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Center on Japanese Economy and Business  
Columbia University  
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## A Strategy to Address Japan's Declining Fertility Rate

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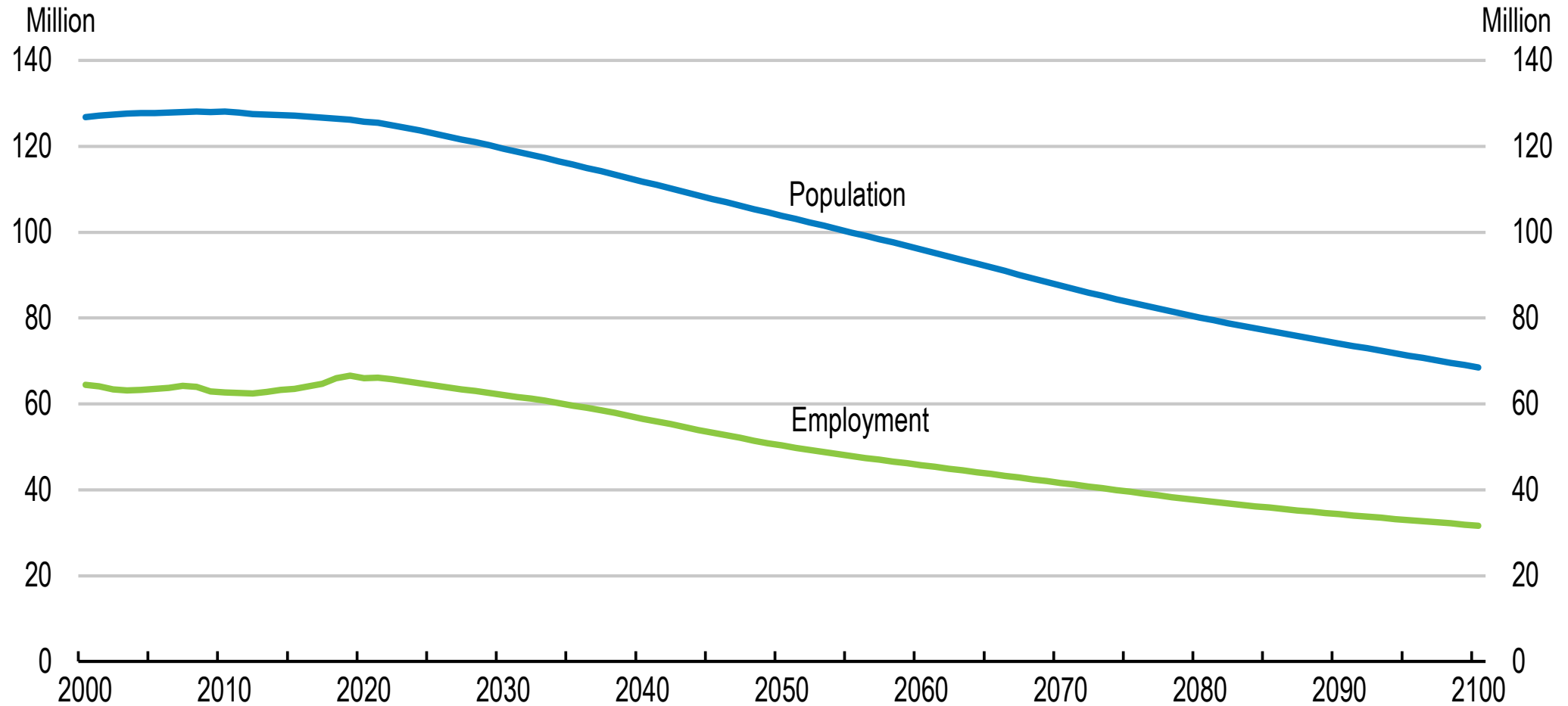
# Main points of presentation

- ❑ Under current fertility, employment and immigration rates, Japan's population would fall by 45% by 2100 (to 68 million) and employment by 52% (to 32 million). Demographic change on such a scale would have major economic, social and fiscal impacts.
- ❑ The low and falling fertility rate is driven by economic factors (the financial insecurity of young people and the costs of raising children) and social factors (the difficulty that women face in combining employment and family responsibilities).
- ❑ Prime Minister Kishida stated that reversing the decline in the fertility rate requires “creating a children-first economic society.” However, even if the government's 1.8 fertility target were achieved, employment in 2100 would be around 42 million, a 36% drop from the current level.
- ❑ Given the uncertainty about the effectiveness of policies to raise the fertility rate, Japan needs to prepare for the demographic challenges by:
  - Expanding labor market opportunities for women.
  - Removing barriers to the employment of older persons.
  - Enlarging the role of foreign workers.
- ❑ Even without a hike in the fertility rate, such policies to boost labor inputs could keep employment at around 40 million in 2100 – around the same level as if the fertility rate were increased to 1.8.
- ❑ Measures to boost labor inputs should be accompanied by reforms to boost productivity, the key to sustaining living standards in the face of demographic change.

