

**DECLINING FERTILITY RATES IN JAPAN:
AN AGEING CRISIS AHEAD**

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EAI Background Brief No. 433

Date of Publication: 26 February 2009

Executive Summary

1. Japan is facing a looming demographic crisis due to declining fertility rates coupled with rising longevity. By 2007, 21.5 percent of the Japanese population was over 65 years old; by 2055, it is projected to be 40.5 percent.
2. The average life expectancy for Japanese women and men in 2007 was 86 and 79 years, respectively; it is projected to increase to 90 and 84 years by 2055. The total fertility rate dipped from 2.13 in 1970 to 1.34 in 2007.
3. By 2010, there will be fewer than three workers supporting a retiree; by 2025, the estimated ratio is two workers for every aged dependent member. Moreover, the population of Japan will shrink from 127.77 million in 2007 to 95.15 million in 2050.
4. In 2006, the percentage of Japanese workers in the manufacturing sector was 18.7 percent. The contribution of manufacturing to Japan's GDP has been fairly constant around 23 percent over the past decade and a half.
5. Although Japan has been quite successful thus far in keeping manufacturing as the key component and dynamo of its economy, it will increasingly face difficulties in retaining its substantial manufacturing base (which underpins its export-led growth and status as an economic giant), given the inexorable shrinking of its workforce.
6. Conceivably, Tokyo will exercise less clout in global and regional affairs in the years ahead if its economic and demographic weight continues to diminish unabatedly, especially against the backdrop of a rising China.
7. Acutely aware of the ageing problem, the ruling Liberal Democratic Party (LDP) is nevertheless facing an unenviable challenge. Voters demand greater medical benefits for the old and worry about the insolvency of the pension system, but are reluctant to pay more taxes to fund social security. The LDP is

afraid to raise the consumption tax, which will incur the wrath of voters, and lose the forthcoming 2009 Lower House Election.

8. The values of Japanese women have also changed notwithstanding the attempts of the government to persuade them to produce more babies. The more educated a woman is, the later she marries and has a child. The mean age of first marriage for Japanese women in 2007 was 28.3 years old up from 24.2 in 1970.
9. More than 30 percent of Japanese women over 30 years old remain unmarried. Presumably, some cannot find a spouse who can match their expectations; others do not find the life of a housewife raising babies with an absentee husband (whose life and soul are pledged to the corporation) to be an attractive lifestyle choice.
10. The solution to Japan's ageing crisis appears quite straight forward but difficult to implement: boost the immigration of young workers; encourage state, society and corporations to be more supportive of working mothers; significantly increase the participation of women and the elderly in the workforce; reform the pension system; and raise the consumption tax to pay for social security benefits.
11. In the October-December 2008 period, Japan's exports fell 13.9 percent from the previous quarter, the sharpest drop ever since 1975, plunging its export-dependent economy into recession. The Japanese economy thus needs to depend more on domestic demand, especially domestic consumption, but Japan's ageing population is cutting back on spending, in part, due to widespread distrust of the pension system.

DECLINING FERTILITY RATES IN JAPAN: AN AGEING CRISIS AHEAD

LAM Peng Er*

Japan's falling fertility rates

- 1.1 Japan has the most rapid and serious ageing problem in the world due to declining fertility rates coupled with rising longevity (See Appendix One).¹ By 2007, 21.5 percent of the Japanese population was over 65 years old; by 2055, it is projected to be 40.5 percent.²
- 1.2 The average life expectancy for Japanese women and men in 2007 was 86 and 79 years, respectively;³ it is projected to increase to 90 and 84 years by 2055.⁴ The total fertility rate (TFR) dipped from 2.13 in 1970 to 1.34 in 2007 (way below the replacement rate of 2.1).⁵
- 1.3 Japan is a rich country with a generous social security system and high individual savings. Retirees today can expect a fairly comfortable life in their

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¹ Floria Coulmas argues that Japan is rapidly moving in the direction of a “hyperaged society” in which those 65 or older account for 25 percent of the population. See Floria Coulmas, *Population Decline and Aging in Japan: The Social Consequences* (London: Routledge, 2007). Paul Hewitt also used the term “hyper-aging” society to describe Japan. See Paul S. Hewitt, “The Grey Roots of Japan’s Crisis”, in Woodrow Wilson Center, *Asia Program Special Report*, No.107, January 2003, p.4.

² Ryuichi Kaneko *et.al.*, “Population projections for Japan: 2006-2055: Outline of results, methods, and assumptions”, *Japanese Journal of Population*, Vol.6, No.1, March 2008, p.84.

³ Statistical Bureau, Ministry of Internal Affairs and Communications, *2008 Statistical Handbook of Japan*, p.8.

⁴ *2008 White Paper on Ageing Society*.

⁵ Statistical Bureau, Ministry of Internal Affairs and Communications, *2008 Statistical Handbook of Japan*, p.8.

TFR represents the number of children that would be born to a female if she were to live to the end of her child bearing years in accordance with current age-specific fertility rates.

sunset years.⁶ But the nation is facing a looming demographic and fiscal crisis which cannot be resolved easily.⁷

- 1.4 The pension system in Japan obliges the present generation of workers to contribute to a common pool which pays for the benefits of the retirees (Please see Box). This was not a problem during Japan's high growth era when there was a broad based pyramid of young and productive workers supporting the old.
- 1.5 But since the bursting of its "bubble" economy in 1991, the nation has been mired in economic stagnation for a decade. After turning around in 2002 (in part, thanks to rising exports to China's booming domestic market), the Japanese economy is now sinking into recession again in the midst of the current global financial crisis. Against the backdrop of a slowing economy, social security costs (especially pensions and medical care) will rise when there are proportionately more old people in retirement and tax revenue will shrink with fewer younger people at work.⁸

⁶ Gregory J. Kasza writes: "Japan's welfare spending has not been as low as it is often portrayed. Compared to countries at comparable levels of economic development and population age, Japan's spending per capita has not been far from average". See Gregory J. Kasza, *One World of Welfare: Japan in Comparative Perspective* (Ithaca: Cornell University Press, 2006) p.79. However, the Japanese government has been reducing pension benefits to cut cost. Jackson and Nakashima write: "Since the mid-1980s, Japan has enacted four major rounds of cost-cutting public pension reform that have repeatedly reduced per capita benefit levels and raised retirement ages, often with an explicit appeal to 'equity between the generations'". See Richard Jackson and Keisuke Nakashima, "Meeting Japan's Aging Challenge", Keizai Koho Center, *Japan Economic Currents*, No.69, March 2008, p.7.

