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1 Japan's demographic collapse

Seike Atsushi

Japan's population is ageing at an unprecedented rate, both in terms of scale and speed. Around 25 percent of the population is made up of those who are sixty-five years or older, meaning that a staggering one in four are of retirement age. When we consider that in the early 1990s this figure was only one in ten, the nature of this issue comes sharply into focus. The change in demographics is perhaps best appreciated in the remarkable swiftness of the transition. The proportion rose from 7 percent of the population in 1970 to a total of 14 percent in 1994, an increase of 7 percent in just twenty-four years. This is a fraction of the time of comparable transformations in countries such as France, which experienced a similar leap over a period of more than one hundred years. The proportion of elderly people has continued to rise in Japan, from 14 percent in 1994 to 21 percent in 2007 – a further rise of 7 percent but even more quickly, in less than thirteen years. The graying of Japan's population looks as if it knows no limits.

One major factor behind this phenomenon is the remarkable improvement in life expectancy. Simply put, many more people are living longer. At the end of World War II the average life expectancy in Japan was fifty years for men and fifty-four for women. In a few short decades Japan's average life expectancy has risen to rank among the highest in the world, eighty and eighty-six years for men and women respectively. This rise of course stems from the combination of better nutrition, better health care, and a safer and for most people less physically demanding working life. These developments are due in no small part to Japan's remarkable postwar economic progress, and more particularly the increase in per capita gross domestic product (GDP).

The other factor supporting the graying of Japan's population is the decline in the birthrate. A country's birthrate decreases when it transitions from being a developing nation, which usually means that it has a high poverty rate and high infant mortality and birth rates, to being a developed nation with low infant mortality, birth, and overall mortality rates. The decline is usually associated with economic growth. This was precisely the course that Japan followed. Immediately after World War II, Japan's fertility rate, previously at 4.5 births per woman, declined rapidly. In the 1960s and 1970s, after a period of unprecedented high growth, Japan joined the ranks of developed nations and the birth rate fell to just above two births per woman. This level is known as the replacement rate, which is needed to maintain population equilibrium.

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The problem was that this trend went too far – the fertility rate did not stop decreasing. From the mid-1970s onward, when Japan's economy was entering its phase of greatest expansion, the fertility rate decreased to below two births per woman, which meant that Japan's population was on track to decrease with each succeeding generation. This downturn in the fertility rate has been put down to the fact that while wages grew in line with the nation's economic growth, the financial burden on families of having and raising children – even though the Japanese economy was on the rise – was just too great, particularly in the cities. At the end of the 1980s, Japan's fertility rate dropped to a low of 1.57 births per woman, a figure that dipped below the sharp and temporary drop to 1.58 in 1966, a year which according to traditional beliefs and the Chinese zodiac was the "Year of the Fiery Horse."¹ This decrease in the fertility rate continued with the collapse of the bubble economy in the early 1990s. After reaching an astounding nadir of 1.26 births per woman in 2005, it has since recovered slightly. Japan's Ministry of Health, Labor and Welfare has reported that the rate for 2013 was at 1.43, up from 1.41 in 2012.²

Japan's rapidly aging population is a phenomenon that is unmatched in other countries in the world and the birth rate has reached an all-time low. How could this have been allowed to happen? A nation's population is its most fundamental base and the possibility of its collapse should be a key focus of concern for politicians and other leaders of society. When Japan's fertility rate first dipped below two births per woman in the mid-1970s and clear predictions were made that the

population would start to decline, the trend ought to have been at the very least, as I show below, no surprise with the consequence that could have been anticipated.

Many people in Japan now accept that the seemingly unstoppable and costly negative effects of an aging society will limit production and consumption, and stimulate demand. Of course, the Japanese economy might not be so damaged by an aging society scenario will be possible. A decline in the birth rate also leads to a decrease in public services and education.

The shape of provincial Japan The Masuda Report

What shape will Japan be in the years to come? In recent years, as the population decline has become a major topic in the public debate, this is a question that specialists, politicians, and

The December 2013 issue of the journal "Regional Cities," carried an essay by Toshiaki Masuda entitled "Regional Cities Will Not Emerge."³ The author, a former mayor of a small town in northern Japan, writes with concern about the future of regional cities, particularly on how the decline in the birth rate will affect rural areas. Based on his experience in northern Japan, Masuda describes the challenges faced by more marginalized settlements and hamlets suffering depopulation.

Masuda bases his analyses on data from the National Institute of Population and Social Security Research. In a report entitled *Population Problems and Trends in Postwar Japan*, he notes that the birth rate in 1947 was 4.5, and fell to 1.5 in 1975, and then to 1.26 in 2005. The report entitled *Population Problems and Trends in Postwar Japan* also notes that the birth rate in 2013 was 1.43.

