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# Japan's

## declining population and demographic challenges

(O declínio da população japonesa e os desafios demográficos)

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## JAPAN'S DECLINING POPULATION AND DEMOGRAPHIC CHALLENGES

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### Introduction

Japan is sitting on a demographic time bomb. As an inevitable consequence of modernisation fuelled by rapid economic growth during the post-War years, Japan has emerged as one of the first few countries in Asia to face a new challenge of a declining population. This unprecedented population challenge threatens the nation fabric with serious social, economic and political consequences whose impact is going to be felt for many future generations. There have been several studies around the world on the issue of declining fertility of Japanese women, the real reason behind the declining trend in the nation's population. Not only it is not at the replacement level, even the existing rate continues to show declining trend. This is the real worry and at the core of this challenge.

The past and the present governments have taken several measures to correct this worrying trend but since birth or the issue of having or not having a child is an individual choice, no government measures however attractive by offering incentives have been of any help to address this issue. Yet, new measures are being adopted with the hope to address the issue.

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## Post-War situation

Japan's population scenario is directly linked with its progress to economic growth. In the immediate post-War years, Japan remained a relatively protected economy while benefiting from the liberalised external economies. Its liberalisation process was slow but soon fast-tracked when outside pressures, particularly from the US, built up. While fostering the modern economy, Japan benefited from a growing workforce from the post-war baby boom period, whose energy contributed to the economic growth. With support from the government and backed by a competent bureaucracy, Japan's private sector performed impressively and was able to compete with the best in the world.

Japan's impressive economic performance that witnessed high growth led its manufacturing industry gradually to move up the value chain as it accrued capital and skilled workers. From labour-intensive industry such as textile that benefited from cheap labour available domestically in plenty, the economy moved up to more capital-intensive sectors such as steel and automobiles and further to highly skilled machinery and electronic manufacturing.

The first major challenge came when the Plaza Accord of 1985 made the country's exports less competitive as until then Japanese Yen was perceived as undervalued. The sustained high growth of the 1960s and 1970s unleashed by the Income Doubling Plan engineered by architect Okita Saburo left Japan flush with surplus capital that its exports had yielded and enabled Japan to rise up through the world's GDP ranking from seventh place in 1960 to second place in 1990. While the economy continued to boom with multinational giants such as Honda, Toyota, Sony, Suzuki and others revolutionizing the global automobile and electronic markets, domestic economy remained sluggish. The focus shifted to transfer labour and capital-intensive industries to overseas locations and Japan started focusing on high-tech industries. However, agriculture sector remained protected, rendering it non-competitive. There are cultural as well as political reasons for such a policy. This is beyond the scope of this paper. Suffice to say is that Japanese government finds compelling reason to protect this sector even now as only 12 per cent of the country's land is arable and fertile, the rest covering with mountains and therefore has to be retained.

Japan soon found itself confronted with complaint from competing firms in Europe and the US that while it is benefiting from a liberal economy of the world, it maintains a number of non-tariff barriers, such as prohibitive regulations on foreign ownership of shares among Japanese companies. Thus Japan's export economy became a victim of its own success when it was forced by its economic partners to impose voluntary export restraints and led to the Plaza Accord in 1985, which led to appreciate yen quickly, making Japanese exports uncompetitive. In the meantime, Japan had succeeded in spinning the web of international supply chains that has acquired the global norm today. Japan graduated from an export powerhouse to an investment powerhouse.

This growth story had greatly impacted the population pyramid as the accumulation of wealth in the hands of the Japanese people had started to change their life style. Japan which had experienced a baby boom immediately after World War II, started facing demographic challenges as the country started showing declining trend in its population. In fact, compared to other Western countries, the population surge in Japan started earlier and ended sooner too. As a result, Japan today leads the world in demographic aging. Japan has now the peculiar distinction of having the world's oldest population since 2005. The number of persons retiring from the workforce is faster than younger ones joining. In this new situation, a capital-heavy country Japan now finds itself confronting with this new challenge and seeks to find ways to come out from the sluggish economy. Japan now looks for ways to accommodate the seniors in the competitive environment in a new trade strategy, whose direction does not look promising.

## Current Problem

Broadly, Japan's current problems are two-fold: rapidly aging population and declining population. Forces that are responsible for this are declining fertility rates and lengthening of life spans. A total fertility rate of 2.1 would keep a population stable, even without migration. Japan reached this level in 1960 and after the baby boom period, has been falling persistently below since 1975. The total fertility rate reached a low of 1.26 in 2005 but has risen to 1.44 at present, still not enough to arrest the declining trend. Child birth out of wedlock is stigmatised and therefore all babies are born within marriage only but the decline is a combination of delayed marriage, or not marrying at all, resulting in reduced fertility. Added to this problem is Japanese people are having a longer life span. According to World Bank data, Japanese women attained the longest life expectancy among 228 countries in 1982, and have held that position till today. As per past trend, a baby girl born in Japan in 2008 could expect to live till 86. The male counterparts too achieved the longest life distinction in 1974 and can expect to live till 79. Over the years, the average life expectancy has risen to be longer and is likely to rise further in the future.