⁷ Paul Hewitt writes: "[T]he excess of social security outlays over contributions already accounts for almost a quarter of the 2002 budget of 8.6 percent of GDP. The Ministry of Health, Labor and Welfare, meanwhile estimates that age-related spending will grow by 2.5 percent of GDP by 2010, and 10 percent by 2025". See Paul S. Hewitt, "The Grey Roots of Japan's Crisis", in Woodrow Wilson Center, *Asia Program Special Report*, No.107, January 2003, p.6. To put this percentage into perspective, Tokyo spends only one percent of its GDP on defense.

⁸ The *Yomiuri Shimbun* commented on the priority areas of the 2009 budget: "Those priority policy matters will include easing the worsening doctor shortage, addressing the declining birthrate and the aging of society ... The problem lies in handling pending issues that were shelved in the guidelines. Among the most difficult one is the increase in the government's burden resulting from raising the share of the basic pension payment it shoulders from the current level of little more than one-third to 50 percent, starting in fiscal 2009". *Yomiuri Shimbun*, "Fiscal 2009 budget rules fail to address pensions", *Yomiuri Shimbun*, 29 July 2009.

The Statistical Bureau noted: "Total expenditure on social security benefits is increasing annually, thus making a review of benefits and burdens an urgent issue in order to ensure that the social security system is sustainable over the long term. In fiscal 2005, social security benefit expenditures

- 1.6 In the October-December 2008 period, Japan's exports fell 13.9 percent from the previous quarter, the sharpest drop ever since 1975, plunging its export-dependent economy into recession.⁹ The Japanese economy thus needs to depend more on domestic demand, especially domestic consumption, but Japan's ageing population is cutting back on spending, in part, due to widespread distrust of the pension system.¹⁰
- 1.7 In 2000, the aged dependent ratio (number of working people divided by aged dependents) was 3.9 active workers supporting a person 65 and above (Appendix Two). By 2010, there will be fewer than three workers supporting a retiree; by 2025, the estimated ratio is two workers for every aged dependent member.¹¹ There is also the concern that a higher proportion of older workers may result in a loss of vitality for the corporation and nation.¹²

totaled 87.9 trillion yen (up 2.3 percent from the previous fiscal year), a figure which amounted to 688,100 yen per person. The proportion of Japan's social security expenditure to national income registered 23.9 percent. Benefits for the aged accounted for approximately 70 percent of total social security benefit expenditures". *Statistical Bureau Handbook of Japan 2008*, p.2.

⁹ The media reported: "The economy will shrink by an average annualized rate of 4.1 percent in fiscal 2009 after shrinking by an expected 2.9 percent in fiscal 2009. ... Most think tanks believe exports will continue to drop sharply amid the global economic downturn and the economy will drop deeper into a vicious circle in which consumer spending falls in step with corporate cutbacks in production, workforces and wages". See "Real GDP to shrink 4.1% in 2009: poll", *Japan Times*, 21 February 2009. See also "GDP slide worst since 1974, new steps eyed", *Asahi Shimbun*, 17 February 2009.

¹⁰ According to the media: " 'Japan is so dependent on exports that when overseas markets slow down, Japan's economy teeters on collapse', said Hideo Kumano, an economist at the Dai-ichi Life research Institute. 'On the surface, Japan looked like it had recovered from its Lost Decade of the 1990s, but Japan in fact entered a second Lost Decade --- that of lost consumption'. ... Japan's aging population is not helping consumption. Businesses had hoped that baby boomers --- the generation that reaped the benefits of Japan's postwar breakneck economic growth --- would splurge their lifetime savings upon retirement, which began en masse in 2007. But that has not happened at the scale that companies had hoped. Economists blame this slow spending on widespread distrust of Japan's pension system, which is buckling under the weight of one of the world's most rapidly aging societies". See "When consumers cut back: A lesson from Japan", *International Herald Tribune*, 22 February 2009.

¹¹ Chikako Usui, "Japan's Aging Dilemma?", in Woodrow Wilson Center, *Asia Program Special Report*, No.107, January 2003, p.16.

¹² David Horlacher writes: "As public policies lengthen the working lives of the elderly, the career opportunities for young people are diminished. The creativity, energy and vitality that young people bring to the workplace may be reduced or lost altogether". David. E. Horlacher, "Aging in Japan: Causes and Consequences: Part III --- the Elderly", International Institute for Applied Systems Analysis, January 2002, p.1.

- 1.8 If this trend of fewer younger workers supporting more retirees were to persist, Japan will be confronted increasingly by economic and ageing-related political problems. Indeed, the country will shrink from 127.77 million in 2007 to 95.15 million in 2050.¹³ With a smaller population base and a bigger percentage of retirees, Japan's GDP will decline concomitantly unless there is a significant rise in productivity.¹⁴
- 1.9 According to the Health and Labor Ministry, the number of centenarians has more than doubled over the past six years to about 36,000. This number is anticipated to rise sharply to nearly 1 million by 2050.¹⁵ Ironically, their caregivers are often their children in their late seventies, some of whom may require assistance themselves.