# Outline of presentation

1. Japan's demographic situation
2. Strategies to increase the fertility rate
3. Expanding labor market opportunities for women
4. Removing barriers to the employment of older persons
5. Enlarging the role of foreign workers
6. Conclusion

# Japan's employment and population will fall significantly under current parameters

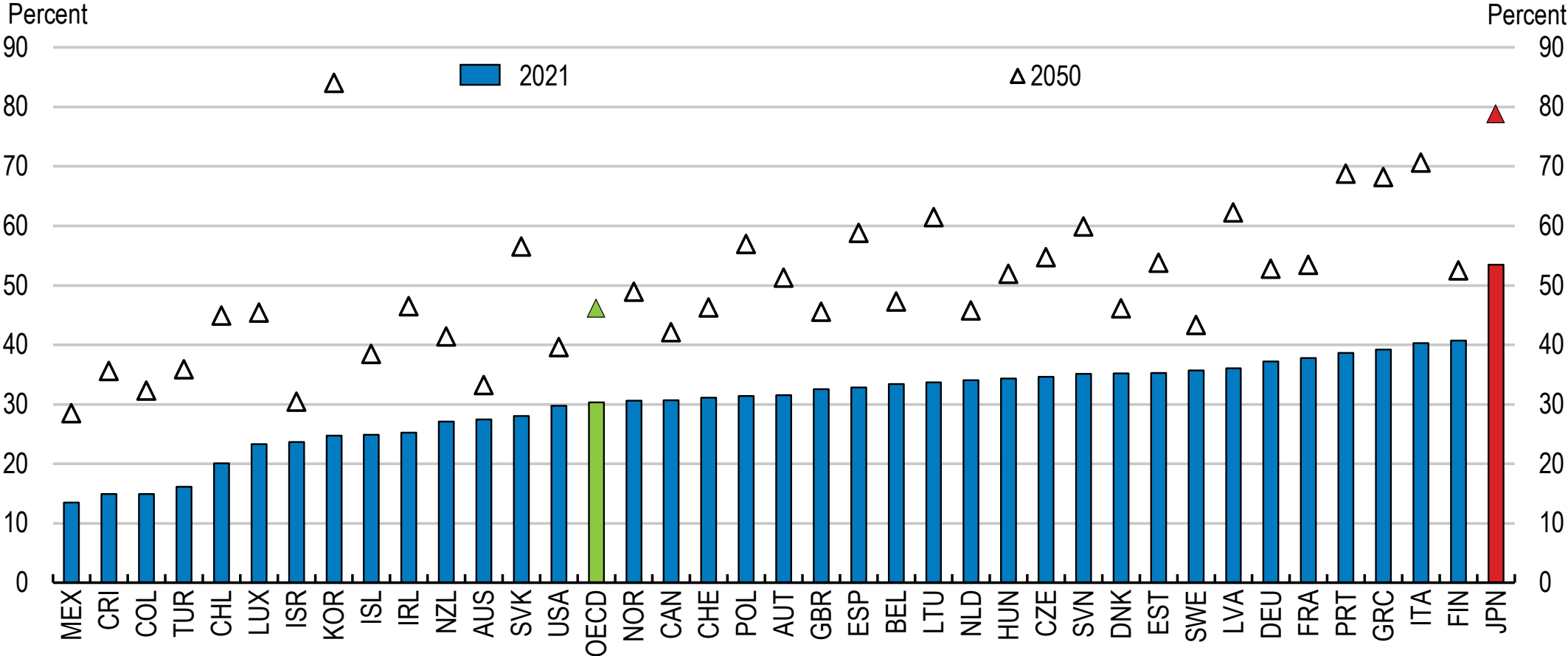


Note: Assumes that the total fertility rate remains steady at 1.3, net immigration continues at 100,000 per year and employment rates by gender and five-year age cohorts stay constant. In this baseline, Japan's population would fall to 96 million in 2060 and to 68 million in 2100. Employment includes self-employed and workers in family businesses.

