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Land of Declining Youth: Implications of Japan's Aging Demographic

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LAND OF DECLINING YOUTH:

IMPLICATIONS OF JAPAN'S AGING DEMOGRAPHIC

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Abstract: Fundamental to the successful economic operation of any nation is its ability to maintain a labor force adequate to compete in the global marketplace.² While the real and perceived conflicts that may arise from the influx of migrants often lead states to erect significant barriers to their entrance, such thinking will only prove detrimental to the long-term success of postindustrial societies. In the twenty-first century, Japan faces significant social and economic challenges from the demographic implications of an aging and declining population. This paper argues that unless Japan can increase the number of women in the workforce, solve issues of eldercare demand, and embrace more robust immigration policies, demographic transition may overwhelm the state in the short term and hamper its resilience over the next century.

Economic Background

To understand the challenges Japanese society faces today, it is important to begin with a survey of the foundations for Japan's postwar economic rise. After the Asia Pacific War (1931–1945), an American-occupied Japan saw its imperial prowess evaporate, and its nation war-torn and devastated. When the “reverse course” of 1946 instituted a new emphasis on recovery over democratic reform, Japan saw inflation cut while unemployment soared.³ It was not until the Korean War (1950–1953), when Japan became integral to supplying U.S.-led forces' industrial hunger, that the economy began to recover.⁴ By the mid-1950s, Japan's income had been growing by 10 percent a year, and when Ikeda Hayato became prime minister in 1960, the government pledged to pursue an “income doubling” policy to double national income by 1970.⁵ Japan's

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² George Ritzer and Paul Dean, *Globalization* (Hoboken: Wiley-Blackwell, 2019), 200.

³ James L. Huffman, *Modern Japan: A History in Documents*, (New York: Oxford, 2011), 159.

⁴ Huffman, *Modern Japan: A History in Documents*, 159.

⁵ Huffman, *Modern Japan: A History in Documents*, 165.

economy continued to steadily grow until the first oil shock of 1973, when oil prices quadrupled.⁶ Since three-fourths of all Japanese energy production was generated with oil—which was almost entirely imported—Japan was hit particularly hard.⁷ After 1974, the Japanese economy continued to grow at a slower pace into the 1990s.

The 1980s saw low-end, cheap-labor based production transformed into high-end development, along with the growth of an enormous bubble economy built on land speculation.⁸ Because companies had relied on unrealistic land prices to secure loans, when the Bank of Japan sharply raised interest rates in 1989, the inflated price of land began to decline. The economy quickly followed. With companies unable to repay loans, the bubble burst and stocks plummeted.⁹ By 1992, the economy was in a major recession. Massive government stimulus in 1995 saw strong growth through 1996, until taxes were raised and the slowdown continued. The 1997 Asian financial crisis saw Japan, a major supplier of investment goods, significantly affected.¹⁰ The U.S. dotcom burst in 2000 stalled demand for Japanese exports, with recovery from the “Lost Decade” not beginning in earnest until 2002.¹¹

Unemployment and government debt were serious issues again for the first time since the war. Increased exportation to a rising China saw Japan’s economy grow 2 percent per annum between 2002 and 2008, until the Great Recession saw another downturn. Japan bounced back in 2010, but the 2011 Great Tohoku Earthquake and Tsunami devastated Northeastern Japan and disrupted domestic supply chains.¹² Today, the biggest economic challenges facing Japan are the implications its aging population will have on already low productivity levels, labor shortages, and social service schemes. In the absence of immigration reform, along with manageable eldercare and the activation of women in the workforce, Japan may have further lost decades ahead.

Japan’s Demographic Challenges

⁶ Marcus Rebick, “The Japanese Economy,” in *The SAGE Handbook of Modern Japanese Studies*, ed. James D. Babb (London: SAGE Publications Ltd, 2015), 8.

⁷ Huffman, *Modern Japan: A History in Documents*, 177.

⁸ Rebick, “The Japanese Economy,” 9.

