheme provided monthly payments ranging from ¥5,000 to ¥15,000 to households with children up to 15 years old, depending on income level and the child's age. The Child Rearing Allowance, which was previously available only to single mothers, was extended to single fathers in 2010. Eligible families could receive ¥41,430 for the first child, with additional amounts for each subsequent child. Furthermore, a Special Child Rearing Allowance supported parents of children with disabilities, offering up to ¥50,400 per month depending on the severity of the condition (National Institute of Population and Social Security Research, 2014).

Between 2013 and 2021, the Abe administration created 850,000 childcare places. In 2019, childcare became free for children aged 3-5, aimed at reducing the cost of child-rearing. Moreover, policy was set to increase parental leave for fathers, from 6% to 13% (Jones, 2023). Despite reforms in parental leave and childcare, structural inequalities remain. Komura (2022) found that the "child penalty" is significantly higher for non-regular workers. While Japan offers 50 weeks of paid parental leave with 61% wage replacement, usage among fathers remains low. In 2022, fathers took only 41 days on average. Workplace culture is often cited as a major barrier; in fact, according to an MHLW survey, a significant percentage of fathers who did not take paternity leave attributed their decision to a discouraging workplace atmosphere or lack of awareness about paternity leave (Asao et al., 2024).

In April 2023, the Japanese government introduced the Children and Families Agency. This agency aims to address problems concerning children to help them grow up healthy and equally, no matter their background. The goal is also to provide

support for parents.

Overall, while such policies certainly ease the financial burden of parenting, fertility policies in Japan can often be seen as short-term and do not focus on structural problems. In practice, the government tends to announce policy programs, but these measures are not included in a broader strategy to reform conditions in family structures. The lack of coordination among ministries has resulted in overlapping responsibilities and inconsistent services, which creates potential gaps in effectiveness.

Moreover, although Japan's approach during this period reflects a shift toward more inclusive welfare policies, cultural barriers still exist that discourage family formation. Understanding the motivation and views behind individual choices is essential for creating effective policy. To improve outcomes, Japan requires a more integrated and forward-looking policy framework. This includes enhancing ministerial-level collaboration to ensure consistency in family support measures. In addition, addressing deeper social norms such as traditional gender roles and inflexible workplace practices is also crucial.

6 Aging, Fiscal Implications and Housing

The aging shift not only changes the country's social structure but also carries important macroeconomic and fiscal challenges. Recent data and projections prove the crisis. As of June 2025, individuals aged 65 and over account for 29.3% of the population.1 This is nearly three times larger than the proportion under 15 (11.2%) . Population pyramid projections for 2030 and 2050 depict a dramatic change in the structure, with older age groups dominating while younger generations narrow (Figure 4). This structural aging not only reduces labor supply but also inflates the fiscal burden on the state. A smaller proportion of the taxpayer population has to fund pension systems and healthcare. Moreover, although Japan is known as a highly technological country, older individuals may face difficulties in accessing digital services and the internet. This can be challenging since many programs and tools are becoming digital. Many older people can be excluded from this transition.

As the working-age population shrinks, social contributions decrease while welfare demands grow. This is mainly because, as people age, they tend to change what they buy; they spend more on healthcare services and less on durable goods. (Katagiri, 2021) highlight this imbalance as a structural challenge to economic sustainability. According to the IMF report (International Monetary Fund, 2025), public debt is expected to rise around 2030. One possible reason is the increase in spending on health and long-term care.

In general, low inflation and rising government debt have been persistent features of the Japanese economy since the 1990s. These factors are often associated with weak domestic demand. After the burst of the asset bubble, the country entered a prolonged period of stagnation, commonly referred to as the "Lost Decade." Although the Bank of Japan implemented near-zero interest rates, monetary policy largely lost its effectiveness (Krugman, 1998). This economic crisis led to persistently low levels of aggregate demand, contributing to a balance sheet recession—characterized by the private sector's focus on deleveraging (Koo, 2011). Both firms and households preferred to pay down their existing debts rather than borrow and spend, which further slowed the economy by reducing overall consumption and investment (Hoshi and Kashyap, 2004). As a result, public debt expanded significantly over the years, eventually reaching one of the highest debt-to-GDP ratios

among advanced economies (International Monetary Fund [IMF], 2023).