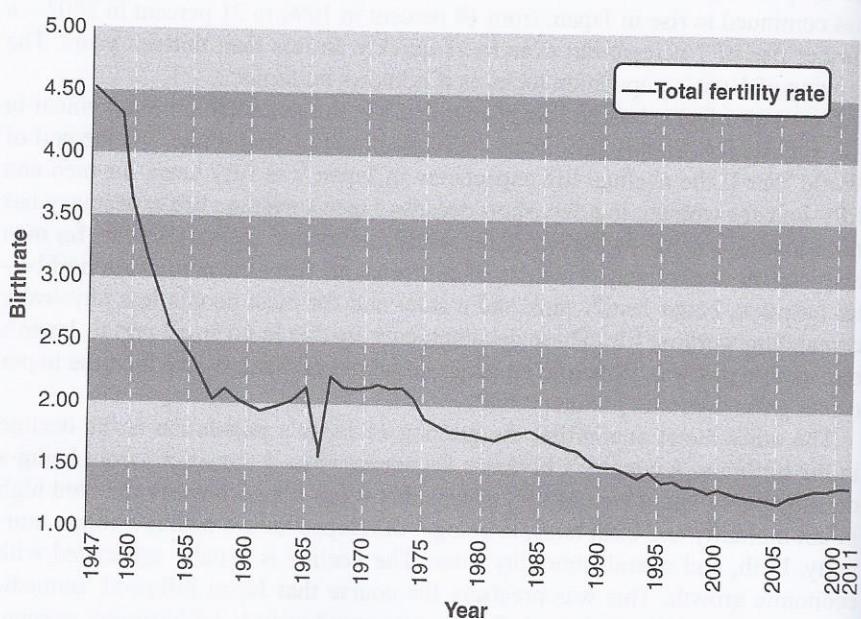


Figure 1.1 Trends in the fertility (birth) rate in postwar Japan (1947–2011)

Source: Based on data from the *Demographic Statistics Data Book* (2013), National Institute of Population and Social Security Research.

The *Regional Population Problems and Trends in Postwar Japan* report, published in 2013, calculates that if the current population of 128 million in 2010 will fall to 122 million in 2020, 116 million in 2030, 112 million in 2040, 108 million in 2050, 104 million in 2060, 100 million in 2070, 96 million in 2080, 92 million in 2090, and 88 million in 2100. The proportion of the population aged 65 and above will be 36.1 percent in 2100.

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population would start to decline in one generation's time, plans to counter this trend ought to have been at the forefront of social and political discussion. However, as I show below, no sense of urgency seemed to ignite political concern, with the consequence that countermeasures, when they came, were addressing a situation that had already occurred.

Many people in Japan now fear that the downward trend in the population and the seemingly unstoppable overall ageing of the population will have deep and costly negative effects on the economy. It will cause a shrunken labor force that will limit production and will produce a smaller consumer market less able to stimulate demand. Of course, if per capita productivity and the consumption rate grow sufficiently to compensate for the population decline, the effects on the economy might not be so damaging. There is no guarantee, however, that such a scenario will be possible. A decline in population not only affects the economy but also leads to a decrease in the human resources that sustain society, such as public services and education. In short, the consequences could be considerable.

The shape of provincial Japan in the future: The Masuda Report

What shape will Japan be in demographically in thirty – or fifty – years' time? In recent years, as the population decline has finally begun to become a matter of public debate, this is a question that increasingly preoccupies a number of population specialists, politicians, and business leaders.

The December 2013 issue of *Chuo Koron*, a special edition on "Disappearing Regional Cities," carried an essay by the demography researcher Masuda Hiroya entitled "Regional Cities Will Disappear by 2040: A Polarized Society Will Emerge."³ The author, a former governor of Iwate Prefecture for twelve years, writes with concern about the demographic crisis now confronting Japan, and particularly on how the decline of the population will affect Japan's provincial areas. Based on his experiences of dealing with depopulation in Iwate Prefecture, in northeastern Japan, Masuda argues that Japan now faces the prospect of more and more marginalized settlements all over the country, with myriads of villages and hamlets suffering depopulation and becoming "hollowed out."⁴

Masuda bases his analyses on reports and statistics compiled by the National Institute of Population and Social Security Research (NIPSSR), Japan's Ministry of Health, Labor and Welfare think tank. NIPSSR publishes a report every five years, entitled *Population Projection for Japan*. It also publishes a more detailed report entitled *Regional Population Projections for Japan*, which tabulates statistics and trends for towns and villages outside the larger cities.

The *Regional Population Projections for Japan: 2010–2040*, compiled in March 2013, calculates that if the current situation prevails, Japan's population of roughly 128 million in 2010 will fall to around 107 million in 2040.⁵ Long-range estimates tabulated in January 2012 project a further decline to 86 million in 2060, and roughly 42 million in 2110. The proportion of the elderly population (aged sixty-five and above) will be 36.1 percent in 2040, and 39.9 percent in 2060.⁶

It is worth noting that these median fertility scenario projections are based on several assumptions: that the proportion of people born in 1995 and now graduating from high school and who will remain unmarried has peaked; that the proportion of those who will remain single all their lives – “lifelong singles” (it is assumed that this segment will not have children) – will stay unchanged; and that the number of children born to married couples will not drop any further. Forecasts predict that Japan’s fertility rate will fall to 1.39 in 2014, then decrease further to 1.33 in 2024, and increase slightly to 1.35 by 2060.⁷ While such assumptions may hold for now, they are not necessarily applicable to those aged eighteen years or older (born in 1995 and after) and the possibility that the figures will decline, which may stimulate a further drop in the population figures, remains real.