Fewer Young workers: Negative impact on manufacturing sector

- 2.1 In 2006, the percentage of Japanese workers in the manufacturing sector was 18.7 percent (See Appendix Three). The contribution of manufacturing to Japan's GDP was fairly constant in the past decade and a half: 22.4 percent in 1993; 22.9 percent in 2003; and approximately 23 percent in 2006.¹⁶
- 2.2 In this regard, the country has been quite successful thus far in maintaining manufacturing as the key component and dynamo of its economy. But as its ageing problem accelerates, Japan will face difficulties in maintaining its substantial manufacturing base which underpins its export-led growth and status as an economic giant.

¹³ Estimates by the Health, Labor and Welfare Ministry. *Japan Times*, 28 January 2007.

¹⁴ Jackson and Nakshima write: "Even if Japan were to raise the retirement age into the mid-seventies, it wouldn't be enough to keep the labor force from shrinking and economic growth from slowing. Higher levels of immigration would certainly help. But it is doubtful that Japan will be willing to accept the social and cultural changes that large scale immigration would bring". Richard Jackson and Keisuke Nakashima, "Meeting Japan's Ageing Challenge", Keizai Koho Center, *Japan Economic Currents*, No.69, March 2008, p.9.

¹⁵ "Japan's over-70 population hits record high", *Daily Yomiuri Online*, 14 September 2008.

¹⁶ Asahi Shimbun, *Japan Almanac 2006*, p.102 and *Statistical Handbook of Japan 2008*, "Economy", p.9.

- 2.3 Unless Japan is prepared to accept skilled foreign workers and young migrants in significant numbers, its industrial base will gradually shrink because the manufacturing sector requires workers who are predominantly not old. Simply put, Japan faces the specter of an ageing workforce inadequate to man its factories.
- 2.4 The Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry of Japan notes: “Manufacturing is the main driving force of Japan’s economic growth, as it accounts for approximately 20% of GDP, and approximately 90% of R&D investment of all private companies. In the meantime, the sector is facing major structural changes such as the development of the international specialization brought on by globalization, increases in both environmental and resource constraints, and the rapid progress of declining birth rates and an aging population”.¹⁷

Ageing Japan: Dimming prospects as a great power?

- 3.1 Presumably, Tokyo will exercise less clout in global and regional affairs in the years ahead if its economic and demographic weight diminishes unabatedly, especially against the backdrop of a rising China. The Chinese mainland will become the world’s largest economy with a population size projected to rise from 1.3 billion in 2007 to 1.4 billion by 2050.¹⁸ In contrast, Japan will no longer be a great economic and political power in the long run.
- 3.2 Less financial resources are therefore available to sustain its Official Developmental Assistance (ODA) to developing countries, a postwar Japanese foreign policy where the ODA carrot rather than military stick is preferred. Tokyo will have less material benefits to offer to third world states in its quest for a permanent seat in the United Nations Security Council.

¹⁷ Manufacturing Industries Bureau, “Manufacturing industries: Our socioeconomic foundation”. <http://www.meti.go.jp/english/aboutmeti/data/aOrganizatione/2007/05_manufacturing_in...> (Accessed: 16 December 2008).

¹⁸ Population Reference Bureau, “China”. <<http://www.prb.org/Countries/China.aspx>> (Accessed: 20 October 2008).

- 3.3 According to the projections of the US National Intelligence Council (NIC), Japan, by 2025, will be merely an “upper middle rank” power due to the nation’s demographic decline and ageing industrial base.¹⁹ The report also predicts that the Japanese will have “difficulty overcoming their reluctance to naturalize foreigners”.²⁰ The NIC also anticipates that the country’s shrinking work force and cultural aversion to substantial immigrant labor will put a major strain on Japan’s social services and tax revenues.
- 3.4 Acutely aware of the ageing problem, the ruling Liberal Democratic Party (LDP) is nevertheless facing an unenviable challenge. Voters demand greater medical benefits for the old and worry about the insolvency of the pension system, but are reluctant to pay more taxes to fund social security. The LDP is afraid to raise the consumption tax, which will incur the wrath of voters, and lose the forthcoming 2009 Lower House Election.
- 3.5 The pension system is also in deep trouble. Many younger workers are refusing to pay their premiums because they fear that the system will become insolvent by the time of their retirement. There was also cynicism and disgust among many when some ministers in the Koizumi Administration and leaders of the opposition were found not to have contributed to the pension fund.
- 3.6 In fiscal 2009, the government will raise its contributions from one third to half of pension payouts. Cumulatively, more money to social security will aggravate the public debt which has already exceeded 170 percent GDP, the highest among the developed countries. It will only worsen if public funds for pensions and medical care for the aged were to escalate without a rise in the consumption tax.

¹⁹ National Intelligence Council, *Global Trends 2025: A Transformed World*, November 2008, p.33.

²⁰ *Ibid.*, p.33.

Government policies, party manifestos and the ageing dilemma

- 4.1 The Cabinet Office's Gender Equality Bureau spearheads policies to make it more attractive for women to have a better life balance between career and childbirth. In 1999, the state promulgated a Basic Law on Gender Equality to set the legal framework and norms to encourage working women to have more children but it is essentially a toothless law. There is neither compulsion nor penalties against corporations which do not abide by the norms of gender equality.²¹
- 4.2 The Gender Equality Bureau's Annual White Paper tracks the progress of Japanese women in various sectors such as politics, administration and business, and also exhorts companies and men to support the participation of women in all areas of state and society. But social norms indicate otherwise. According to the 2008 White Paper's survey, the percentage of Japanese men and women who rejected the statement "husband should work outside while the wife protects the home" were only 46.2 percent and 56.9 percent respectively --- considerably lower than those in the US, Germany and Sweden (Appendix Four).²²
- 4.3 The 2008 White Paper on Gender Equality also revealed the negligible role of Japanese men in child rearing which may discourage some women from marrying. Japanese men spend an average of only thirty minutes each day to assist in childcare below five years old --- comparatively low by international standards (Appendix Five).