Katagiri researched the demand structure and productivity of the country under aging population circumstances and used a solid quantitative model—a multi-sector New Keynesian model—to assess the effects through four types of agents: firms, employment agencies, and the monetary authority. The estimations highlight that real GDP and inflation will drop, while the unemployment rate and long-term unemployment effects will rise. Even though this paper is simulated under a closed economy with no trade, the key takeaway still applies and gives us valuable insights about structural challenges of aging societies, the importance of fiscal effects, and the labor market (Katagiri, 2021).

These macroeconomic challenges have been further intensified by Japan's rapidly aging population. In 2025, nearly 30% of the Japanese population was 65 years or older1 .As illustraded in Figure 4, country's age structure has shifted significantly over years, with the proportion of elder population increasing sharply from 1990 to the projected figures in 2050.4 Demographic aging tends to suppress consumption because older individuals save more and spend less, particularly on durable goods and housing (Ogawa and Yoshida, 2024). However, if we observe the net household saving rate in Japan, it has been declining over the past decades.6 This is largely due to a demographic shift from savers to dissavers, as the growing elderly population begins to draw down their savings during retirement (Anderson et al., 2014). In addition, this paper argues that population aging—driven in part by declining fertility—creates long-term deflationary pressure in Japan. As older people spend less and begin to use their savings, total consumption decreases. This weakens domestic demand and contributes to slower economic growth and low inflation. At the same time, aging increases fiscal pressures through rising pension and healthcare expenditures, while the shrinking working-age population limits tax revenue and potential economic growth. This demographic shift reinforces the low-demand, low-inflation, high-debt cycle that has become entrenched in the Japanese economy.

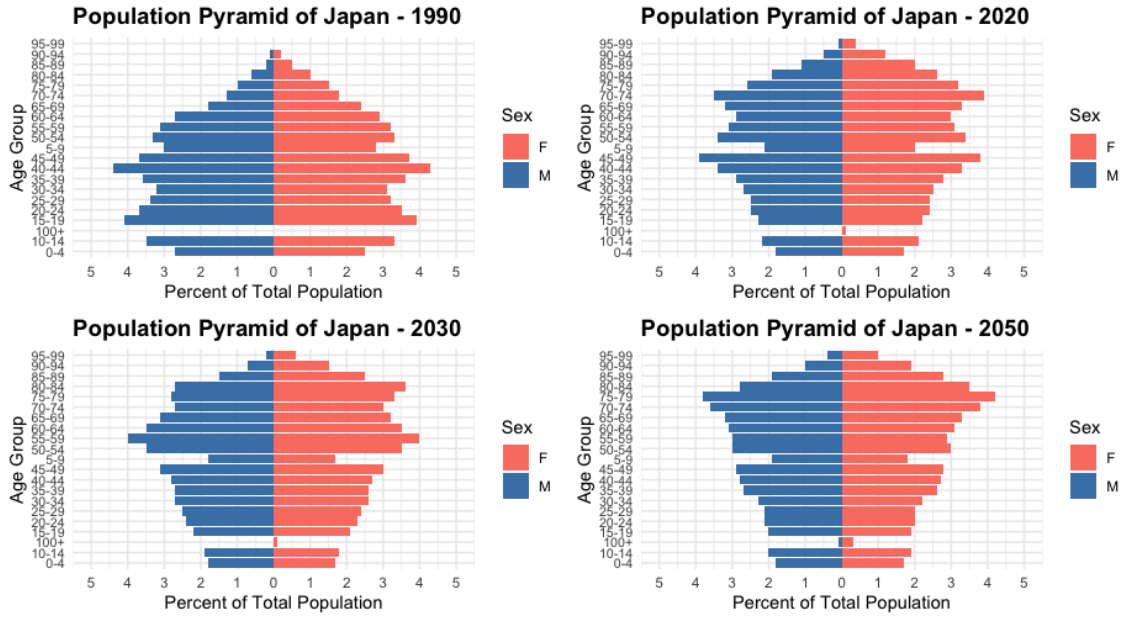

Figure 4: Age Pyramid of Japan, 2023. Source: UNESCAP, Population Data Portal, 2024, United Nations ESCAP, n.d.