Based on the figures gathered by NIPSSR, Masuda predicts that the changes in Japanese demography will affect different segments of the population in different ways. Dividing the period he analyzes into three stages: 2010–2040, 2040–2060, and 2060–2090, he predicts that the proportion of young people (those below fifteen years old) and the proportion of working-age population (from fifteen to sixty-five years of age), will continue to decline more or less steadily from 2010 to 2090. The proportion of the elderly population (sixty-five and above), however, will increase until 2040, and then will remain almost unchanged for the following two decades. It will eventually start to decline in 2060. As a result, Japan’s total population will decline at only a moderate rate until approximately 2040, but after that it will begin to fall rapidly.⁸

The rate of depopulation, a result of the combination of an ageing population combined with a declining birthrate, will be considerably higher in outlying regions than in the cities and also in Japan as a whole. In Iwate Prefecture, in the northeast of Japan’s main island, the population will shrink 30 percent by 2040. Projections are that the population of Wakayama Prefecture in western Japan and Kochi Prefecture in southern Shikoku island will also contract by roughly 30 percent, while that of Akita Prefecture in northeastern Japan will contract by 35 percent. The rate of depopulation will be much higher in remote towns and villages (the “marginalized settlements”) and somewhat less in towns and cities, especially those that are prefectural capitals.⁹

The potential crisis facing Japan as a result of this demographic contraction will have significant consequences. Of particular interest are the different ways that population decline may affect the different regions, and also the ways this will impact the cities. Among other things, Masuda predicts that a clear divide will appear between urban and rural areas. There will be a “polarization” between the big cities (Tokyo, Osaka, and Nagoya) and the provincial regions in Japan, with the latter marked by a disproportionate population of elderly people and extremely limited employment opportunities, if any. These areas will gradually empty out, as more and more young people migrate to a few large cities. The disappearance of young women in rural areas will only exacerbate the population decline in these places – so these regions will in the end become unsustainable and thus probably disappear. At the same time, as the growing populations in the urban areas gradually grow older, the proportion of the elderly living in the cities will increase, leading to a shortage of labor – which will only exacerbate further “population migration.” In time, the cities will become

subject to a "population black hole." This is a phenomenon where the increase in people migrating to the cities finds little support for childbirth and childcare either from families or the local community, and thus will cause an inevitable decrease in the birthrate, which will lead to a sort of collapse. All of this will only add to the overall and increasing rate of Japan's population decline, as the population continues to plummet and one community after another becomes unsustainable. In addition, the overconcentration of people in the large cities, Masuda argues, will make the country much more vulnerable to the effects of disasters, both economic and natural.¹⁰

Masuda is particularly anxious about the loss of communities in outlying regions, as population decline makes them unsustainable. If the decline in population proceeds at the current rate, not only will regional communities cease to function properly as communities, but services indispensable to daily life, such as medical and educational services and disaster prevention, will also become impossible to maintain. This, Masuda argues, is a reality that provincial areas will confront twenty years in advance of Japan's major metropolitan areas – indeed it is a process that is already underway in towns and villages in outlying regions. What is required, he argues, are visionary policies that are tailored to particular local circumstances, that focus on each regional area with a view to coordinated, comprehensive but localized regeneration (both economic and demographic) rather than focusing on fostering the economy, or GDP, of the nation as a whole.¹¹

In a similar vein, a 2013 study published by the Rebuild Japan Initiative Foundation titled, *Japan's Worst-case Scenarios: The Nine Blind Spots*, identifies nine potential crisis-management blind spots that Japan might well have to face in the near future, one of which is demographic collapse. The case study on demographics (translated in the English version as "Weakened population: 2050, the day youths become terrorists") offered a hypothetical scenario for risk management in which population decline in Japan has led to a general sense of despair, which has overcome the nation in just a few decades. In this case study, the argument is made that "in order to avert such a scenario, we must be prepared to relinquish the traditional Japanese views on society, family, and marriage."¹²

Can Japan afford to remain calm based on these dire forecasts and predictions? What countermeasures have been taken to avert the looming population crisis? As I discuss in the following sections, policymakers have shown remarkably little vision in tackling Japan's demographic problem.