²¹ The Japanese parliament passed an Equal Employment Opportunity Law in 1986 but it was also toothless. Yuki Huen writes: "The Basic Law for a Gender-Equal Society and the Measures taken by the government so far still fall short from enforcing gender equality and do not affirm equality as a human right". See Yuki W. P. Huen, "Policy Response to Declining Birth Rate in Japan: Formation of a "Gender-Equal" Society, *East Asia: An International Quarterly*, October 2007, p.365.

²² Naikakufu danjo kyodo sankaku kyoku [Cabinet Office's Gender Equality Bureau], *Danjo kyodo sankaku shakai no jitsugen o mezashite* [Aiming to realize a society of gender cooperative participation], 2008 White Paper.

- 4.4 There is little the government can do beyond the exhortations to treat women fairly and create a more conducive environment for a lifestyle balance between career and child rearing. Husbands are expected to spend long hours at their workplaces and not take paternity leave even though it is granted by law. The childcare leave utilization rate by Japanese women was 72.3 percent for women in 2005 but only 0.5 percent for their husbands.²³
- 4.5 Therefore, the impediment to Japanese women producing more babies is neither a lack of governmental interest nor legislation for paternal and maternal leave, but the corporate and social norms which make it difficult for women to keep their career on track after childbirth and husbands to support their wives in child rearing.²⁴
- 4.6 The Annual White Papers of the Ministry of Health and Labor also stresses the importance of building more child care centers to assist working mothers.²⁵ According to the media: “One key for the nation amid the declining birthrate is to secure a larger female work force without discouraging women from having children. But this is difficult without sufficient access to child-care facilities. Statistics show that about 260,000 children are potentially waiting to enter such nurseries in Tokyo and surrounding areas, with nearly 1 million children waiting nationwide”.²⁶ However, such facilities require public subsidies and building more child care centers will worsen the fiscal deficit of the state.

²³ Cabinet Office, *White Paper on Gender Equality 2007*, p.16.

²⁴ Yuki Huen notes: “Delaying marriage and reluctance to have babies has been understood as women’s resistance to the unfriendly social policy for them to harmonize work and family life”. See Yuki W. P. Huen, “Policy Response to Declining Birth Rate in Japan: Formation of a “Gender-Equal” Society, *East Asia: An International Quarterly*, October 2007, p.365.

²⁵ See, for example, *Kosei rodo hakusho 2007* [Ministry of Health and Labor White Paper 2007], chapter 2, “shokoka no nagare o kaeru tame no saranaru tsugi seidai ikusei shien taisaku no tenkai”. [The development of counter measures to support the nurturing of the next generation and the changing of the trend of fewer children].

²⁶ “Allergy to reform may be Japan’s Achilles’ heel”, *Nikkei Weekly*, 13 October 2008.

- 4.7 Since the advent of the Koizumi Administration, a female State Minister for Gender Equality and Births has been appointed to encourage women to have more babies. Unfortunately, these female ministers are, thus far, political lightweights with little bureaucratic experience and like most ministers in Japan do not stay long in office to make a mark on policies. There is more than a whiff of suspicion that these female ministers are there more for public relations and to garner the support of female voters than to shape public policy towards reducing the baby deficit in Japan.
- 4.8 Inoguchi Kuniko, the first Minister of State for Gender Equality and Births, was a first term Lower House member who won election riding the coat tails of then Prime Minister Koizumi Junichiro in 2006.²⁷ The present Minister of Gender Equality Obuchi Yuko, who inherited the electoral seat of her father and former Prime Minister Obuchi Keizo, is a political novice aged 35. Her only credentials are political pedigree, quite photogenic and mother to a young child.
- 4.9 Aso Taro identified low birth rates as a serious problem facing the nation at his first press conference as Prime Minister.²⁸ But after coming to power, there were always more immediate and pressing political problems --- both domestic and international --- confronting the Prime Minister. Demographic decline appears to be a slow motion crisis for Japan to be played out over

²⁷ When Inoguchi Kuniko was State Minister on Gender Equality, she advocated more spending on child-rearing support. The press reported: "The government is proposing a budget of 1.71 trillion yen for such support, up from 1.52 trillion yen in fiscal 2006. The money will be used to boost nursery school use by 45,000 children and raise the monthly allowance for women on maternity leave to 50 percent of salary instead of 40 percent". See "Women expect to keep working, excel", *Japan Times*, 4 January 2008. Inoguchi Kuniko also advocated companies to allow men to spend more time at home and help women return to work after giving birth. See "Japan to tell its workers: take time off --- for the sake of the nation", *Guardian*, 17 January 2006. But Japanese corporate and male attitudes and behavior are difficult to change.

²⁸ The media reported: "Aso gave his first news conference Monday afternoon, where he explained why a focus on fiscal spending versus raising consumption tax is necessary to help boost the country's ailing economy. Aso said he had travelled around Japan from September 2007 to July 2008 when he was not holding a major government post. During his travels, Aso observed that the country was slipping into recession and also faced an aging society and low birthrate". "Aso says raising consumption tax will not aid Japan's economy", *Channel News Asia*, 22 September 2008.

many years while issues of political survival for the Prime Minister and the LDP take immediate precedence.