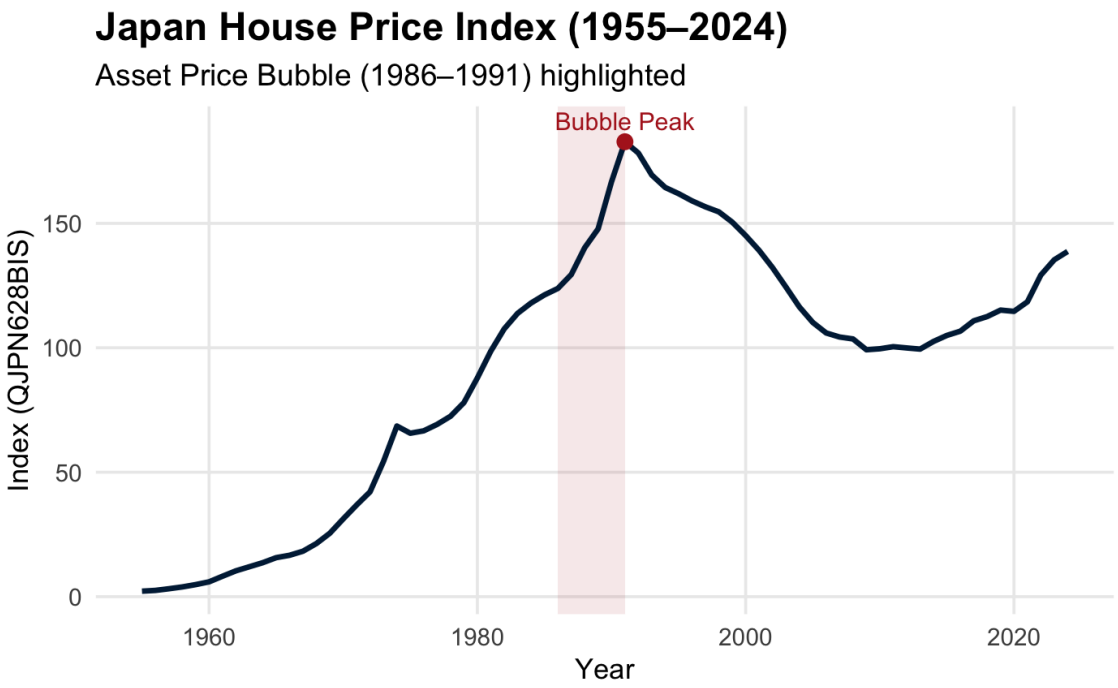

Figure 5
Source: Residential property prices in Japan. Data from Bank for International Settlements (2025), retrieved from FRED, Federal Reserve Bank of St. Louis. Bank for International Settlements, 2025

Table 1: Population of Japan by Age Group (June 1, 2025, Final Estimates)

Age Group	Total	Japanese	Foreign	% Total	% Japanese	% Foreign
0–14 years	13.742 mil	13.490 mil	0.252 mil	11.1%	11.2%	7.4%
15–64 years	73.612 mil	70.681 mil	2.931 mil	59.6%	58.8%	86.2%
65+ years	36.197 mil	35.978 mil	0.219 mil	29.3%	29.9%	6.4%
75+ years	20.910 mil	20.823 mil	0.087 mil	16.9%	17.3%	2.6%
85+ years	6.767 mil	6.746 mil	0.021 mil	5.5%	5.6%	0.6%
Total	**123.552 mil**	**120.149 mil**	**3.402 mil**	**100%**	**100%**	**100%**

6.1 Housing

Another tangible consequence of Japan's demographic transformation is the rise in long-term vacant housing, known as akiya. According to the 2023 Housing and Land Statistical Survey by Japan's Ministry of Internal Affairs and Communications (MIC), there are approximately 3.8 million long-term vacant houses across the country—properties not intended for sale, rent, or use. Since 2003, there has been a 66% increase, and these now account for 5.9% of Japan's total housing. Overall, 13.8% of all homes are vacant—three times more than in 1978, when the rate was 5.3% (Ministry of Internal Affairs and Communications, Japan, 2024). The rise of akiya can be a result of demographic decline and may also become a reinforcing factor in family formation decisions. Younger adults may hesitate to marry or have children due to these conditions. Although Japan experienced a long-term decline in property prices following the asset bubble collapse of the early 1990s, prices have

begun to rebound in recent years 5.

Japan's housing market shows a strange contradiction: even with a shrinking population, housing prices in major cities keep rising. 5 This is partly the result of long-term deflation and ultra-low interest rates, which pushed investment into real estate and inflated urban property values. At the same time, a significant number of homes remain vacant—not necessarily because of lack of demand, but due to legal issues, outdated conditions, or ownership complications. These vacant homes, especially in cities, represent a kind of dead capital: not contributing to the housing supply but also not being used. For younger people, this adds to the sense that the housing market is rigid, expensive, and uncertain—conditions that can delay marriage and discourage having children. It's not just about affordability, but also about confidence in long-term stability. Without deeper structural reforms, the mismatch between existing housing and actual access will keep reinforcing Japan's demographic decline.