Japan's ageing population: Problems and countermeasures

While the graying of a nation and the decline of its population are significant events, it is the precise shape and timing of the demographic shift that determines if a society can weather the decline. Japan is not the only country to confront a shrinking and ageing population – many European countries anticipate similar population declines. The greatest problem of an ageing society is the dependency ratio – the proportion of people who are economically dependent and the proportion of people who are economically active – and the risk that it poses to the viability of the social security system. An ageing population increases the amount that has to be paid out as social security benefits, placing a heavy burden on the working age population who will

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have to fund these increases with their taxes. In Japan, the budget for state pensions, medical and long-term care, and social security benefits, which are claimed by elderly people, more than doubled between the years 1990 to 2012, from roughly 50 trillion yen (approx. US \$457 billion at the 2014 exchange rate) to over 100 trillion yen (approx. US \$914 billion at the 2014 exchange rate). This budget increase occurred partly because the population of people over sixty-five years of age doubled, from roughly fifteen million to thirty million over the same time period.¹³ The rapid upsurge in budget demands to cope with this shift is one reason why Japan now has massive public debt worth more than double its national GDP. Japan's working-age population, that is to say the proportion of people from fifteen to sixty-five years of age, decreased by roughly six million people in 2010. To put it differently, the working-age population lost the equivalent of the population of six cities.¹⁴ The result was a reduction of economic growth on both the supply side and demand side.

In the early 1990s, Japan faced a dramatic stock market collapse (the bursting of its "bubble economy") followed by a slump that lasted the entire decade. This was followed by what is now referred to as the "dotcom downturn" in 2001, and the global financial crisis, referred to in Japan as the "Lehman Shock," of 2008. It is arguable whether such crises were predictable, but there is no doubt that population change is one of the most predictable of all economic variables. It was quite clear by the early 1990s that Japan's population would age and that the proportion of the working-age population would decrease. Swift countermeasures should have been discussed and put into place at this time.

The countermeasures for population ageing broadly divide into two categories, aimed at an increase in life expectancy on the one hand and stemming the declining birthrate on the other. With regard to life expectancy, by "countermeasures" I refer to interventions aimed at accommodating the overall effects of population ageing. Such countermeasures cover efforts to maintain and even increase numbers in the work force, that is to say the economically active (wage-earning and tax-paying) population. Efforts to reform the social security system are also required so that payments for the support of those who are economically dependent become less burdensome. The other category of countermeasures involves curtailing population decline by increasing the birth rate. This necessitates taking fundamental measures to make it easier for people to have families – providing child-bearing incentives and offering social structures, child care provisions for example, to render the "life-work balance" easier.

What countermeasures for population ageing did the Japanese government pursue after 1992? Below, I will provide a brief overview, first of the measures that were taken to increase the numbers of the elderly in the workforce and to reform the social security system, and then of the measures to counter the decline in the birthrate.

Japan's working elderly: A success story

It is now quite clear that Japan's population will not increase for the foreseeable future. Even if fertility rates were to recover, it would be another twenty years before the effects would be seen. What is required are policies to strengthen the labor force participation rates even as the proportion of "working-age" people

Table 1.1 Labor force participation rates

Whales aged 60–64
Females aged 60–64
Whales aged 65 and above
Females aged 65 and above

Note: Units are percentages.
Source: Based on data from Employment of the Elderly.

those aged from fifteen to sixty-five, the participation rate of elderly men

Policies regarding labour force participation in Japan appear to have been successful in maintaining a relatively high participation rate, especially high in comparison with other developed countries (OECD).

This is due to a number of factors. One factor is the shift from agriculture to industry in the 1970s to the early 1990s, which led to a decline in the participation rate of younger people. Subsequently, the government had to reverse these policies to encourage older people to stay in the labor force. As a result, the labor force participation rate in Japan remains low.

One of the most important factors in response to the problem of population ageing is the Stabilization of Employment Act of 1992, which was designed to ensure employment for older workers. The act requires employers to offer part-time work to employees up to pension eligibility age. The act also encourages the older working population to continue working, and the older working population participation rate in Japan has increased significantly since the late 1990s. However, the rate is still lower than that of other developed countries.

The social security system in Japan is based on a combination of employer and employee contributions. The system is funded by a mix of general taxation and social insurance premiums. The social insurance premiums are used to finance the pension, health care, and disability insurance programs. The pension program provides a basic level of income for retired workers. The health care program provides medical services to the elderly and disabled. The disability insurance program provides income for workers who are unable to work due to a disability.

Table 1.1 Labor force participation rate of older people in developed nations (2009).

	Japan	United States	Germany	France	Korea
Males aged 60–64	76.3	60.9	50.8	20.3	68.8
Females aged 60–64	44.6	49.9	32.9	15.9	42.0
Males aged 65 and above	29.4	21.9	5.9	2.7	41.5
Females aged 65 and above	13.1	13.6	2.7	1.0	22.2

Note: Units are percentages.

Source: Based on data from the *Ageing Society Statistics Data Book* (2011), Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers.

(those aged from fifteen to sixty-five years) declines, and more particularly the participation rate of certain population segments: women and older people.