- 4.10 The main opposition Democratic Party of Japan (DPJ) is placing pressure on the ruling LDP by promising populist measures to boost the birth rate of the nation. Hoping to displace the LDP in the forthcoming Lower House Election, a key feature of the opposition party's manifesto is the proposal that a DPJ-led government will provide a per capita child allowance of 26,000 yen per month until the child graduates from junior high school.²⁹
- 4.11 The ruling party has also highlighted its pro-birth policies including a system to cover childbirth costs with public funds beginning fiscal year 2009, without requiring pregnant women to pay hospitals for deliveries.³⁰ The government also plans to bear the cost of all 14 necessary prenatal checkups when the current entitlement is five free prenatal examinations. However, both ruling and opposition parties have not explained how they are going to rein in the nation's fiscal deficit while boosting support for child care measures.

²⁹ Democratic Party of Japan, "Manifesto: The Democratic Party of Japan's Platform for Government --- Putting People's Lives First", 2007, p.10.

³⁰ Jiminto [LDP], "kosodate shien: rodo mappu" [Assistance for child rearing: A road map], 2007, p.2.

<http://www.jimin/jimin/2007_seisaku/kosodate/index/html> (Accessed: 29 July 2008). This document also proposed greater assistance in the areas of child care centers, child rearing consultation by telephone or appointments with specialists, paternity leave, infertility assistance, and the reduction of medical fees for infants.

Under the current system, all Japanese mothers receive a lump sum of 350,000 yen from health insurance societies or other public medical insurance plan but they must pay for all the delivery costs first. The *Yomiuri Shimbun* reported: "Amid a recent trend in which pregnant women prefer to give birth in large well-equipped hospitals in major cities due to stronger safety concerns and other reasons, it is said that a delivery costs between 450,000 yen to 500,000 yen on average in the Tokyo metropolitan area. While these women can receive the 350,000 yen lump sum after delivery, some experts say the temporary financial burden becomes a source of psychological distress and contributes to a decline in births". See "Government may pay hospitals for baby delivery", *Daily Yomiuri Online*, 3 November 2008.

Ageing and pension reforms

- 5.1 Pension reform is a more pressing and thorny political issue than boosting low birth rates for the ruling party.³¹ Indeed, voters have punished the LDP at the polls for mismanaging the pension system. Then Prime Minister Abe Shinzo was defeated at the 2007 Upper House Elections primarily due to his lackadaisical attitude towards the Social Insurance Agency's (SLA) failure to account for 49 million missing pension entries.
- 5.2 Since that electoral defeat, the Japanese political system has been facing a gridlock: legislation passed by the LDP-controlled Lower House can now be held up and vetoed by the opposition-controlled Upper House. Although the ruling party can presently override the veto from the Upper House with its two thirds majority in the Lower House, it will be unable to do so when it is widely anticipated that the LDP will lose its two thirds majority in the next Lower House Election. And the pension problem is likely to be a key issue for voters in that forthcoming election.
- 5.3 Just like Abe, then Prime Minister Fukuda quit barely a year in office. His popularity plunged after his administration raised the medical premiums of old people aged 75 and beyond.³² With a Lower House Election looming around the corner, Prime Minister Aso Taro backtracked and promised to "review" the premium for the medical insurance of the aged without making any decisions yet to revoke or modify it.³³ To secure the "silver" votes, the LDP's

³¹ For a useful survey of the Japanese pension system, see Chia Ngee Choon, Yukinobu Kitamura and Albert Tsui K.C., "The pension system in Japan and retirement needs of the Japanese elderly" in Lee Hock Guan (ed.), *Ageing in Southeast and East Asia: Family, Social Protection and Policy Challenges* (Singapore: Institute of Southeast Asian Studies, 2008) pp.1-21. Ichiko Fuyuno, "Ageing Society in Japan", British Embassy, Tokyo, August 2007.

³² The media noted about Fukuda: "His popularity plunged after he raised medical costs for the elderly, whose growing number is badly straining public finances". See "Conservative Aso wins nod as Japan's next PM", AFP, 22 September 2008.

³³ "Ruling parties agree to revise medical care for over-75s", *Daily Yomiuri Online*, 24 September 2008.

The same newspaper opined: "But merely parroting the vague slogan 'review' without offering a clear vision can only be seen as a vote-catching gambit ahead of the forthcoming general election. ... A long-range outlook is needed for reform of the social security system, including medical care for

manifesto promises that it will not change the system whereby those aged 75 and above do not have to pay more than 10 percent of their medical bill.³⁴

5.4 Japan is rocked by another pension scandal when it was revealed that the SLA has colluded with employers to falsify the contribution records of many employees so that the latter will receive less pension benefits. Apparently, SLA staff believed that a lower contribution burden on employers would encourage them to join the pension scheme and make the SLA look good by attaining a higher compliance rate of employer participation. The SLA revealed that there have been 69,000 cases of suspected falsification by its staff of workers' monthly income used to calculate their pensions.³⁵

5.5 When Fukuda was Prime Minister, he hinted that the consumption tax must be raised, in part, to pay for escalating social security costs.³⁶ Minister of Economic and Fiscal Policy Yoshino Kaoru has advocated the hiking of the consumption tax as necessary to reconstruct the nation's debt ridden fiscal structure. Moreover, the Nippon Keidanren has called for the doubling of the consumption tax to 10 percent by 2011 and funding the country's pension system with tax revenues.³⁷

elderly people. If the government and ruling parties run about in confusion every time an election approaches, public anxiety and dissatisfaction will mount". *Daily Yomiuri Online*, 28 September 2008.

³⁴ Jiminto [LDP], "Nanajugo sai kara no iryo seido" [The medical system from 75 years]. <http://www.jimin/jimin/2008_seisaku/koureisha/index.html> (Accessed: 29 July 2008).