Source: OECD calculations based on the OECD Long-term Model.

# Japan's elderly dependency rate – already the highest in the OECD – will continue rising

The elderly population as a share of the working-age population



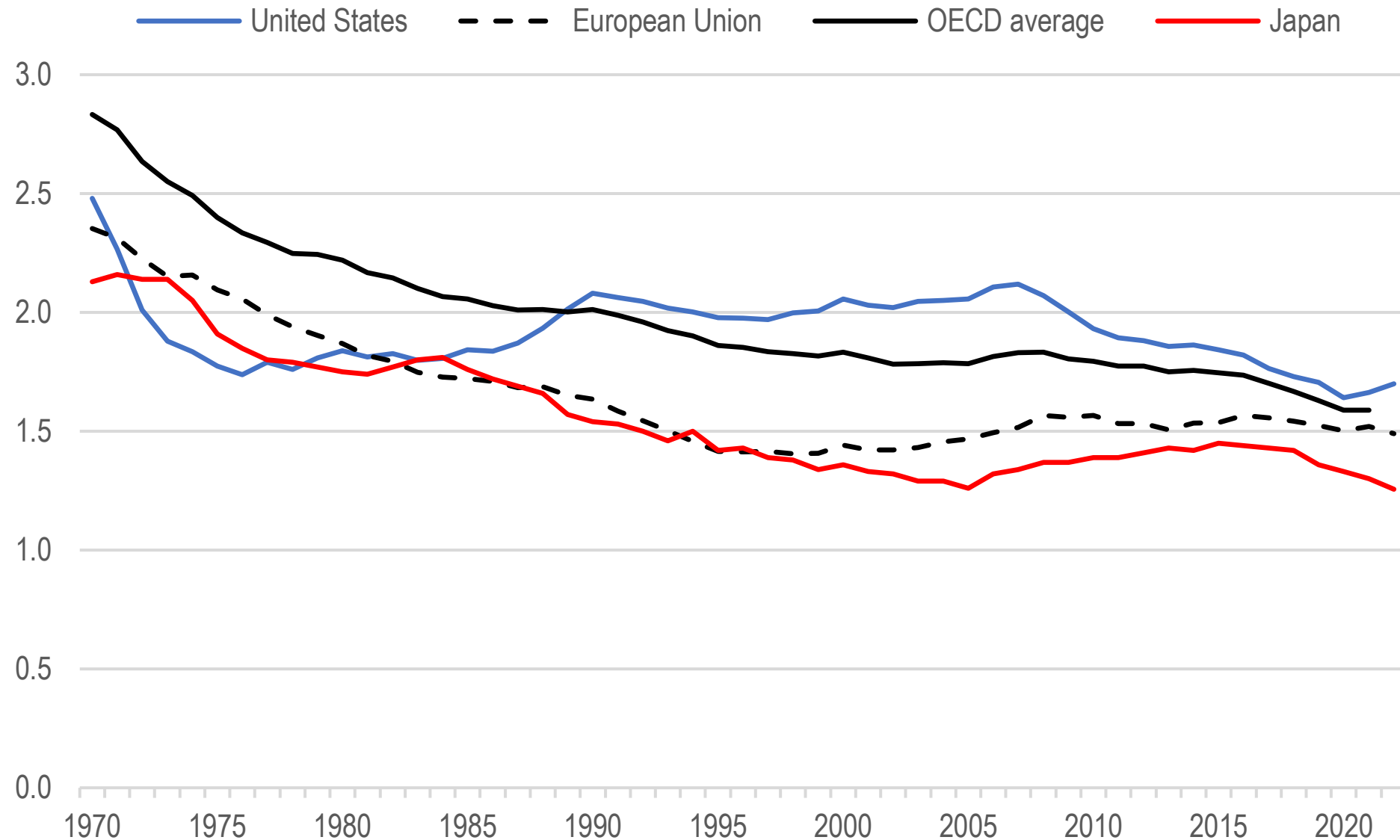
Note: Ratio of population aged 65 and above to population aged 20-64. Projections are based on medium fertility variant.  
 Source: OECD Demography and Population Statistics database.