⁹ Huffman, *Modern Japan: A History in Documents*, 177.

¹⁰ Rebick, “The Japanese Economy,” 10.

¹¹ Huffman, *Modern Japan: A History in Documents*, 177.

¹² Rebick, “The Japanese Economy,” 11.

Japan's National Institute of Population and Social Security Research (IPSS) predicts the proportion of people aged sixty-five years and older in Japan will increase from the current level of 28 percent to 38 percent by 2050.¹³ During this same period, the population is estimated to shrink by nearly 20 percent.¹⁴ These demographic changes were initially accelerated at the turn of the century when postwar baby boomers—born between the late 1940s and early 1950s—first reached age sixty-five. Today, the retirement of Japan's baby boomers is having widespread demographic effects across all prefectures. While the whole of Japan will struggle to grapple with these changes, the IPSS has predicted the bulk of population changes will occur in Japan's metropolitan areas, where working-age individuals currently account for large portions of the overall population.¹⁵ In some rural areas, by contrast, demographic changes may have already peaked, with some agrarian prefectures bracing for a transition to 50 percent senior populations by 2045. This is further complicated by an expected 40 percent decline in overall population in these same prefectures.¹⁶ Already, rural populations in many areas have become too old for effective short-term governmental intervention.

The pressures of negative natural increases in these areas (i.e. deaths exceeding births) also extend to metropolitan areas, as smaller and smaller pools of young people are available for metropolitan areas to poach for work.¹⁷ IPSS modeling projects Tokyo, which has the nation's lowest fertility rate, will maintain its current population growth until 2030 on the basis of interregional migration before joining every other prefecture in population decline.¹⁸ For Japan, the course has effectively been set, as certain demographic realities cannot be remedied in the short term by policies encouraging an increased birth rate alone. While Japan's elderly may be leading increasingly longer, healthier, and more productive lives, there is little doubt their expanding cohort will place significant burdens on pension and medical services, absent wholesale policy reform.

On a macro scale, the worry is that a larger portion of citizens aged over 65 will create a smaller working population. In Japan, the number of workers supporting each retiree has been

¹³ Masataka Nakagawa, "The 'oldest old' Japan is aging faster than we think," *East Asia Forum Quarterly*, (July-September, 2019): 26.

¹⁴ Nakagawa, "The 'oldest old,'" 26.

¹⁵ Nakagawa, "The 'oldest old,'" 26.

¹⁶ Nakagawa, "The 'oldest old,'" 26.

¹⁷ Nakagawa, "The 'oldest old,'" 26.

¹⁸ Nakagawa, "The 'oldest old,'" 27.

shrinking significantly. Whereas in 1950 there were ten workers for each retiree, in 2000 there were only 3.6. By 2025, the proportion is expected to dip to 1.9.¹⁹ Additionally, a smaller workforce might mean a lower level of demand in the economy, which in turn impacts inflation, which then affects interest rates. As interest rates become neutral, or even lower than that, politicians will be constrained in their monetary policy options when facing economic downturns and recessions, and they won't be able to rely on the usual tools of raising and lowering interest rates.²⁰ This phenomenon, sometimes referred to as Japanification,²¹ is not isolated to Japan, as similar demographic changes will, and already are, impact other postindustrial societies. Japan is just the farthest along so far. The country's declining fertility rate has long worried lawmakers and economists. By 2003, the average number of children a woman would bear dropped from 1947's high of 4.3 to just 1.29.²² Today, the number hovers around 1.5, well below the fertility rate of 2.07 that would be needed to maintain Japan's current population.²³ Ultimately, the demands of Japan's modern work culture have presented the greatest challenges to women in achieving a work-life balance conducive to childbearing.