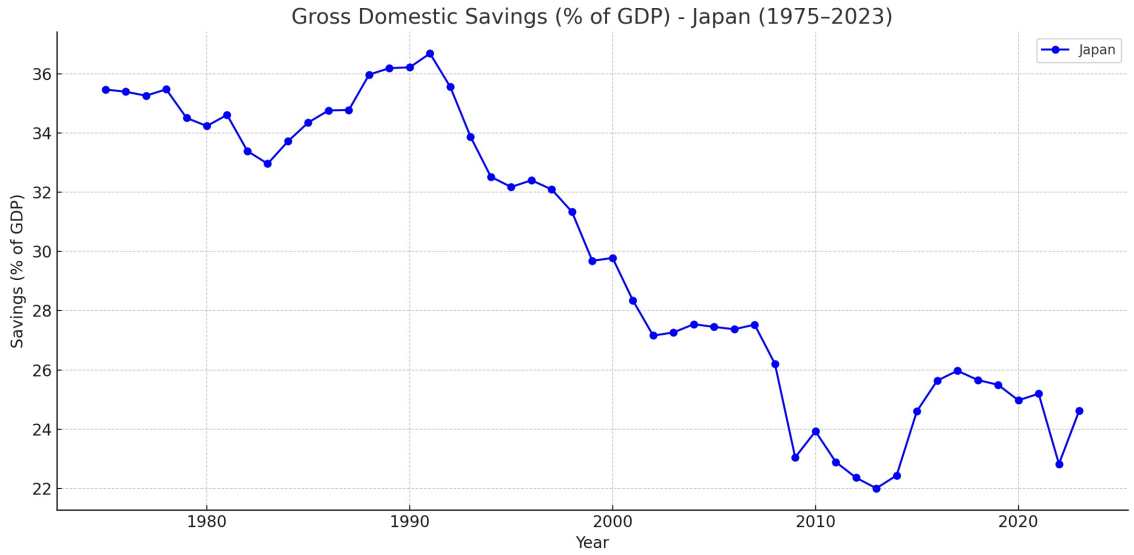

FIGURE 6
Source: World Bank, World Bank, n.d.

7 Fertility Policy Lessons: Insights from South Korea, and France

Japan's experience with demographic decline and migration offers valuable policy lessons both domestically and internationally. From Japan's approach, one key lesson is the importance of balancing immigration with social integration and public support. While Japan has started to open its doors to foreign workers through targeted visa programs like the Specified Skilled Worker system, the country still faces challenges in providing comprehensive programs. In contrast, other countries with more established immigration policies, such as Canada, Germany, and Australia, emphasize dynamic integration frameworks, including pathways to permanent residency and citizenship, community engagement, and anti-discrimination measures. Policies such as childcare expansion and financial incentives have shown mixed success. Asao et al., 2024 note that policies reducing opportunity costs for mothers, such as early childcare support and parental leave, have stronger effects. Comparatively, France maintain higher fertility rates due to greater gender equality and

work-family balance policies. (Toulemon et al., 2008)

To understand Japan's demographic challenges better, it is useful to compare it with another regional country experiencing a record low fertility rate, South Korea, and France, which has maintained one of the highest fertility rates among developed nations. Even though these countries differ in culture, economy, and policy design, their experiences can offer valuable lessons on how various variables can affect the shape of family formation. South Korea, with a 0.72 fertility rate in 2023, has the lowest in the world (Yang et al., 2023). This decline reflects Japan's trend but with more intensity. Several structural factors are similar to Japan and underline the problems.

Housing affordability in cities like Seoul is a major barrier. Rapidly rising property prices make it difficult for young couples to buy a home, which they often view as a prerequisite for marriage and childbearing. Even rental markets remain expensive and insecure, discouraging many from forming families. (Kang, 2022; OECD, 2024b)

South Korea has introduced pronatalist policies such as childbirth cash bonuses and subsidized childcare. However, without changes to workplace culture or gender roles, these measures have had limited impact. Parental leave is available on paper, but few fathers take it due to social stigma and fear of career setbacks (Yang et al., 2023). Working hours are more than Japan, which can be a recommendation for Japanese policymakers to reduce the figures even a bit.3

In contrast, France's fertility rate has hovered around 1.8 for more than twenty years (OECD, 2023). France combines financial support with institutional childcare and strong measures. Public crèches are widely availabl and parents can get tax deduction Parents also receive various family allowances that increase with each child. (Toulemon et al., 2008)