# Korea and China also face exceptionally rapid population aging

Country	Year when share of elderly (65 and over) make up:			Years elapsed	
	7% of population	14% of population	20% of population	7 to 14%	14 to 20%
Korea	2000	2018	2025	18	7
China	2002	2025	2034	23	9
Japan	1970	1994	2006	24	12
Germany	1932	1972	2008	40	36
United Kingdom	1929	1976	2025	47	49
Italy	1927	1988	2008	61	20
United States	1942	2014	2028	72	14
Sweden	1887	1972	2018	85	46
France	1864	1979	2028	115	39

Source: Jones (2022), *The Japanese Economy: Strategies to Cope with a Shrinking and Ageing Population*, London: Routledge Press.

# Japan's fertility rate has been edging down since 2015



Source: World Bank.

# What are the long-run implications of a low fertility rate?

- A smaller population would have some advantages, such as less environmental damage and congestion and less expensive housing.
- However, a decline in the working-age population (15-64) relative to the children (0-14) and elderly (65+), putting downward pressure on per capita GDP and living standards.
- Fiscal challenges as the tax base shrinks and aging-related spending (health and long-term care and pensions) accelerates. The increased costs of a large elderly population would be partially offset by fewer children. For example, an average of 450 public schools closed permanently each year between 2002 and 2020. But overall, aging would put upward pressure on government spending.
- Accelerating depopulation in many areas of Japan is making it more difficult to efficiently supply adequate public services and worsening regional disparities. Prime Minister Kishida stated that Japan is “on the brink of not being able to maintain social functions.”
- The increasing share of single men and women without family support may reduce the well-being and financial security of the elderly.



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# Japan has implemented measures to boost the fertility rate since the 1989 “1.57 shock”

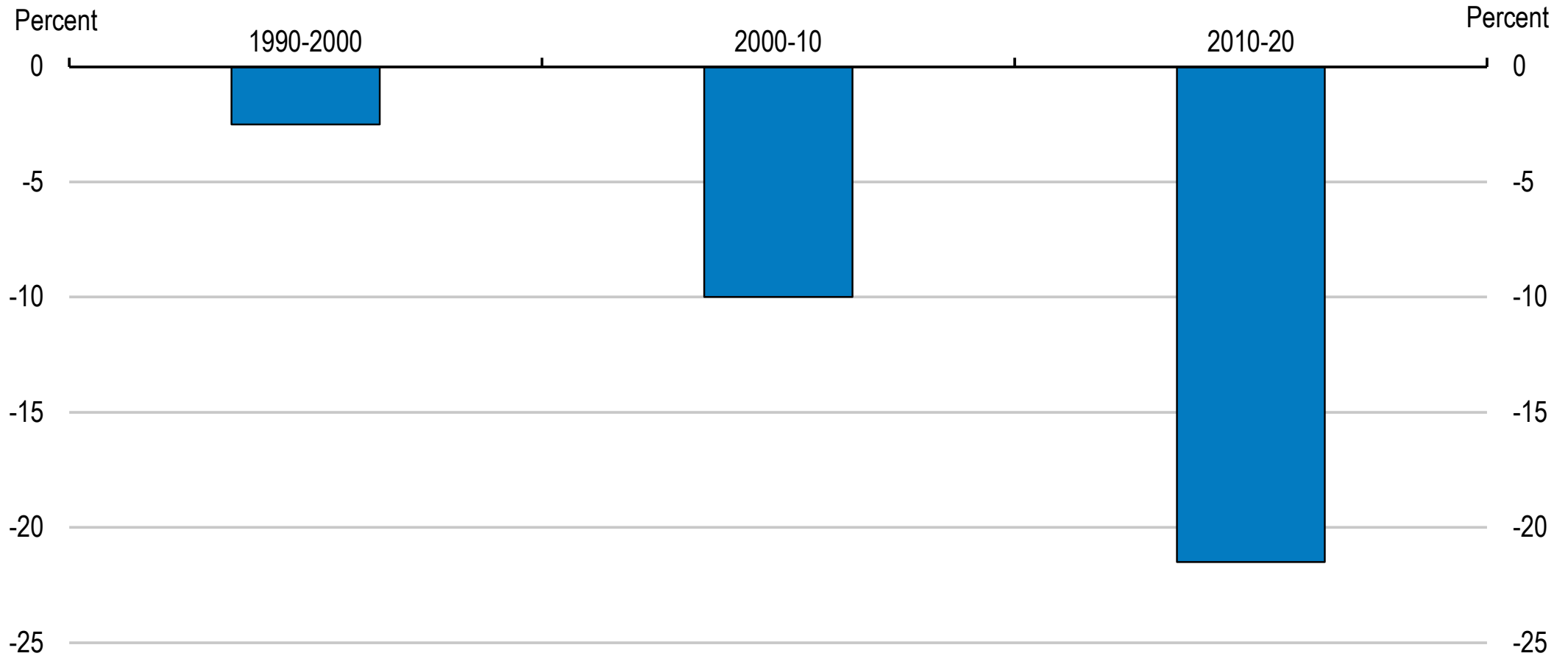
- The government launched the Angel Plan in 1994, followed by the New Angel Plan in 1999. Both plans aimed to make it easier to raise children by:
  - Enhancing access to childcare services.
  - Strengthening maternal and child healthcare facilities.
  - Improving housing and public facilities for families with children.
  - Promoting child development and improving the educational environment.
  - Reducing the economic cost associated with child-rearing, including education.
  - Making the employment environment more flexible for parents.
  - Changing traditional gender roles and the work-first atmosphere in workplaces.
- A monthly allowance per child was introduced in 2010. Currently, the government offers JPY 10,000 to 5,000 (USD 75 to 113) per month for each child until graduation from middle school.
- The Abe administration took additional steps:
  - Japan added 530,000 childcare places over FY2013-17 and another 320,000 by FY2021.
  - The government introduced free early childhood education and care for children aged three to five in 2019.
  - The authorities set a target of raising the share of fathers taking parental leave from 6% to 13%.