³⁵ See *Nikkei Weekly*, 13 October 2008, p.24. The *Yomiuri Shimbun* believes that the falsification of pension records is probably just the tip of the iceberg. See "Pension revelation tip of iceberg: SLA survey suggests falsification of pension premium records rampant". *Daily Yomiuri Online*, 11 September 2008.

³⁶ The press reported: "Fukuda hints at the possibility of raising the consumption tax in two or three years, and also says the government intends to quickly work out a package of measures in the medical and social security areas". See *Nikkei Weekly*, 7 July 2008.

³⁷ "Keidanren to push for 10 percent sales tax", *Japan Times*, 14 September 2008. The same article notes: "Social security costs are expected to grow sharply in the coming years, partly due to the scheduled jump in the state's burden for funding the basic pension plan from the current one-third to 50 percent in fiscal 2009. The government sets aside 7.4 trillion yen a year to fund one-third of annual outlays, with the remainder financed by pension premiums collected from taxpayers".

- 5.6 In November 2008, the National Council on Social Security led by Professor Yoshikawa Hiroshi of Tokyo University proposed that significant additional revenue must be raised to strengthen the social security system. The governmental advisory panel proposed that the consumption tax be hiked from the current 5 percent to 11 percent in 2015 and 18 percent in 2025 if the system were to be covered by tax alone.³⁸ But the ruling party is afraid to raise the consumption tax now and be thrown out of office by angry voters.³⁹
- 5.7 While the ruling party seeks to address the twin problems of falling birth rates and rising social costs of the elderly, it has also irritated the electorate by the gaffes of its ministers. Former Health Minister Yanagisawa Hakuo of the Abe Administration offended many by calling women “child bearing machines” even while urging them to produce more babies.⁴⁰ Then Foreign Minister Aso Taro also infuriated many when he inappropriately said that even those suffering from Alzheimer’s disease can tell that the taste of Japanese rice is superior.

Social, cultural and corporate impediments to higher TFR

- 6.1 The Japanese government may exhort, build more child care centers, provide more financial and material incentives for women to have babies, and legislate

³⁸ “Panel tallies cost of improving social security”, *Daily Yomiuri Online*, 5 November 2008.

³⁹ In the wake of the global financial crisis, Prime Minister Aso was keener to push for an additional economic stimulus package than to adopt the recommendations by the National Council on Social Security to hike the consumption tax. See the *Yomiuri Shimbun*’s editorial: “Find political will for social security reform”, *Daily Yomiuri Online*, 5 November 2008. In another editorial, the *Yomiuri Shimbun* wrote: “According to projections by the National Council on Social Security, more than 10 trillion in public funding will be needed annually for improving health and nursing care services by fiscal 2025. In addition, several trillion yen will be necessary for pension system reform. If this issue is left untouched, the future of the nation’s social security system is impossible to predict. Securing a permanent source of funding by raising the consumption tax is the only option available to relieve public anxiety”. See “Consumption tax hike only solution to situation”, *Daily Yomiuri Shimbun*, 27 October 2008.

⁴⁰ Health Minister Yanagisawa said: “The number of women aged between 15 and 50 is fixed. Because the number of child-bearing machines and devices is fixed, all we can ask for is for them to do their best per head ...”. See “Yanagisawa calls women child-bearing machines”, *Japan Times*, 28 January 2007. Then Prime Minister Mori Yoshiro said: “It is truly strange to say we have to use tax money to take care of women who don’t even give birth once, who grow old living their lives selfishly and singing the praises of freedom”. Quoted from Yuki W. P. Huen, “Policy Response to Declining Birth Rate in Japan: Formation of a ‘Gender-Equal’ Society”, *East Asia: An International Quarterly*, October 2007, p.375.

benefits for maternity but to little avail.⁴¹ This is, in part, due to unsupportive societal and corporate attitudes towards gender equality at work and home. Japanese corporations have a dual track employment system: one track rewards staff (mostly men) towards lifetime employment and training for management; another (especially for women even if they are university graduates) to perform routine office work and females are expected to leave after giving birth to care for their babies.⁴²

6.2 The social contract in Japan is men in established companies are entitled to the security of lifetime employment in exchange for their loyalty and commitment (including overtime work) to their employers while housewives look after their children.⁴³ But this social contract is fraying: since the bursting of the bubble economy in 1991, lifetime employment has eroded and young men who lack stable jobs are postponing or even not marrying due to financial uncertainty.

6.3 The values of Japanese women have also changed notwithstanding the attempts of the government to persuade them to produce more babies. As women attain higher levels of education, their expectations of life and

⁴¹ Takashi Oshio argues: "Among the measures commonly proposed to reverse the decline in the number of children are hiking the allowance for children, improving child-care centers and increasing the allowances for childbirth and child care. These are all means of providing support to married couples. ... It can be persuasively argued, however, that the main causes of the falling number of children are to be found before marriage, not after it. If the trend toward men and women marrying later or remaining single is the chief culprit, measures to assist existing couples can have only an indirect effect". See Takashi Oshio, "The Declining Birthrate in Japan", Keizai Koho Center, *Currents*, No.69, March 2008, p.2.

⁴² The *Washington Post* compared Japan with the US: "Like many other East Asian economies with a shrinking workforce, Japan desperately needs women to marry and have children while also continuing to work. But only about a third of women in Japan remain in the workforce after having a child, compared with about two-thirds of women in the United States". "Japanese women shy from dual mommy role", *Washington Post*, 28 August 2008.

The *Japan Times* reports: "According to an estimate by Japan Research Institute, the nation will have a shortage of about 3.9 million workers in 2015 as the population continues to shrink, and will need 880,000 more working women than there were in 2005 to keep growth at around 2 percent". See "Women expect to keep working, excel", *Japan Times*, 4 January 2007.