Japanese Women in the Workforce

Between 1970 and 2010, the mean age of married women in Japan increased from 24.2 to 28.8, making Japan one of the latest-marrying nations globally.²⁴ For many Japanese women, getting married and starting a family is no longer the default, as changing social norms and greater economic freedoms see many opt to delay or even forego childbearing and marriage.²⁵ For the most part, Japanese men, like their global counterparts, do not help alleviate the pressure of childbearing. In households with dual earners, women are often forced to choose between furthering a personal career and starting a family. By global standards, Japan placed 120th in the World Economic Forum's Global Gender Gap Report for 2021, with a new estimation that it will

¹⁹ Jeff Kingston, *Critical Issues in Contemporary Japan* (Milton: Routledge, 2019), 185.

²⁰ Brendan Greeley, "Why US Economists are Obsessed with 'Japanification,'" *Financial Times*, February 3, 2020.

²¹ See, Brendan Greeley, "Why US Economists are Obsessed with 'Japanification,'" *Financial Times*, February 3, 2020.

²² Kingston, *Critical Issues in Contemporary Japan*, 185.

²³ Kingston, *Critical Issues in Contemporary Japan*, 186.

²⁴ Setsuya Fukuda, "The Changing Role of Women's Earnings in Marriage Formation in Japan," *SAGE Journals*, (January 2013): 107.

²⁵ Kingston, *Critical Issues in Contemporary Japan*, 186.

take 136.5 years to close the gender gap at the current level of policy programming.²⁶ While the Japanese government has begun to work with companies to implement mother-friendly policies to support women continuing their careers in motherhood, it has often done so at the cosmetic or theoretical level only.²⁷ In practice, meaningful corporate reforms have been slow-going and accompanied by few government incentives.

For dual-income families, finding adequate childcare remains a sizable challenge.²⁸ The waitlists for entrance into public day-care facilities often exceed 25,000 individuals, with urban centers seeing the greatest demand. Alternative private options are usually expensive and are often seen as inferior to public programs. The result has been that 62 percent of working mothers drop out of the workforce upon having their first child, even though they may take up to a year of partially paid leave.²⁹ Once out of the workforce, it is difficult for many Japanese mothers to reenter, as the corporate system emphasizes continued tenure and limits mid-career opportunities. For those that do manage to reenter, drops in pay and position are common.³⁰ As one might expect then, government studies have shown these disparities positively correlate individuals' likelihood of marriage and childbearing with their income level. Of those making less than ¥3 million in their 20s and 30s, only 8 to 10 percent were married. Those above this threshold in the same age group married at proportions between 25 and 40 percent, with the proportion increasing with income level.³¹

While many of the issues fertility rate declines present will require long-term planning and problem solving, their gradual and predictable nature does provide hope for sound management—if meaningful action is taken swiftly. While the situation is undoubtedly serious, it has been on the government's radar since the 1980s, and as such, policy programming has adjusted to begin meeting the issues a graying Japan faces. With more targeted policy programming in expanding social services, lessening barriers to childcare, and providing flexible security across regular and nonregular work, the government can support Japanese women in whatever decisions they make

²⁶ World Economic Forum, *Global Gender Gap Insight Report 2021* (Cologney: World Economic Forum, March 2021), 233.

²⁷ Setsuya, "The Changing Role of Women's Earnings in Marriage Formation in Japan," 108.

²⁸ Kingston, *Critical Issues in Contemporary Japan*, 186.

²⁹ Kingston, *Critical Issues in Contemporary Japan*, 187.

³⁰ Setsuya, "The Changing Role of Women's Earnings in Marriage Formation in Japan," 115.

³¹ Kingston, *Critical Issues in Contemporary Japan*, 187.

in marriage, childbearing, and their careers.³² In addition to wider immigration programming, the activation of women in the workforce will prove integral to stemming the tide of demographic change.