# Raising the fertility rate has become a top priority for the government. Prime Minister Kishida has stated:

- “In giving thought to the sustainability and inclusiveness of our nation's economy and society, we place child-rearing support as our most important policy” (Prime Minister’s Office of Japan (2023), [\*Policy Speech by Prime Minister KISHIDA Fumio to the 211th Session of the Diet, January 23\*](#)).
- “We must create a children-first economic society and reverse the birth rate decline” ([\*Ibid.\*](#)).
- Japan must address the issue “now or never”; “The next six to seven years are our last chance to see if we can reverse the (fertility) trend” (Prime Minister’s Office of Japan (2023), [\*Press Conference by Prime Minister Kishida, March 17\*](#)).
- The fertility rate target set by the government in 2020 is 1.8.

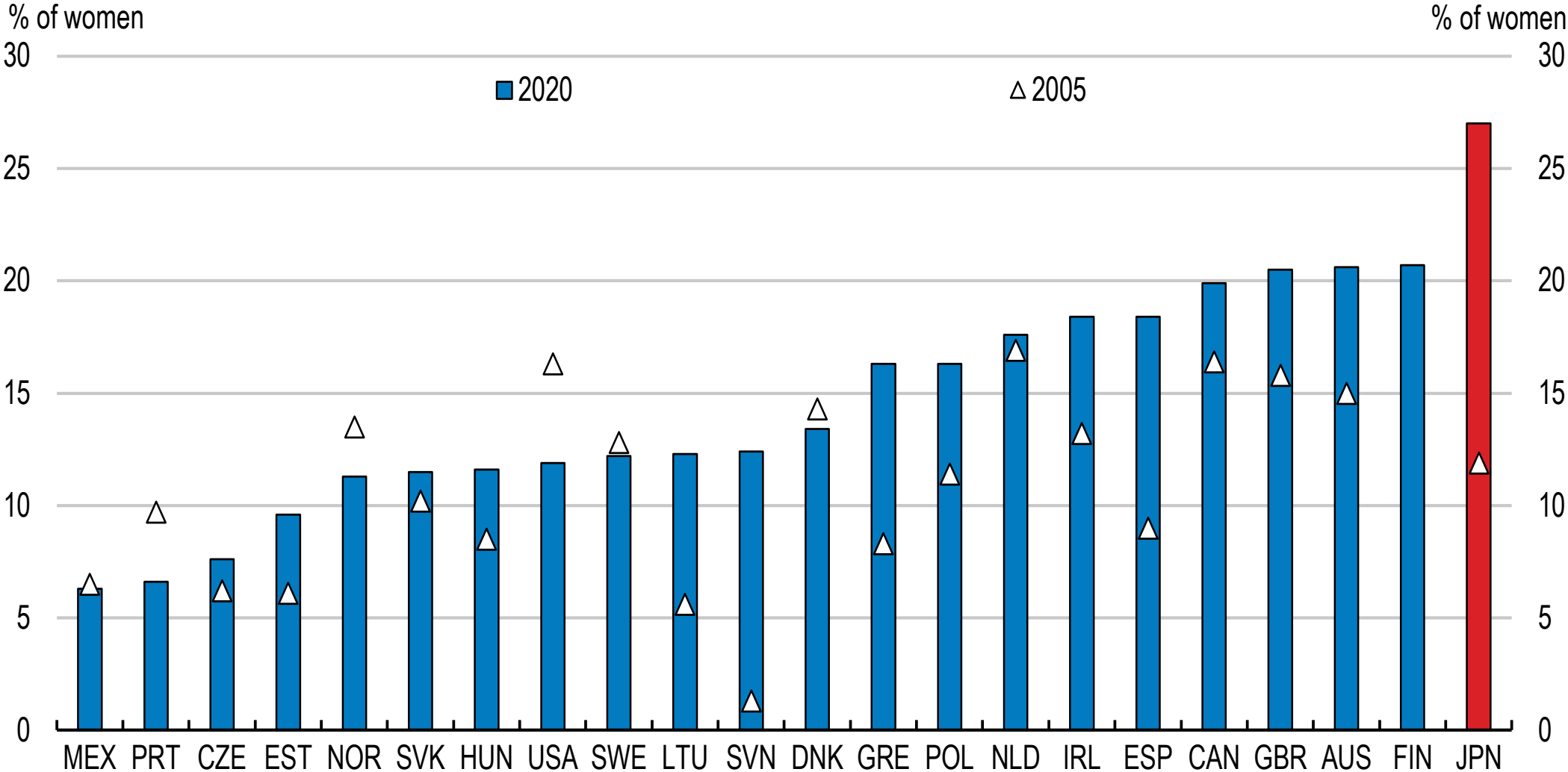
# The urgency expressed by the prime minister reflects the accelerating decline in the number of births in Japan

