

How Japan Respond to Population Aging in the Labor Market

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ABSTRACT

Japan had experienced a period of aging for several decades, and the negative growth rate of the population brought the issue of labor shortage and economic decline. The government and departments put the efforts into forming and improving policies, aiming to find valid methods to eliminate the negative influences of aging. This paper discussed a series of policies by the Japanese government to deal with the aging issue and the accompanying decline of labor forces. By analyzing different policies towards population aging and labor forces, it would be beneficial for the decision-makers faced with the aging issue to adjust and change the policies in time. The research conducted the deep research on Google Scholar, Jstor, ProQuest, and Academic Search Premier surrounded with Japanese population and aging issue. The paper covered and analyzed 23 literatures in total and categorized the policies into four groups based on the demographics: older people, women, non-regular workers, and foreigners. These four groups were the minorities in the labor market, but they contained a vast potential to relieve the importance of the aging issue. This research compared the different policies and found that older people and women would significantly increase the labor force and stimulate economic growth. Foreigners or immigrants seemed to be the least possible group to be the future labor forces.

Keywords: Population, Aging, Labor force, Japanese studies.

1. INTRODUCTION

The whole world has been seeing a tremendous growth in the number of elderly people. The issue of aging is becoming increasingly urgent and looming, particularly in wealthy countries. By 2050, one in every six persons on the planet will be above the age of 65, according to estimates from World Population Prospects: the 2019 Revision [1]. Japan, as one of the industrialized developed countries, contained the issue of an aging population for several decades, which evokes tons of discussions and predictions no matter in Japan or international regions. The 2008 white paper projects published by the Japanese Government claimed that labor forces will decrease by one-third during the first half of the twenty-first century, falling from its current level of 67 million to only 42 million by 2050, if the Government and employers have no change on labor and population policies [2]. Since Japan was one of the earliest countries to meet the aging problems and come up with various policies, the entire process of how Japan addressed the aging issue contains high reference values for other countries facing a similar problem on population.

Japan's demographic dilemma stemmed from lower birth rates and longer life expectancies [3]. Japanese fertility plummeted off a cliff after the short baby-boom period (1947-1949), creating a hidden threat to the aging issue. Human lifespans, on the other hand, have increased dramatically worldwide in the last half of the twentieth century. After entering the 21 century, when baby boomers moved to the older age, the aging population was aggravating intensively. Additionally, the country welcomed the issues of slower economic growth and lack of labor forces due to the aging population. Population aging had heavily resulted in the decline of the labor force participation rate and Japan's employment to population ratio [4]. An adequate labor market was required to develop the economy, regardless of the country's economic model or how it achieved quick growth. In a society with an aging population, it was unsurprising to expect slower economic growth in the future due to fewer people entering the labor force market [5].

Since the turn of the last century, the Japanese Government has paid lots of attention to aging populations. They tried to find the solutions from different angles, aiming to eliminate the adverse effects

of aging and get rid of the population dilemma. These policies had both advantages and disadvantages. Some initiatives demonstrated high levels of sustainability and availability, which means they were adequate in delaying the aging population. It could also see a strong effect of increasing labor forces as a result of implementing the policies. However, the most significant disadvantage of the research was that most searchers focused on analyzing past activities and policies and concluded what influences the policies had, lacking a prediction about the implementation of policies.

This paper mainly discussed how the Japanese Government and employers respond to the aging problem in specific ways, trying to postpone the onset of the aging era. How do they act to the dwindling labor forces and increased older people? What policies are required to reach the goal? How does the Government strike the balance between people's welfares and fiscal deficit? By analyzing the current labor market characteristics, this study pointed out the shortcomings and places the Government can further develop. It could achieve the objective of increasing labor by correcting the current flaws. The short or long-period effects will prove whether the policies can solve the aging problem.