The Challenges of Eldercare

Before women can more successfully participate in the workforce, however, the consistent socio-economic and gendered strain of eldercare must also be addressed. In the presence of various social and cultural factors, more than 90 percent of Japanese citizens aged sixty-five and older want and choose to live independently at home and not participate in assisted-living institutions.³³ Instead, because of many of the same socio-cultural expectations, female relatives account for 85 percent of elder caregivers.³⁴ The problem today is that more than half of these female caregivers are now over the age of sixty themselves, nearing a time when they may also require assistance. To meet these demographic challenges, broader policy programming actions will be required. In 2019, just over 2 percent of Japan's population was composed of foreign residents, but in the face of acute labor shortages, an amended Immigration Act for 2019 was approved in the Diet, adding new visa categories and qualifications for foreign workers in fourteen sectors—most notably in eldercare.³⁵ Like many other postindustrial societies, the demanding nature of eldercare, combined with macro-demographic changes, has led Japan to increased outsourcing and globalization of the eldercare industry. Relatively unique to Japan, however, are the stringent challenges and barriers to the successful recruitment and long-term retainment of eldercare workers. Facing a shortage of more than 400,000 caregivers, Japan has turned to limited engagement through Economic Partnership Agreements with Southeast Asian countries (like the Philippines, Indonesia, and Vietnam) to recruit up to 1,000 eldercare workers per country for contracts of three to four years.³⁶ Even in limited numbers, these workers remain controversial among jingoists. Troublingly, the United Nations predicts Southeast Asia will soon face its own demographic aging as fertility rates begin to crater.³⁷ Along with the globalizing of the care

³² Toshimitsu Shinkawa, "Substitutes for Immigrants? Social Policy Responses to Population Decreases in Japan," SAGE Journals, (January, 2012): 1132-1133.

³³ Kingston, *Critical Issues in Contemporary Japan*, 189.

³⁴ Kingston, *Critical Issues in Contemporary Japan*, 188.

³⁵ Nakagawa, "The 'oldest old,'" 27.

³⁶ Kingston, *Critical Issues in Contemporary Japan*, 188.

³⁷ Nakagawa, "The 'oldest old,'" 27.

industry comes a furthering of historical inequalities, questions of access to eldercare, and the socio-economic implications of a graying world in intra- and inter-regional terms.

Foreign Workers in Japan

Among the greatest domestic issues with foreign care workers have been retaining them in the long term. Language requirements and national exams must be passed to remain in Japan, and visas for three- to four-year contracts can only be renewed a maximum of three times.³⁸ These high barriers to entry and participation, and the looming fear of failing examinations and being sent home after just a few years of work, have severely challenged recruitment efforts. Facing extremely low rates of exam passage in the early 2010s, the government subsidized additional language tutoring for caregiver candidates, and by 2017, some 65,574 caregivers had gained certification.³⁹ However, these rates of certification fall far below the government's care worker shortage projection, which is estimated to reach 380,000 by 2025.⁴⁰ While families and individuals may have socio-cultural reservations about the reliance on foreign workers to care for their loved ones, the reality remains that shortages are abundant and the demand for care will continue to grow. For the government's part, its ad-hoc, piecemeal, and incremental approach to long-term eldercare solutions is unsustainable. Summarized by its disposition toward sending overqualified nurses home for exam failures rather than redoubling investment in them, the government has displayed a disconnect with the needs of individuals and communities. For meaningful change, policy programming for eldercare must evolve quickly, or soon the elderly will be caring for their seniors.

Beyond just eldercare, the issue of wider immigration—to stem impending labor shortages and stabilize the tax base—remains even more controversial. Born both from nativist reservations and fears of exploitation and human rights abuses, Japanese immigration reform has remained a hot-button issue among lawmakers. While the Heisei era (平成 1989–2019) saw the number of foreign residents in Japan double—from 1.1 to 2.3 million—they remain only some 2 percent of Japan's population.⁴¹ In the face of a shrinking workforce and an inversion of the pension payment pyramid, corporate and government solvency will largely depend on Japan's

³⁸ Kingston, *Critical Issues in Contemporary Japan*, 189.

³⁹ Kingston, *Critical Issues in Contemporary Japan*, 190.

⁴⁰ Kingston, *Critical Issues in Contemporary Japan*, 190.