The change in the number of births compared to the previous decade



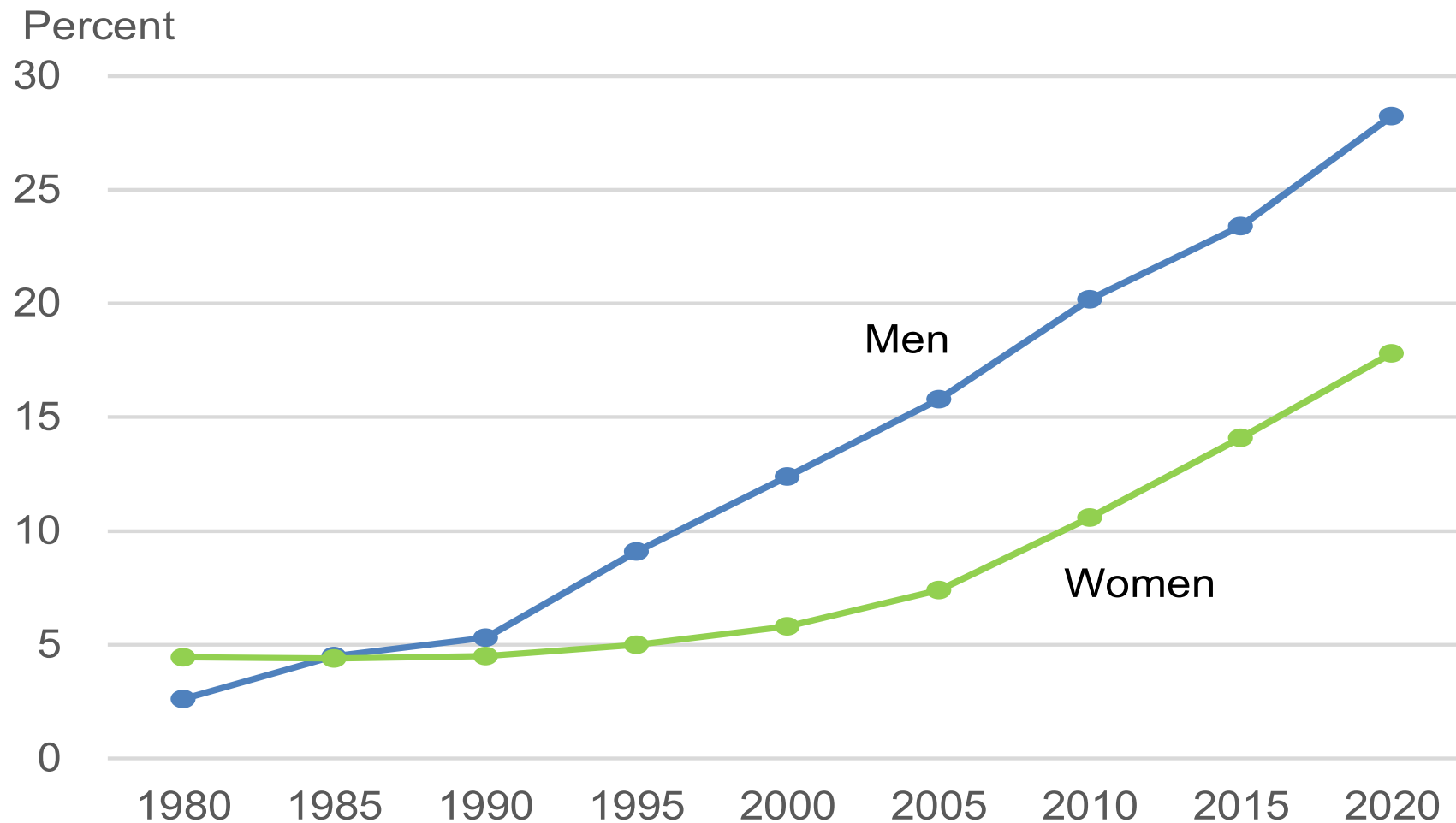
# Childlessness is relatively high among Japanese women