There is something peculiar in this trend, which demographers call a health-survival paradox: Men seem to be healthier than women, but they die younger. Women tend to survive even with poor health compared to men. This means delay in physical decline in the case of women. Women represent 86% of Japanese over 100. In 2007, there were more than 32,000 centenarians; by 2030, the projection is 10 times larger. This means more elderly women would be in need of assistance and medical care than elderly men.

## Dismal Projections

In April 2017, a government-affiliated research institute in Japan made the projection that Japan's population is expected to fall below 100 million in 2053 and further plunge to 88.08 million in 2065, marking a 30 per cent fall from the 2015 level of 127.09 million. This projection is a bit better because the earlier projection five years ago had estimated the population to have shrunk to 81 million in 2065. Though the revised estimate presents a better picture, the picture is grim over a longer period, with national population projected to plummet to just 51 million by 2115, or about 60 % of today's total. The announcement by the Health, Labour and Welfare Ministry's National Institute of Population and Social Security Research confirms that depopulation, which started in 2008 after Japan's population peaked at 128.08 million, was to stay as years pass by. The Institute therefore urged the government to prepare for consequences in wide-ranging areas, including the pension and health care systems. The past trends and the policy measures thus far suggest that this fate is unlikely to be altered in a major way.

As regards the average life expectancy, it would increase to 84.95 years for men and 91.35 years for women by 2065, from 80.75 years for men and 86.98 years for women in 2015. According to the latest estimate of the Institute, people 65 or older will account for 38.4 per cent of the total population in 2065, a rise from 26.6 per cent in 2015. As regards the nation's total fertility rate, or the average number of children one woman is expected to give birth to in her lifetime, it would be 1.44 in 2065, slighter higher than 1.35 projected for 2065 in the previous 2015 estimates. It is projected to dip to 1.42 in 2024 before rising to 1.44 in 2065. This shows that the number of women in their 30s or 40s who get married or have babies would increase.

The estimate in the birth rate would mean Japan's population would drop below 100-million-threshold five years later than what was projected in the previous estimate in 2015. It is unlikely that the government could achieve its goal of maintaining a population of 100 million into the 2060s. The estimate suggests that Japan is having difficulty halting the acute population decline and the rapid aging of society.

## **Record dip in Population**

The results of an annual demographic survey released by the Ministry of Health, Labour and Welfare in early June 2017 revealed more disturbing readings. It revealed that the population took a record dip as births fell below 1 million for the first time in 2016. The total fertility rate fell 0.01 point from the previous year to 1.44. Japan needs a fertility rate of 2.07 in order to maintain its population. The birth of babies below less than 1 million was as against the death of 1.3 million people, recording the largest population decline since 1899.

## **Impact on Japan's economic future and government's measures**

This declining trend is disturbing for the government as this is going to impact the nation's economic future and leading to social chaos. Prime Minister Abe Shinzo has made countering population worries one of his top priorities, aiming for a birth rate of 1.8 children per woman from the current 1.4. Despite this worry and unlike many other advanced countries where immigration makes up for declining birth rates, Japan remains reluctant to open its doors to large-scale immigration. There is a fear that Japan's racial purity could come under threat if liberal immigration laws open door for foreign migrants, leading to inter-cultural marriages and resulting in births of children out of mixed parentage. Children of mixed parentage are contemptuously called 'hafus'. In 2016, when Priyanka Yoshikawa, a 22-year-old born of an Indian father and a Japanese mother was crowned Miss World Japan, many in social media disapproved her selection as she was seen as half Japanese and questioned on the relevance of the beauty pageant.

The estimates put Japan at the forefront of the uncharted demographic territory, though many other industrial countries, including even Japan's neighbours South Korea and China are beginning to enter as well into this difficult terrain. Though the consequences of this demographic shift are going to hugely impact the nation's future in almost all spheres, predicting precisely the intensity is not easy. If the political leadership in Japan is serious to arrest the trend, a number of interventions are needed including political, cultural and economic parameters, besides opting for liberal immigration laws or create environment that could lead to robust fertility rates.

## **Relaxing Immigration Laws?**

Japan is going to host the Olympics in 2020 and that would be a good time to have a rethink on the immigration issue as Japan would require extra labour force to cope with the daunting construction work and making other preparations to host this international event. But given the conservative attitude of Japan, the change is unlikely to happen. Even on the healthcare service sector where Japan is in urgent need of health care givers for catering to the needs of the aged, Japan has put stringent terms for the Filipino care givers, thereby restricting their numbers and making many ineligible.