⁴¹ Nakagawa, "The 'oldest old,'" 27.

ability to sustain its workforce. For skeptics who want to preserve ethnic homogeneity, the reality that the country would likely require 381,000 immigrants a year to stabilize its population and social insurance schemes is unfathomable.⁴² Instead, the Japanese government has sought to use narrowly targeted visa revisions across twenty-seven categories to allow for temporary work and residency in specific fields.⁴³ These revisions were followed in 2019 with new five-year visa categories for some semi-skilled and unskilled workers, allowing for 345,000 laborers in specific fields to migrate to Japan between 2019 and 2024.⁴⁴ While shy of the more than 1.9 million immigrants UN projections predict Japan would need in the same five-year time frame, the change is a welcomed start for many.

Conclusion

While much official discourse has been skeptical of immigration, and almost a third of Japanese survey respondents fear increased immigration will bring crime and social service strains to their country,⁴⁵ many more Japanese citizens are thankful for the contributions of foreigners. This is not to say that immigration to and residency in Japan are easy today, as those who do achieve residency are often still relegated to the periphery of Japanese society.⁴⁶ While government programming seems to be thawing to the idea of slowly increasing immigration, as one component of a greater policy solution, it is important to distinguish between what kinds of immigration government programming prefers. Attention has increasingly been devoted to reforming the immigration and certification systems for eldercare-designated immigrants, but the Ministry of Justice broadly continues to favor skilled over unskilled migrants.⁴⁷ Additionally, the requisites of language fluency and national examination requirements continue to advantage the educated foreign elites with opportunities to study in Japan for residency.⁴⁸ Even in the face of automation and technological innovation, the future of Japan's social service schemes, manufacturing sector, and government revenues will depend on more substantial and less technocratically defined

⁴² James F. Hollifield and Michael Sharpe, "Japan as an Emerging Migration State," *International Relations of the Asia-Pacific* 17, no. 3 (September 2017): 374.

⁴³ Gabrielle Vogt, "Foreign Workers in Japan," in *The SAGE Handbook of Modern Japanese Studies*, ed. James D. Babb (London: SAGE Publications Ltd, 2015), 6.

⁴⁴ Menju Toshihiro, "Japan's Historic Immigration Reform: A Work in Progress," *Nippon*, February 6, 2019.

⁴⁵ See Prime Minister Office Poll (2004), in Kingston, *Critical Issues in Contemporary Japan*, 194.

⁴⁶ Vogt, "Foreign Workers in Japan," 6.

⁴⁷ Vogt, "Foreign Workers in Japan," 3.

⁴⁸ Vogt, "Foreign Workers in Japan," 6.

immigration. At its current trend, immigration will not substantially alter the course of labor shortages, consumption lulls, fertility declines, and issues of social insurance solvency in Japan. Until the political climate is more conducive to greater immigration allowances, policymakers must look elsewhere in the short term.

In a globalized world, the international division of labor has necessitated a willingness for states to think and act as part of an economic system that extends beyond physical borders. While many states leaned toward this tendency because of the wealth it offers, far fewer have pursued the logical conclusion that globalization also encourages the freer movement of people. In the absence of more liberal immigration policies, Japan has sought to restrict, limit, and specify immigration while simultaneously facing monumental demographic changes it has been working to rectify since the 1980s. While the greater activation and empowerment of women and allowance of foreign workers in the eldercare sector may help to blunt the woes of labor shortages, they are only a drop in the bucket against the sea of looming demographic change. While the predictability of these changes should dispel scaremongering headlines, their long-term implications remain a real challenge to Japan's socio-economic fabric. Japan is far from alone when it comes to jingoistic discourse surrounding domestic immigration debates. For a globalized world that is increasingly heckled by reactionary nationalisms, the destabilizing demographic changes wrought by 'Japanification' should serve as a warning to naïve political skeptics. In Japan and beyond, turning inward in an outward-looking system will only hamper progress. Without the help of immigrants in the face of demographic changes, the resiliency of postindustrial state institutions—and the elderly populations they are designed to protect—may not endure the test of time.

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