Policies regarding labor force participation by middle-aged and elderly people in Japan appear to have been relatively successful. As Table 1.1 shows, the labor force participation rate among the elderly in Japan, along with Korea, is remarkably high in comparison with other Organisation for Economic Co-operation and Development (OECD) countries.

This is due to a number of factors. Japan has been fairly consistent in promoting work and employment of older people since the 1980s.¹⁵ By contrast, from the late 1970s to the early 1990s, many countries in Europe and elsewhere adopted policies to encourage early retirement to alleviate unemployment levels among younger people. Subsequently, in the 1990s, the governments of these countries had to reverse these plans and introduce measures to promote hiring older people. As a result, the labor force participation rate of the elderly population in these countries remains low, or at least behind that of Japan.

One of the most important measures that the Japanese government took in response to the problem of the ageing population was the revision of the Act on Stabilization of Employment of Elderly Persons in 2004. Measures in this act were designed to ensure employment opportunities until sixty-five years of age, legally obliging employers to institute systems to continue employment of regular employees up to pension eligibility age, to promote re-employment for the middle-aged and the older working population, and to promote diverse employment and social participation for elderly persons who wish to do temporary or short-term or other light jobs after their retirement. In 2006, the employment ratio rate among people in their early sixties showed a distinct rise, of around 3 percent.¹⁶ An amendment to the law, which reinforced the legal obligation for continuous employment, was passed in 2013. Of course, even with these policies to increase the labor force participation rate, Japan will not be able to avoid some sort of decrease in its overall labor force.

The social security system: Incomplete reform

In the postwar period, Japan built up a generous social security pension program. However, due to the growing stress on financing social security arrangements caused by both demographic and economic factors, since 1980 Japan has been

carrying out repeated pension reforms every five years. The pension benefits have been gradually reduced, along with an increase in the retirement age from sixty to sixty-five. In addition, the contribution rate has gradually been raised. However, pension provisions still remain generous, and the growing proportion of elderly people in the population who will need to receive pensions, medical care, and long-term nursing care mean that the system will continue to face financial difficulties in the future.

The Pension Reform of 2004 made a substantial stab at balancing pension benefits and contributions over the next century, and it is generally considered to be one of the most successful areas of social security reform. The law provided for public pension contributions to be raised by 0.354 percent annually; from 2017 they were to be fixed at 18.3 percent of the annual wage income (a feature that was dubbed “fixed contribution”) – setting a ceiling on contributions, already quite burdensome on those who paid them. Secondly, the reform incorporated the automatic adjustment of pension benefit levels (“macroeconomic indexation”). This effectively introduced restrictions on the amount of benefits paid out, which enabled the pension program to adjust flexibly to social and economic changes, and thus helped minimize the need for further reforms and adjustments by law.¹⁷

The 2004 reform to the pension system looks as if it has successfully addressed certain problems in the sustainability of pension financing. There remain questions surrounding the macroeconomic indexation of pension benefits in times of deflation, however, and adjustments should be made in the system accordingly – presumably negative consumer price indexation can be carried out and a recalculation of benefits made accordingly. In addition, more research needs to be done into the possibilities of raising consumption tax as a means of funding basic pension benefits.

In comparison with financing pensions, the problem of financing medical and long-term care for the elderly is a much more complex matter. The matter of pensions is a linear problem since these benefits will simply increase proportionally in line with the rise in the number of the elderly. In contrast, medical, elderly, and long-term care benefits, which will increase rapidly with population ageing, are nonlinear issues. Unlike pensions, the amount paid out as medical and elderly care insurance is increasing at a higher pace than the rate of increase in the elderly population, in a nonlinear pattern – due to the increase in the number of people aged seventy-five or over, improvements in medical technology, and other factors. The amount of benefits paid out to people aged seventy-five or older, the segment of the population who receive the greatest portion of benefits, is due to increase substantially. Whereas the problems surrounding pensions can be said to be an exclusively financial issue of collecting pension premiums and tax to fund the paying out of monetary benefits, issues concerning medical and elderly care benefits involve the additional cost of paying for professionals who take on the medical and long-term care and others who provide these services.

The main focus of the political debate on financing Japan’s social security system has tended to be on pensions, an issue that was solved in 2004 as far as fiscal sustainability is concerned. The government has hesitated both to raise the rate

of consumption tax and to tackle the low percentage of medical care costs that elderly people have to pay themselves. This reflects the tendency to prioritize the interests of the current electorate at the expense of future generations who will bear the ever-increasing burden of the costs for social welfare and pensions. This trend will only worsen as the proportion of elderly people who occupy the electorate rises.