2. ANALYZING THE POLICIES THROUGH DEMOGRAPHICS

In this part, by analyzing the demographics and dividing different groups of people, the Government applied different response policies against population aging in diverse population groups. During the research process, it clearly found that young males were still the primary forces in the labor market, and they usually played a more significant in the workplace. Therefore, if the Government wanted to enhance the numbers of labor forces and make the market more adequate, they needed to find a breakthrough from the vulnerable groups in the workplaces. Although these people have not yet become the leading forces in the labor market, there was a huge potential in them. Therefore, most policies surrounding these disadvantaged groups were developed, encouraging them to participate more in the labor market. According to the category of demographics, there were mainly four groups: 1) the older people in Japan, 2) female workers in Japan, 3) non-regular employment in Japan, and 4) foreigners and international communication.

2.1 Policies For the Increasing Number of Older People in Japan

Older people are one of the groups affected most by the aging crisis. The aggravation of declined labor forces forced the Government to tweak the policies towards the elderly constantly. First, the main obstacle for economic growth after 2010 was the supply factors, particularly the labor forces supply [6]. The aging of the Japanese

population had reduced the number of young workers entering the labor market, whereas the numbers of elder workers reaching the traditional retirement age were constantly increasing [7]. To overcome the constriction on supply growth, one of the most reasonable methods was utilizing the older laborers better and extending the traditional retirement age.

The strength of extending the retirement age was that Japan owned a higher labor force participation rate among the older workers, which surpassed that of the major industrial countries worldwide [8]. Also, most older workers were willing to continue their working lives according to the research about the thoughts of baby-boomer, and then in 1971, the special law for the promotion of employment of the middle-aged established, and in the 1980s, the big companies began to change their mandatory retirement age to 60 years [9]. Since the 21st century, the requirement for extending the retirement ages was still rising. The 2013 version of the Law for the Stabilization of Employment of Older Persons (LSEOP) forced employers to rehire all the workers who reaching to the age of 60 but still wanted to work for the same employers [10].

Secondly, when the Government promoted the extension of the retirement age, the Law Concerning Stabilization of Employment for Older Persons also established subsidy programs to guarantee the elderly retirement and re-employment. Those enterprises could apply the subsidies when they followed the programs and recruited more older employees. Similarly, the Ministry of Labor adopted the same strategy that offered the subsidies to employers and retired workers. However, the biggest difficulty to promote the retirement policy was employer's negative attitudes towards rehiring older people, since it would produce more costs on labors and the corporates needed to take more responsibilities. To eliminate the employers' opposite attitudes towards the hiring policy, the Government needed to take more actions on imposing the compulsive strategies and heavy penalties to employers who avoided to hire the older people as workers.

On the other side, the Government constantly changed health and medical insurance and related laws, trying to suit the coming aging society better. With the increasing population of the elderly, the Government needed to make the adjustments on medical expenditures. The original Welfare for the Elderly Act could not accommodate the aging situation; the department and officers desperately looked for an exit. The "golden plan" in 1989 aimed to establish more long-term care institutions in communities and expand more home care programs in the following years so that the Government could introduce the long-term care insurance that operated in 2000 [11]. The official purpose of LTCI was to maintain dignity and an independent daily life routine according to each person's level of abilities [12]. After

entering the 21st century, the Government concentrated on enhancing the sustainability of the health and medical insurance and dealing with the situation that more elders needed the long-term care services.

2.2 Policies for Stimulating the Participation of Women's Labor Force and Increasing Fertility

During the post-war years, the level of health and living conditions improved, which means Japan's life expectancy of both sexes was improving and increasing constantly. However, Japan occurred a continuous decline in fertility rate after short prosperity. Excepting the extension of the retirement age, one of the most useful methods to deal with the challenge of the aging issue was having more participation of women's labor force. Like other developed countries around the world, Japanese women also obtained a high enrollment rate. However, the participation of women in the labor market was relatively low, and even the rate of women's participation in Japan was lower than the rate in India that women did not have a high enrollment ratio [13]. An interesting phenomenon in Japan was that an "M curve-shaped their female labor force participation." It explained that Japanese women tended to work first but quit the labor market after giving birth to a child, and when they re-enter the labor market, most of them will do part-time jobs. Therefore, it was not an effortless process to let women enter the labor market.