⁴³ Leonard Schoppa argues that the traditional system of lifetime employment for the men and staying at home to care for the children for the women is fraying and that both firms and women are "racing for the exits" because of "cost" notwithstanding exhortations by the state to improve birthrates. See *Race for the Exits: The Unraveling of Japan's System of Social Protection* (Ithaca: Cornell University Press, 2008).

marriage also rise concomitantly.⁴⁴ The more educated a woman is, the later she marries and has a child. The mean age of first marriage for Japanese women in 2007 was 28.3 years old up from 24.2 in 1970 (Appendix Six).⁴⁵

6.4 Moreover, marriage is now just one possible lifestyle choice for women.⁴⁶ Career women today do not necessarily need a husband for their survival and comfort. The Japanese media and sociologists have coined the term “parasite single” to label working adults, especially single women, who have a decent salary and a great consumer lifestyle by staying rent-free with their parents. Women today are no longer under compulsion to marry at all cost.

6.5 More than 30 percent of Japanese women over 30 years old remain unmarried (Appendix Seven).⁴⁷ Presumably, some cannot find a spouse who can match their expectations; others do not find the life of a housewife raising babies with an absentee husband (whose life and soul are pledged to the corporation) to be an attractive lifestyle choice.

6.6 Thus, the value system of many Japanese women concerning work, marriage and childbirth has changed considerably while Japanese corporations and men have not. That the birthrate of the nation is falling is not surprising given the fact that the values of male-dominated traditional corporations and younger women are out of sync. However, one cultural pattern among modern

⁴⁴ Takashi Oshio explains: “Japanese women are strongly inclined to reject prospective marriage partners without equal or higher levels of education, and as they acquire advanced education, it becomes harder for them to find a suitable partner”. Takashi Oshio, “The Declining Birthrate in Japan”, Keizai Koho Center, *Currents*, No.69, 2008, p.4.

⁴⁵ Statistical Bureau, Ministry of Internal Affairs and Communications, *2008 Statistical Handbook of Japan*, p.9.

⁴⁶ See Kumiko Fujimura-Fanselow and Atshuko Kameda, *New Feminist perspectives on the Past, Present and Future* (Feminist Press, 1995).

⁴⁷ “Husbands wanted”, NHK World TV, 18 October 2008.

The 2002 White Paper on Gender Equality writes: “Approximately half of Japanese women in their late 20s, the age group that used to enjoy the highest birthrate, remained unmarried”. See 2002 White Paper on Gender Equality, p.1.

The proportion of Japanese men who have never married by age 50 was 2 percent in 1970 but climbed to 25 percent in 2000; it was 3 percent for women in 1970 and 19 percent by 2000. See Robert D. Retherford and Naohiro Ogawa, “Japan’s Baby Bust: Causes, Implications and Policy Responses” in Fred R. Harris (ed.), *The Baby Bust: Who will do the work? Who will pay the taxes?* (Rowman & Littlefield, 2006), p.8.

Japanese women persists: unlike their counterparts in the US and Europe, very few babies are born out of wedlock.⁴⁸ In this regard, babies from unmarried mothers will not be a boost to the low birth rate in Japan.

- 6.7 The solution to Japan's ageing crisis appears quite straight forward but difficult to implement: boost the immigration of young workers; state, society and corporations must be more supportive of working mothers; significantly increase the participation of women and the elderly in the workforce; reform the pension system and raise the consumption tax to pay for social security benefits.
- 6.8 The two key impediments are electoral politics which avoids making hard decisions painful to voters especially the hiking of the consumption tax, and even more insidious, the norms of Japanese corporations and patriarchal society which discourage women from marrying and producing babies while holding onto a career and aspirations of their own.
- 6.9 Japan is faced with an intractable problem: a shrinking population coupled with more retirees (including centenarians) and by extension ---- relative economic decline and possibly an erosion of influence in international affairs in the long run.

⁴⁸ The *Washington Post* reported: "It is also exceedingly rare for women here (Japan) to have children outside marriage (less than 2 percent of all births). The cultural taboo against single parenthood is far stronger than in the United States where about 37 percent of births are outside wedlock". "Japanese women shy from dual mommy role", *Washington Post*, 28 August 2008.

APPENDIX ONE

TRENDS: JAPAN'S POPULATION, LONGEVITY AND TOTAL FERTILITY RATE

Year	Population (million)	Over 65 years (%)	Life expectancy		TFR
			Male	Female	
1950	84.16	4.9	59.57	62.97	3.65
1960	94.30	5.7	65.32	70.19	2.00
1970	104.67	7.1	69.31	74.66	2.13
1980	117.06	9.1	73.35	78.76	1.75
1990	123.61	12.0	75.92	81.90	1.54
2000	126.93	17.3	77.72	84.60	1.36
2007	127.77	21.5	79.19	85.99	1.34
2010	127.17	23.1	79.51	86.41	1.218
2015	125.43	26.9	80.22	87.08	1.217
2020	122.76	29.2	80.85	87.68	1.228
2025	119.27	30.5	81.39	88.19	1.234
2030	115.22	31.8	81.88	88.66	1.238
2035	110.67	33.7	82.31	89.06	1.245
2040	105.69	36.5	82.71	89.43	1.251
2045	100.44	38.2	83.05	89.77	1.256
2050	95.15	39.6	83.37	90.07	1.260
2055	89.93	40.5	83.67	90.34	1.264

Sources: Statistical Bureau, Ministry of Internal Affairs and Communications, *2008 Statistical Handbook of Japan*; *Korei shakai hakusho* [White Paper on Ageing Society] 2008 and *National Institute of Population and Social Security Research* (NIPSSR) in Japan.

Note: NIPSSR's projections are based on medium-variant fertility.