The share of women aged 50 who have not experienced any live births



Source: OECD Family Database.

# The percentage of 50-year-olds who have never married has risen sharply



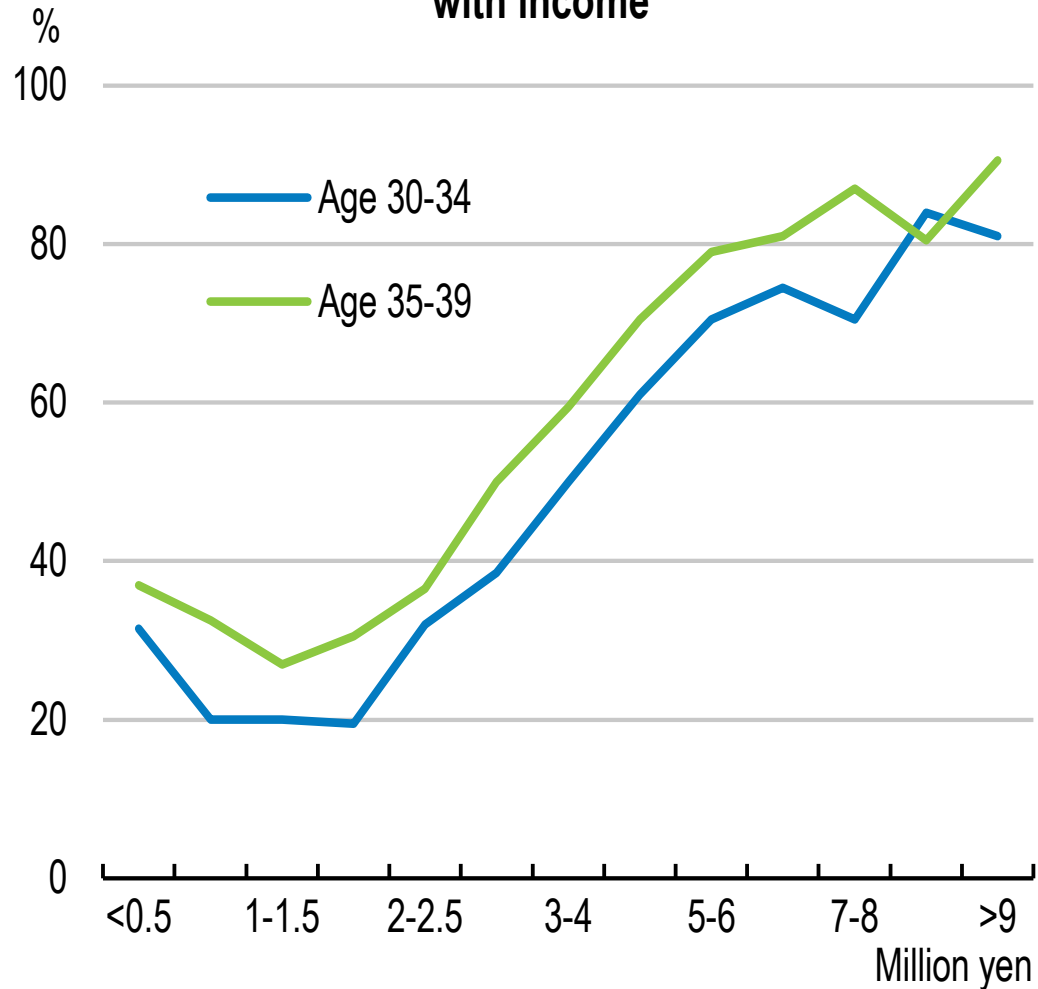
Source: Statistics Bureau of Japan (2021), *2020 Population and Households of Japan*.