Specifically, Japan has published a series of policies or acts to eliminate women's difficulties in the workplace. In the beginning, the government enacted The Equal Employment Opportunity Act, raising the awareness and duty on treating women equally in the workplace; then, the government revised the Act several times, including prohibiting gender discrimination, preventing sexual harassment, and prohibiting the unfair treatments for maternity [13]. Furthermore, helping women workers solve the obstacles of participating in the labor market was a pivotal substance to increase the rate of participation. For example, most women workers in Japan were non-regular workers with lower salaries and fewer job protections [14]. The traditional labor market system made it each family was brutal to have both regular works, which resulted in most women having part-time jobs or being a household without jobs [15]. Therefore, improving the employment conditions was the key to promote more women participate in the workplace. For this purpose, the government issued several acts and laws to solve the imbalance between work and family, especially women workers. The acts offered more space for parents to spend on family, like restraining parents' working time with children under three years old. However, recent research contained opposite evidence. The researchers found that relaxing the restriction overtime hours had a positive influence on increasing

women employment [16]. This result proved that the policy needed to persistently change by following the women's inner requests. Constantly Restricting women's freedom to work with the purpose of returning to their families can trigger their rebellion and reduce their enthusiasm for work.

At the same time, the government wanted to get to the root of the aging issue by increasing the rate of fertility. The researcher found the reduced likelihood of women to give birth and take the responsibility of families while participating to work, since it was difficult to balance the child rearing and work [17]. To overcome the difficulties, the first step that the government took was delivering subsidies to families for childbearing and childrearing [6]. This step aimed to relieve the economic burdens for families to raise more children. Then, the second step was enacted and constantly revised The Childcare and Family Leave Act as the demands changed, guaranteeing work-life balance rights for workers, especially women in the workplace.

2.3 Policies on Reforming the Labor Market System and Changing for Non-Regular Workers

The current labor market tended to decrease the numbers of regular workers, and non-regular workers were snowballing. According to the Labor Force Survey, the ratio of non-regular workers among regular workers increased year by year, and the ratio reached 35.2% in 2012 [18]. However, the gap between regular and non-regular workers exaggerated the difference in incomes and other unequal treatments. Based on the statistics about the comparison between regular and non-regular workers, less than half of non-regular workers are covered by employees' pension and health insurance, and less than two-thirds are covered by employment insurance, in contrast to virtually complete coverage of regular workers and regular workers were paid twice as much as non-regular workers [19]. These unequal treatments to the non-regular employees took potential damages on the labor market. The low income and less career training would accelerate the brain drain in the labor market because the non-updated skills led them to lose competitiveness after long-term unemployment, which made it more challenging to find new jobs [20]. Then, many non-workers gradually quitted from the labor market, resulting in the loss of talents and laborers.

The government had published a series of policies to protect the welfares and rights of non-regular workers. The 2007 version of the Part-time Workers Law advocated equal treatments to non-regular and regular workers, encouraging the enterprises to transfer more non-regular workers to regular workers through an internal promotional system [20]. Also, the government relaxed the protection of employment for regular workers, which means that companies had fewer

restrictions on recruiting regular workers. Therefore, companies did not need to hire more non-regular workers to maintain the costs of employees, and then more laborers participated and became regular workers.

In addition, young labor was one of the most primary defects in the labor market. The government should pay more attention to the young generation in the labor market. Since the restriction on protecting older regular workers, more young workers were stopped to become regular workers after hiring. Kondo discussed the negative relationship between rehiring older people and hiring youth laborers, and he indicated that retention of older workers might influence a company to hire fewer young graduates as laborers [21]. Although researchers remained a controversy to the relationship between retention of older people and employment of youth, in 2010, the government required that companies treat the students who graduated within three years and new graduates equally, which offers more opportunities for young people to become regular workers [15]. Moreover, the government needed to increase the competitiveness of the young generation. The government wanted to cultivate the ability of technology innovations for the young workers and allocate them to advanced technology-developing sectors through the government plan [6].