Birthrate countermeasures: Childcare support and pronatal policy interventions

In June 1990, the total fertility rate of the nation dropped to its lowest value ever: 1.57 births per woman. This number drew considerable attention since the figure was lower than the fertility rate of 1.58 that had been registered in 1966 (the above-mentioned "Year of the Fiery Horse"). The term "1.57 shock" consequently found currency in the national media. Japan's fertility rate had in fact fallen below the level needed to maintain the current population level a good fifteen years before this time, in 1974. However, during the 1970s the issue that most concerned people was *overpopulation* – especially in developing countries. A 1974 *White Paper on Health and Welfare* expressed satisfaction at Japan's fertility rate, and emphasized the need to maintain equilibrium. The report referred to the negative effects that could be anticipated in a population with fewer young people, but fell short of analyzing the results of an overall demographic shrinkage.¹⁸ A subsequent *White Paper on Health and Welfare* in 1979 mentioned the fact that the fertility rate had fallen below the population replacement level, and for the first time referred to the risks which came with a shrinking population. However, there was no discussion of any countermeasures to tackle the declining birthrate. Instead, the focus was on measures for raising individual productivity as the way to sustain a society with a reduced working population.¹⁹

In 1980, a *Special Report by Council Members*, compiled by the Council on Population Problems – an advisory committee to the Ministry of Health, Labor, and Welfare – stated plainly that Japan would soon have a shrinking population.²⁰ This was still ten years ahead of the 1.57 shock in 1990, and debates should have started within public policy circles to prevent population decline at this time. The report mentioned the fact that fertility rates were insufficient for population replacement in the following manner:

It is possible that the crude fertility rate and the age-specific fertility rate will decrease, but no great change will occur to the potential level of fertility judging from the figure for births per couple, which will remain constant. At the same time [...] we do need to acknowledge that the current rate of births per married couple, 2.0, is not sufficient for population regeneration.²¹

No real sense of urgency was noted in media reports either. In 1980 the *Asahi Newspaper* stated: "There will not be a severe population decline," and again simply said "Ageing will not speed up."²² In other words, at this point the fact that

Japan's population was decreasing was not seen as a problem of concern that required immediate attention. It is a great pity that no one had any greater vision and thought to inquire about the consequences of a drop in fertility rates. At this point there might still have been time to reverse the decline. The government's reticence about taking more proactive action was due partly to the legacy of pre-war and wartime policy when citizens of Japan were subjected to intensive pronatalist propaganda to "bear children and multiply," and officials made five children per woman a national goal, bestowing awards on women who bore ten offspring. However, the conflicting demands of modern life now require the government to support couples that wish to have families, not out of a wish to provide children for the nation but out of personal desire.

After the 1.57 shock in 1990, the Japanese government finally turned its attention to the problem and began assembling countermeasures and making policy interventions. Starting in the 1990s, slowly at first and then with increasing frequency in the 2000s, the government passed acts and laws designed to tackle the problem. Most of the actions were centered on encouraging the provision and facilitation of childcare. Steps taken included the provision of economic incentives (e.g., child allowances and tax incentives), laws that facilitate childcare leave for working parents (allowing for paid leave and setting limits on working hours and overtime), the encouragement and development of childcare facilities, and attempts to help working couples improve their work-life balance.

In 2003, the Japanese government enacted the Act on Advancement of Measures to Support Raising Next-Generation Children. At this time, the fertility rate was on the brink of dipping below the 1.2 level, and time was of the essence. The measure required local authorities and corporations to devise action plans for childcare support policies and more importantly to create improved conditions that would allow parents to balance raising children with their work life. However, it only required corporations and other organizations to establish childcare support policies "to the extent possible," and few corporations took measures. A temporary improvement in the fertility rate was seen after 2006, which may have been related to a sense of optimism connected to the passing of the law.

One of the major problems has been a simple lack of childcare facilities. Eliminating childcare waiting lists thus became a central pillar of countermeasures pitted against a declining birthrate. The 2013 Plan to Accelerate the Elimination of Childcare Waiting Lists finally acknowledged that it was unacceptable – it made no sense – for children to be placed on waiting lists to receive childcare. The way was in fact led by the city of Yokohama, which in May 2013 announced that it no longer had any children waiting on its lists for daycare centers in any of its eighteen wards.²³ This was a remarkable achievement, which had been implemented by the tireless efforts of city officials, who had worked for over three years with private enterprises to secure spaces – almost any space at all – to build daycare centers. This innovative way of dealing with the problem forced the central government to recognize that it was indeed possible to reach these goals.

Looking at all the countermeasures attempted since the 1.57 shock gives one the impression that such policies were mostly reactive rather than proactive. Every five years the government produced a five-year plan to set new goals

or to resolve new problems. There was the 1994 Angel Plan (a five-year plan from 1995 to 1999 designed to increase the number of childcare placements); the 1999 New Angel Plan (a five-year plan from 2000 to 2004); the 2002 Plus One Plan to End the Declining Birthrate; the 2004 Child and Child-Rearing Support Plan (a five-year plan from 2005 to 2009); the 2009 Vision for Children and Childcare (a five-year plan from 2010 to 2014); and then the 2013 Plan to Accelerate the Elimination of Childcare Waiting Lists.²⁴

The government's involvement in pronatalist measures also got off to a shaky start. In May 2013, the Task Force for Overcoming the Declining Birthrate Crisis set out a proposal involving a number of aid programs aimed at promoting marriage, pregnancy, and childcare. During the task force's deliberations, a proposal was made for a "Handbook on Life and Women."²⁵ A number of nongovernmental organizations (NGOs) and women's groups voiced concerns that the state was interfering in citizens' private affairs, making fertility and population solely a women's problem and propagating the idea that women's value lay only in their ability to provide children. They also accused that the government's interference in women's lives was incoherent.²⁶ The idea of the handbook was eventually discarded, even though its proponents felt that it only sought to disseminate knowledge about ovulation age and fertility, making it possible for women to design their lives.