APPENDIX TWO

JAPAN'S AGED DEPENDENCY RATIO

Age	2000	2010	2015	2025
0-14	14.6%	13.4%	12.8%	11.6%
15-64	68.1	64.1	61.2	59.7
65+	17.4	22.5	26.0	28.7
Aged Dependency ratio	3.92	2.84	2.36	2.06

Source: National Institute of Population and Social Security Research 2002. Aged dependency ratio was tabulated by Chikako Usui, "Japan's Aging Dilemma?", in Woodrow Wilson Center, *Asia Program Special Report*, No.107, January 2003, p.17.

APPENDIX THREE

WORKING POPULATION ENGAGED IN MANUFACTURING IN G7 COUNTRIES

	Percentage
Germany (2006)	21.9%
Italy (2006)	21.0
<u>Japan (2006)</u>	<u>18.7</u>
France (2005)	16.6
UK (2005)	13.2
US (2006)	11.3
Canada (2006)	6.5

Source: *Sekai Kokusei Zuei 2008/09* (World Data Book), pp.109-111.

APPENDIX FOUR

ATTITUDES TO A GENDERED SOCIETY: HUSBANDS SHOULD WORK OUTSIDE WHILE WIVES PROTECT THE HOME

Countries	Men		Women	
	Yes	No	Yes	No
Sweden	8.9%	88.2%	4.0%	88.2%
America	21.7	76.8	18.1	81.0
Germany	24.4	73.9	14.5	85.0
Japan	50.9	46.2	39.8	56.9

Source: *2008 White Paper: Aiming to realize a society of gender cooperative participation.*

APPENDIX FIVE

MEN WHO HELP: CHILDCARE AND HOUSE WORK (HOURS PER DAY)

Countries	Childcare (below 6 years old)	Housework	Total hours
Canada	1.5 hours	2.4 hours	3.9 hours
Sweden	1.2	2.5	3.7
Germany	1.0	2.5	3.5
England	1.5	1.6	3.1
US	0.6	2.0	2.6
Japan	0.5	0.4	0.9

Source: *2008 White Paper: Aiming to realize a society of gender cooperative participation.*

APPENDIX SIX

JAPANESE AND SINGAPORE WOMEN: MEAN AGE OF FIRST MARRIAGE

	Japan	Singapore
1990	25.9	
1997		25.7
2000	27.0	
2002		26.3
2007	28.3	27.2

Sources: Statistical Bureau, Ministry of Internal Affairs and Communications, *2008 Statistical Handbook of Japan*, pp.10-11 and *Yearbook of Statistics Singapore 2008*.

APPENDIX SEVEN

RISING TRENDS OF UNMARRIED JAPANESE WOMEN

Age	1991	1996	2001	2005
25-29	40.2%	48.0%	54.0%	59.9%
30-34	13.9	19.7	26.6	32.6
35-39	7.5	10.0	13.8	18.6
40-44	5.8	6.7	8.6	12.2

Source: The 2005 Ministry of Public Management, Home Affairs, Post and Telecommunications National Survey in *Sogo tokei nenpo: shoko korei shakai 2009* (Annual Report of the Aging Society with Fewer Children 2009), p.21.

BOX

Pension insurance

The Japanese pension system is composed of national pension insurance (kokumin nenkin) and employees' pension insurance (kosei nenkin). Any resident in Japan who is between 20 and 59 years of age, including non-Japanese nationals, is required to enroll in the national pension plan.

National pension insurance (kokumin nenkin)

* **National pension system**

The national pension system aims to provide a common "basic pension" to all residents in Japan. There are three types of basic pension: basic pension for the disabled, basic pension for the bereaved and basic pension for the elderly.

The basic pension for the disabled is paid under certain conditions when a pensioner becomes disabled due to illness or injury.

The basic pension for the bereaved is paid to a pensioner's wife and child(ren) under certain conditions when a pensioner dies.

The basic pension for the elderly is payable in principal to a pensioner at the age of 65.

The following information explains more about the basic pension for the elderly:

You need to be enrolled in the national pension plan and have paid premiums for 25 years or longer to be eligible for the elderly basic pension.

If you pay premiums for at least 25 years, you will receive the pension payment whether or not you live in Japan at the age of 65 (the payment is sent to your place of residence).

To start receiving the pension payments, you need to complete claims procedures when you turn 65 years of age. First, you need to confirm your eligibility by submitting the designated form (a request for determination of eligibility for the elderly basic pension of national pension/employees' pension) to a local social insurance office.

The amount of withdrawal payment may vary according to the length of enrollment.

* **Enrollment/Payment of premiums**

The enrollment procedures of the national pension are handled at the municipal office in the ward (or city, town or village) where you reside. If you join the employees' pension plan or the mutual aid association at your work, you are automatically enrolled and do not have to apply on your own.

Once you are enrolled, you are responsible for paying premiums. You may make payments at banks and post offices with your statement of payment. You may also arrange a bank transfer from your bank/post office account. Payment through convenience stores and Internet banking is also available.

If you have finance-related problems paying the premiums, you may apply for an exemption of premium payments. The exemption program is available for both total exemption and partial exemption. The delay payment program for people under 30 years of age is another option.

Employees' pension insurance (kosei nenkin)

*** Employees' pension insurance (kosei nenkin)**

Employees' pension is mainly for those who are employed by private business corporations. Contributors to the employees' pension are entitled to future pension payments and also to the use of various welfare facilities.

When you are enrolled in the employees' pension at work, you are also automatically enrolled in the national pension; you are paying extra premiums in addition to the national pension premiums. Therefore, those paying the employees' pension premiums will receive more pension payments in the future.

Enrollment/Payment of premiums

When you are employed by a business corporation, you are automatically enrolled in the employees' pension scheme. The premiums are generally deducted from your salary.

If you become unemployed, you are required to report it to the pension section of the municipal office in the ward (or city, town or village) where you reside.

Source: International Communication Committee 2006.