2.4 Policies for Foreigners and Immigrants to Relieve the Dilemma of Population Aging

Migration policies were treated as one of the preferred methods to solve the issue of population aging. Although the government paid less attention to migrants, it cannot deny that migration policies may be more effective in increasing populations in a shorter time. In contrast to the fertility policies that highly depended on time and

increased slowly, migrations policies were less time-dependent and could have prominent effects shortly [22].

In terms of economic growth in the long run, a longer duration for the immigration policy was desirable, since the longer immigrant policy would generate a larger population and higher economy [23]. At the beginning, Japanese Government only accept foreign workers with professionals but refuse to welcome the migrants without professional skills due to the negative attitudes towards immigrants. The strict immigration policies provided a rare opportunity for migration for foreigners who took the traineeships in Japan. Then, the Government relaxed the restriction on foreign workers, allowing them to undertake household activities within National Strategic Special Zones [24]. Also, the Government was unceasing to change the public policies to the immigrants, adding more rights and welfares to immigrants or foreigners who have lived in Japan for a long time. Permanent residents in Japan were able to access to most social welfare benefits, such as national pensions, public assistance, and child allowances, but are excluded from local suffrage [25]. However, massive immigration would lead to the radical diversification of the population, which probably stimulated the rat races in different racial groups and placed new burdens from public services [22]. In 2012, the Alien Registration Act was abandoned, and a new registration system was established, aiming to reinforce the integration and prevent irregular immigrants, like refugees, stowaways, and other illegal foreigners [25]. Therefore, the Government needed to guarantee that the interests of its locals will not be threatened and find the balanced relationship between locals and foreigners.

As shown in Table 1 the 20 papers discussed different policies for diverse demographics against the population aging and increasing the labor forces. This paper categorized four types of groups with policies that could help postpone the population aging.

Table 1. Analysis of 20 papers containing the policies against to the aging issue

No. of paper	Aging policies for different demographics	
	<i>Context of "policies" usage</i>	<i>Reference</i>
7	Policies applied on older people and retired workers	[6]; [7]; [8]; [9]; [10]; [11]; [12]
6	Policies worked for women labors	[13]; [14]; [15]; [16]; [17]; [6]
6	Policies changed for non-regular workers	[6]; [15]; [18]; [19]; [20]; [21]
4	Policies for immigration	[22]; [23]; [24]; [25]

3. CONCLUSION

The numerous plans for several determined groups to contain the rapid development of population aging and increase the work force have been examined in this study.

Since the most natural phenomenon brought by aging was the loss of labor forces, the paper categorized the policies into four types that fit different populations: older people, women, non-regular workers, and foreigners. All the people from the four groups had the advantages that can be improved to increase the numbers of labor forces.

They were not the leading force in the labor market or even stayed on the margins for a while, but it did represent that they had potential to become a powerful force in the labor market. Older people and women, especially, were the two big potential groups that can refill into the market because most of them dropped out of the labor market due to the irresistible factors of family and society, which could be resolved by employers or government. Moreover, while non-regular workers and foreigners could be developed as the future labor force, they came with risks that were unrealistic to overcome.

Analyzing the policies shows that although the purpose is to address the labor shortage caused by aging, many related policies concentrate on social phenomena. The government and departments deeply know that it will be impossible to increase the labor forces if these social problems cannot be resolved very well. Since Japan was one of the earliest countries entering the aging age, its responses and decisions were very referable to other countries entering it soon. Especially the countries in Asia, like China and South Korea, can have a lesson from Japan because they owned similar populations, cultures, beliefs, and living customs. Japanese policies towards the aging problem can enlighten them about which methods are desirable or not, helping them avoid unnecessary mistakes as making the policies. Lastly, according to the summary of different demographics, it could find that each type of demographic contained related similarities with each other, but the current classification was basic and broad. Researchers may create more segments with different demographics and do more research on a specific group with determining characteristics for future studies. For example, older people and women were both minorities in the labor market, but older women probably met more difficulties to enter the labor market. Thus, researchers can pay more attention to older women and other specific minorities in the labor market.

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