In addition, it is impossible to avoid the impression that the countermeasures aimed at the declining birthrate have tended to focus on families that have two parents, who are both married and working – this is the emphasis on the development of childcare facilities and the fostering of a new work-life balance for working couples. But one of the major factors behind Japan's declining birthrate is the growing proportion of people (especially women) who marry late and those who do not want to get married at all ("lifelong singles"). The fertility rate for such people is low. The emergence of such demographic groups is common knowledge to population specialists, but policymakers still devote the bulk of their attention to measures aimed at married couples.

Despite government efforts, the various schemes have not met with success. No matter how much effort is expended on the provision of childcare facilities and disseminating knowledge about the relationship between age and fertility, no improvements will be possible without addressing the problem of the numbers of people who opt for later marriage and the growing number of single-person households.

Immigration policy: Where does Japan stand?

As Japanese political leaders have awoken to the dire predictions about Japan's population, various suggestions have been made that Japan might become more open to immigrants. The argument is now often made that Japan will need large-scale labor immigration in order to maintain a workforce level that can ensure the functionality of the state.

In October 2008, the Japanese Business Federation (Keidanren) carried out a survey of Japanese-style immigration policies in a report titled *An Economy and Society That Responds to the Challenges of a Declining Population*. Against the backdrop of stronger competition for talent at the global level, the study called

for measures oriented at the development of a legislative framework that would allow for the active and wider acceptance of foreign skilled workers on the basis of permanent residency; wider acceptance of foreign students, who are likely to become future highly qualified professionals; support for companies employing foreign students; and the acceptance of average-qualified people with specific expertise and skills.²⁷ This recognition was also made at the governmental level. The 2005 *White Paper on International Trade*, compiled by the Ministry of Economy, Trade, and Industry, mentioned that “on the basis of a rough calculation we will need to add about 18 million workers to maintain the workforce population to present-day’s levels.”²⁸

In February 2012, the DPJ Minister Responsible for Declining Population, Nakagawa Masaharu, demonstrated interest in expanding the scope of foreign workers including immigrants, stating, “The Japanese people need to think of the shape of the country by taking into consideration these issues [of immigration], and have a public debate similar to the public debates on immigration policy undertaken in Northern Europe and in the United States.”²⁹ Even within the Liberal Democratic Party (LDP), retired Secretary General Nakagawa Hidenao proposed to accept ten million immigrants in line with DPJ Diet members.³⁰

More recently, during the tenth meeting of the Industrial Competitiveness Council, held on May 29, 2013, former Minister of State for Economic and Fiscal Policies Takenaka Heizo announced: “All ministries should create a venue to discuss ways for securing global talent, necessary for economic growth.”³¹ Minister of Justice Tanigaki Sadakazu responded:

I am thankful for the proposals in favor of surveys on immigration policies. With regard to methods pertaining to immigration, we need to study the matter from a broad and diversified perspective that takes into consideration the people’s will concerning the consequences of immigration to Japan’s business, public security, and labor market – all issues that pertain to the people’s lives.³²

The debates surrounding the issue of immigration are roughly in keeping with the implications of Tanigaki’s statement above. The key points of contention in the debate seem to stem from two issues: ambivalence about whether Japan can bear the costs of an all-out positive immigration policy, which would be a huge and complex undertaking; and anxiety and fears within the Japanese populace. There is a fear of the loss of social stability and the deterioration of public security, of the effects on salaries of Japanese workers, of the creation of closed ethnic groups within larger Japanese society, and of the disappearance of Japanese culture.

If Japan is going to pursue a positive immigration policy, it is essential that policymakers have a clear picture of what kind of skills Japan will need and how to proactively target people with those skills, as well as the kind of arrangements that will be needed to provide for them in the long term. The aforementioned Keidanren report makes a specific reference to a need for skill mix, making a division between high, mid, low, and no skills at all.³³ Such divisions are based on the demands of the labor market for skills possessed by talented people. Although logically speaking the intake of highly qualified people (those, for instance, whose

yearly income surpasses ten million yen – around US \$92,000) would seem to be highly desirable, we perhaps ought to consider how many such people are actually needed in today's Japan.