French family policy is structured to encourage both parents to share childcare responsibilities and maintain a balance between professional and family life. A key feature of the French system is the generous parental leave entitlement: either parent may take up to three years of leave after the birth of a child, with the legal guarantee of returning to the same or a comparable job. While the majority of leave beneficiaries have traditionally been women, recent reforms have aimed to promote greater paternal involvement. These include financial incentives and policy adjustments that make it more attractive for fathers to take leave, thereby fostering a more equitable distribution of childcare duties. In addition, workplace flexibility plays a critical role in supporting families. Access to part-time work, flexible hours, and the growing availability of telework options have allowed many parents—particularly mothers—to remain in the labor force while still meeting family obligations. These measures reflect a dual policy objective: supporting fertility while facilitating the labor market participation of parents, especially women. (Thévenon, 2016)

Japan can learn from these examples. It should expand affordable childcare into a continuous early-education system, encourage shared parental leave through "use-it-or-lose-it" bonuses for fathers, and reform housing policy to make family formation less costly. Coordinating all family-related services under a single agency would reduce bureaucratic overlap. Finally, enforcing work-style reforms and rewarding family-friendly companies could help shift cultural norms away from long working hours.

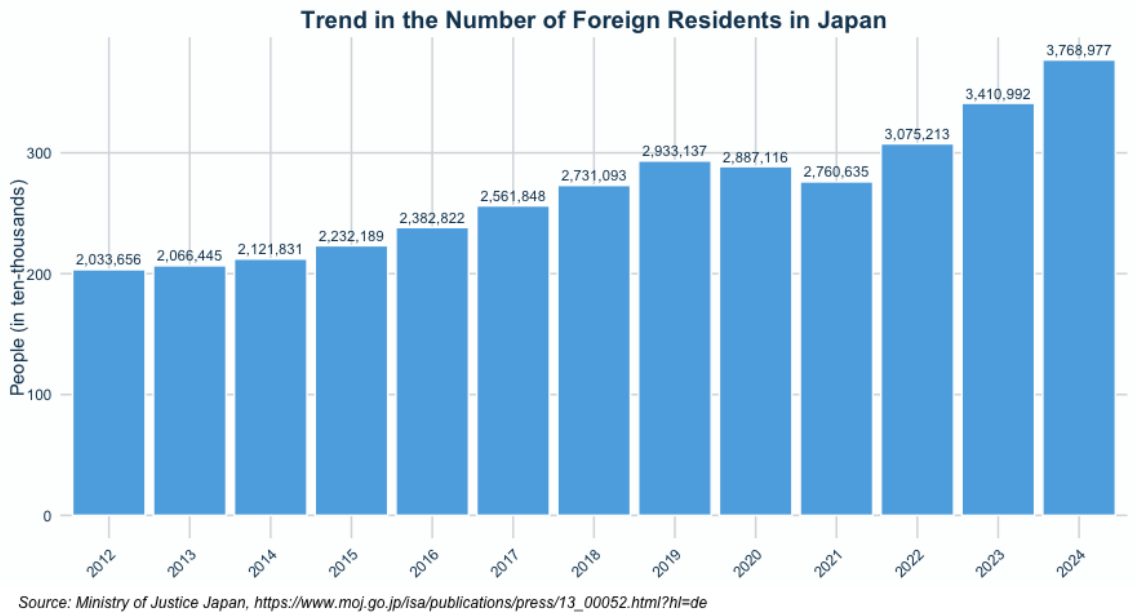

FIGURE 7

Source: Ministry of Justice, Immigration Services Agency, 2024

8 Migration policies

Japan is known for its strict and culturally homogeneous stance on migration, but as the country continues to face declining birth rates, it now faces a paradox: a shrinking population and a rapidly declining workforce are creating a growing demand for foreign labor. Japan's persistent labor shortage, evidenced by a job vacancy rate consistently exceeding the number of job seekers (Ministry of Health, Labour and Welfare, 2024), highlights the increasing necessity of expanding access to migrant labor. Migration transformation in developed countries started in the 1940s. These kinds of shifts help countries gain a more flexible labor force in a shorter period of time and at a lower cost. However, in order to benefit from this, countries must implement long-term and dedicated programs for accepting migration from different countries according to their labor demands. This situation also reflects the concept of the liberal paradox, where the state requires immigration for its economic or demographic needs but must also consider the possible cultural, political, and social challenges (Hollifield, 2004).