However, it would be incorrect to see the issue entirely pessimistically. The government has put in place some corrective measures with a long term perspective to create a more liberal environment for people to accept presence of more foreigners in the society. The

popular Jet Program (Japan Exchange and Teaching) at school level to create a large pool of English-speaking youth is one. Another is accepting certain number of women from some Asian countries, such as the Philippines, in the rural parts of Japan for the purpose of marrying men who find it difficult to get a wife among the native population. This way, a new situation could be created, leading to increased openness to immigration in the coming years. Though there is a sizable section of people in countries like Brazil and Peru who are of Japanese origin, they are unwilling to return to their country of origin as they are already well settled in services or other businesses and would not like disruption. Moreover, the third or fourth generation of Japanese migrants are no longer in tune with the authentic Japanese culture and might find the cultural environment in Japan not palatable to their cultural mores that have become more Brazilians or Peruvians.

## **Factors behind Decline and consequences**

The reasons why such is the case is not difficult to identify. Less noticed but closely linked to low fertility rate are other factors such as increased education of women, delayed marriage, economic opportunities for women, the fear of increased financial burden in modern, urban societies, etc. Even in case of marriages, if both the man and woman are working, they do not want to have babies for lack of child support system at home when parents are out to office. This group of people belong to the category of Double-Income-No-Kids or DINKs. For others, when the marriageable age at some point of time gets over, many chose not to marry at all and lead a life of melancholy and suffer from stress-related diseases.

When they retire from service and grow old, loneliness leads to depression and many commit suicide. Such a situation has given rise to new areas of study such as how to handle grief, death, loneliness etc. As a result old-age homes have mushroomed all over Japan, with cases of dementia increasing. Because of few children, in the medical science paediatric as a branch of medical discipline has lost its lustre and not many students chose to specialise in this branch of study because of lack of demand. In the hospitals, paediatric wards have disappeared because few children are brought for treatment. Places that were meant for play school for kids are converted into old-age entertainment clubs. In malls, corners meant for kids to play when parents go for shopping are being converted for aged people to relax and spend some time over coffee. One can find tables in restaurants meant for one person occupied by single either man or woman after office enjoying a beer and food as no one would be waiting at home and they do not know what to do when return home early. Japan may be a modern and advanced society but it still remains conservative in many ways. For example, child-birth out of wedlock is stigmatised, which is why the decision not to marry also means that one has chosen not to have children.

## **More Women joining work force**

Interestingly, owing to the shortage of labour, the government is trying to create a situation whereby more women are drawn into the country's labour force. Normally, a woman who is working and finds a husband chooses to leave the job after giving birth to a child and take up domestic responsibility solely. The modern woman is unwilling to surrender the freedom to remain independent, which is why marriage is not an option. Child care centres close to office arranged by the employer if a woman chooses to continue to work, is found inconvenient. Women face social pressures to manage a career while also raising a family. The responsibility usually falls on the woman as balancing work with child-rearing because there are not enough nursery schools to look after their infants, leaving them with no choice than to quit the job. This also puts financial constraint on the family.

This said, the truism is that Japanese women are too submissive after wedlock and willingly accept unilaterally domestic responsibilities, including child rearing. This author finds here a contradiction in the behaviour of Japanese married women and in general of all Japanese women. The Japanese women ought to be more assertive and claim their rights to be equal in all spectrums of society and demand more respect. Probably, they need to draw some lessons how women are treated in India where women have risen to top positions in many fields such as politics, banking, bureaucracy and business. This is because the social settings as well as laws provide the platform for honing their skills to blossom in the field.

## **Lesson for the world**

Japan's experience can be a lesson for the rest of the Asian countries on high economic growth path so that they can take corrective measures before they too face a similar situation such as Japan's rapidly ageing society. The International Monetary Fund has urged the Asian economies to learn from Japan's experience and act early to cope with rapidly ageing populations. It warned that if they do not do that, they would run the risk of "getting old before becoming rich".

Viewed in the larger context, Asia finds itself in a heterogeneous stage of aging with countries such as Japan, South Korea and Singapore are already old age societies, while India and Indonesia enjoy demographic dividends with a younger population. In this population dynamics where countries becoming old before becoming rich has become a common phenomenon, can countries such as India and Indonesia escape such a fate in the future that Japan, South Korea and Singapore face at the moment? As regards China, by imposing the "One Child" policy and kept it enforced for few decades, China denied itself some 350+ million people and has only delayed the inevitable process of having an aged society sooner than it would have been. However, both India and China with large populations will be able to cope with the challenge of a situation when the economies are in sound footings even while there is a large size of aged population to be taken care of. The existence of some semblance of family values that have withstood the onslaught of a new culture unleashed by modernisation could provide a balm to a society that it never wanted to emerge. The future of Asia appears therefore bleak.