In recent years, business leaders have argued for focusing less on people of exceptionally high skills and more on allowing those with mid-level skills to enter Japan. Such people would include health care staff who would play a useful role in caring for Japan's ever-increasing elderly population. Thanks to economic partnership agreements (EPA) between Japan and various other countries such as the Philippines and Indonesia, more nurses and caretakers from these countries are employed in Japan. Nonetheless, given the hurdle of the national nursing and care worker examinations, only a relatively small number of these ultimately succeed in establishing themselves in Japan. If we want to allow substantial numbers of nurses and caretakers into Japan, we need to have a thoroughgoing debate on this particular issue and what needs to be done to enable it to happen.

We also need to look at the long term in the immigration debates. Again, we can take the case of mid-level talent such as nurses and caretakers, which the Keidanren among others argue should be allowed to enter the country in greater numbers. At present within the current EPA frameworks, the people who come to Japan to work as caretakers are mostly in their twenties, and they are satisfied to work as low-level caretakers. However, after thirty years living in Japan, they will want and expect to be promoted and become head nurses/caretakers. Serious consideration needs to be given to the provision of training and promotion for foreign caretakers, as well as looking into how this will affect employment prospects for Japanese workers. It is of course essential that we avoid a dual structure in the labor market and society as a whole by ensuring that there is complete equality between Japanese people and immigrants in terms of labor standards and social security.

If immigration policies are to be pursued, realistic attention will also have to be paid to the preparation and associated costs. It is possible that huge numbers of unskilled workers will be required. Costs would have to include some guarantee of housing, the provision of life counseling and the diffusion of information aimed at these people, the strengthening of their education in the Japanese language, the development of systems that assist their integration into the local community, and the application of a social safety net system that would cover pensions, medical expenses, and welfare in general. According to the Keidanren report mentioned above, some localities that have in the past accepted a large influx of foreigners, including second-generation Japanese, have reported that they have experienced problems, mostly relating to the lack of Japanese language proficiency, which lessened their prospects in training and work. There were also doubts about how the children of these migrants would be able to fare within the parameters of the compulsory national education system.³⁴

Conclusion

During the lost decades, Japan has experienced population ageing that was globally unprecedented in its swiftness. The graying of Japanese society is in many ways a mark of the growth and success of Japan's postwar economy. However, the

threat of swift population decline now threatens the sustainability of Japanese society itself. Measured responses to these issues are essential. Policies must include strategies for tackling the fertility rate, increasing the labor force participation rate of women and elderly people, and altering the social security system. These strategies all need to involve fundamental reform and to be implemented promptly.

In the case of the dwindling fertility rate, radical strategies needed to be carried out within a few years of the 1.57 shock in 1990, or at the latest within the first half of the 1990s. The policies that were drawn up in the early 2000s, when the fertility rate dropped to near 1.2, aimed to encourage corporations and organizations to improve childcare support and did contribute to a limited recovery in the birthrate in the later part of the decade, but they were not sufficient to bring about a turnaround to the general decline. The policies for increasing the labor participation rate among women overlapped with policies to encourage a recovery in the birthrate, but these too were insufficient. In order to significantly enhance these policies, it is necessary to improve the provision of support for people to balance their work and family lives, and to achieve this a dramatic increase in the provision of public childcare services is in order.

The one area where government policies can be said to have been successful is in the area of efforts to increase the labor force participation rate of older people. In this respect, the situation in Japan is demonstrably better than that of many other countries, particularly in Europe. However, the delay in social security system reforms during the lost decades was a serious issue.

As Japan continues to experience extreme rates of population ageing, it finds itself entering uncharted territory, encountering new social pressures and political challenges. Japan is often seen as a trailblazer in tackling global challenges, and there is an opportunity here to be a role model for the rest of the world. The important element is speed. Countermeasures must be put in place swiftly. The costs of policies for resolving population ageing will only continue to grow. The dwindling birthrate and other factors makes the possibility of population rate recovery seem increasingly impossible. Even so, it is important to take action sooner rather than later to minimize the effects. Implementing measures to provide robust support for people who wish to have and raise children will allow us to decrease, even if only slightly, the burden on future generations.

Notes

- 1 According to long-established beliefs that relate to the Chinese zodiac, children born during this particular year – when the Year of the Horse coincided with a year when the “fire” element was in the ascendancy – have volatile, willful temperaments. This is seen as particularly deleterious for women of marriageable age.
- 2 Kōseirōdōshō, *Heisei 25 nen jinkō dōtai tōkei (kakutei sū) no gaikyō* [Ministry of Health, Labor and Welfare, Summary Report of Vital Statistics of Japan (final data)], 2013. http://www.mhlw.go.jp/toukei/saikin/hw/jinkou/kakutei13/dl/00_all.pdf.
- 3 Masuda Hiroya, “2040 nen, chihō shōmetsu. Kyokuten shakai ga tōrai suru” [“Regional Cities Will Disappear by 2040: A Polarized Society Will Emerge”], *Chūō kōron*, December 2013. The issue contains articles by other researchers in the *Jinkō Genshō Mondai Kenkyūkai* [Declining Population Issue Study Group]. (The Japan