Traditionally, Japan has maintained strict immigration policies, emphasizing cultural homogeneity and cautious integration.(Liu-Farrer, 2020) However, as labor shortages in healthcare, construction, and agriculture have become critical, the government has begun to reconsider its approach. Looking back, the first tangible migration policy—the 1952 Immigration Control Act—resulted in very few arrivals. In 1982, this Act was renamed the Immigration Control and Refugee Recognition Act (ICRRA), but both laws offered only occupation-based, high-skilled visas for professors, researchers, and intra-company transferees. In 1989, the ICRRA was revised to expand those categories and to introduce a "Long-Term Resident" status for third-generation Japanese descendants (Nikkeijin). Later, in 1993, Japan's Technical Intern Training Preprogram (TITP) was launched to facilitate skills transfer but soon became a major channel for semi-skilled foreign labor. Then in 2012, Points-Based System introduced to improve residency whose already in Japan. The most Recent policy changes, including the introduction of the Specified Skilled Worker

(SSW) visa program in 2019, aim to attract foreign workers in specific industries facing acute labor shortages, creating two tiers—Tier 1 (up to five years, no dependents) and Tier 2 (longer stays, family reunification, pathway to permanent residence)—across 12 industries with critical labor shortages (e.g., nursing care, construction, agriculture, hospitality), but for low skilled occupation, Japan doesn't have much policies. (OECD, 2024)

If we look at the recent numbers, Japan's foreign resident population reached a new record high of approximately 3.77 million, marking a significant increase of nearly 10.5% compared to the previous year. This continued rise underscores Japan's evolving role as a destination for migrants, particularly from Asian countries. China remains the largest nationality group with over 820,000 residents, reflecting longstanding migration ties. However, the most notable growth once again came from Vietnam, which added more than 85,000 residents, further widening the gap with South Korea, now firmly the third-largest foreign community.

This shift highlights ongoing changes in migration patterns shaped by Japan's labor market demands and regional economic dynamics. Countries like Nepal, Indonesia, and the Philippines also experienced significant increases, pointing to broader diversification in Japan's foreign population. In contrast, the Korean resident population has continued its gradual decline, suggesting possible shifts in bilateral migration flows or aging demographics within that group. Overall, these statistics reveal Japan's increasing dependence on foreign workers and residents to address structural labor shortages, while also illustrating evolving regional migration dynamics that are likely to influence future immigration and integration policies.(Ministry of Justice, Immigration Services Agency, 2024)

Table 2: Top 10 Countries/Regions by Number of Foreign Residents in Japan

Rank	Country/Region	Number of Residents	Change from Previous Year
1	China	873,286	+51,448
2	Vietnam	634,361	+69,335
3	South Korea	409,238	−918
4	Philippines	341,518	+19,472
5	Nepal	233,043	+56,707
6	Brazil	211,907	+67
7	Indonesia	199,824	+50,723
8	Myanmar	134,574	+48,028
9	Taiwan	70,147	+5,484
10	United States	66,111	+2,703

Immigration Services Agency of Japan, n.d.

While these measures mark a significant shift, challenges remain in ensuring that migrant workers receive adequate support and protection, as well as in promoting social integration to avoid marginalization. Furthermore, Japan faces the task of balancing economic necessity with public concerns about social cohesion and cultural identity. To effectively address its demographic crisis, Japan's migration policy must evolve further by expanding legal channels for migration, improving language and community support systems, and fostering greater societal acceptance of diversity. This comprehensive approach would not only help alleviate labor shortages but also contribute to sustainable demographic revitalization, ultimately supporting Japan's

long-term economic stability and social vitality.

9 Conclusion

Japan's demographic condition poses various problematic situations and challenges with significant social and economic consequences. Despite various government efforts—ranging from childcare support and financial incentives to parental leave reforms—fertility rates remain low. The main reasons came from traditional gender roles, economic insecurities, and cultural work practices that create high opportunity costs for childbearing and parenting. Country's major challenge is to encourage an environment where work-life balance is achievable for men and women, thereby encouraging family formation and stabilizing de mographic trend for sustainable development. Furthermore, Japan's rapidly aging population deepen fiscal pressures and threatens long-term economic growth with increased welfare demands alongside shrank labor force. shrinking the labor force and increasing social welfare demands.

Effective policy solutions require not only expanded family support programs but also fundamental changes in workplace culture, gender equality, and views towards parenting. Comparative lessons from countries with higher fertility rates suggest that integrated policies addressing economic, social, and cultural barriers together are more successful. However, low fertility rates among countries, especially developed ones is a major trend for 21 st century.

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