# The financial insecurity of young people discourages family formation

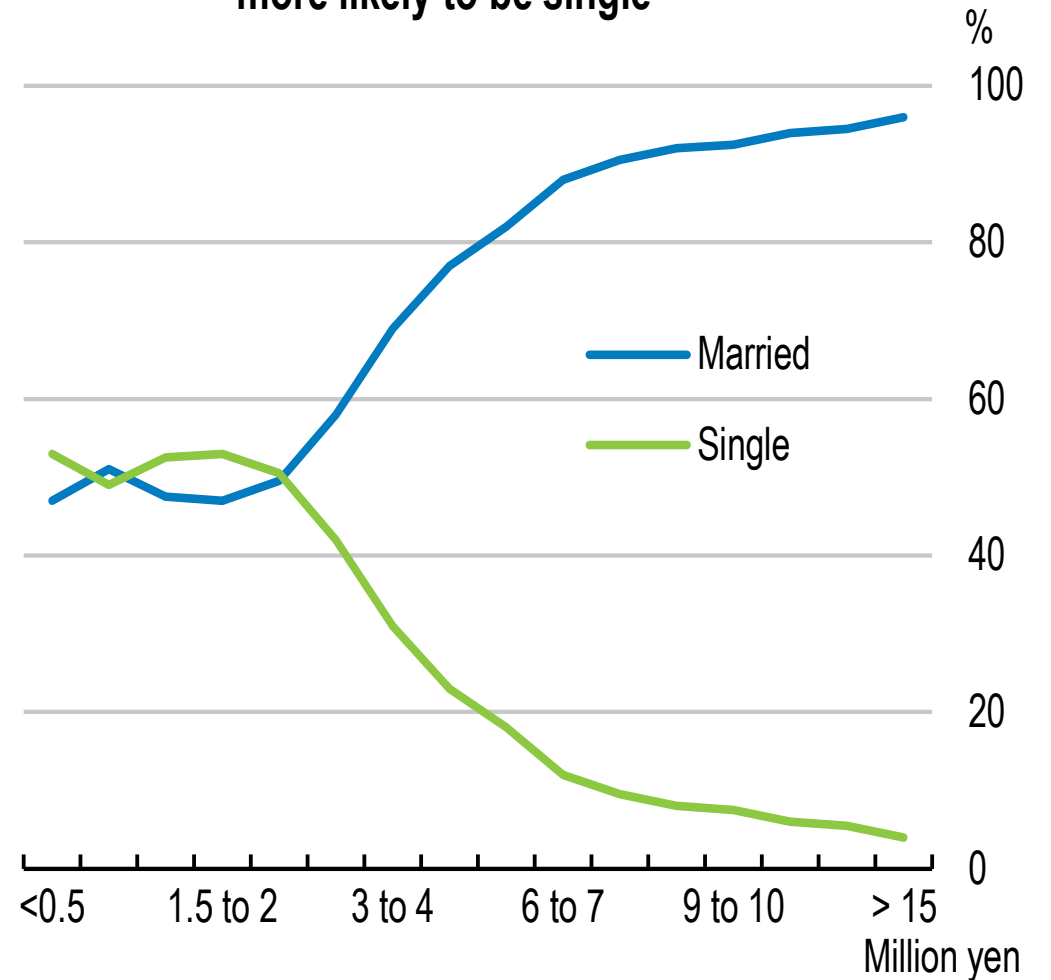
- Given that 98% of births are to married couples, policies that remove obstacles to marriage, particularly at a younger age, would tend to boost the fertility rate.
- As in other countries, life goals other than family and children, such as career advancement, wealth and self-realization, have gained importance.
- In a 2021 survey of single persons between the ages of 18 and 34 by the National Institute of Population and Social Security Research, more than 80% of both men and women said that they planned to get married eventually, and that their desired number of children was 1.8 on average.
- In a 2019 government survey that asked single young people, “What conditions are necessary for you to consider marriage?”, the most common response, at 42%, was “being financially comfortable.” Another 10% cited the challenge of finding suitable housing.
- In sum, the problem is uncertainty about employment prospects. And if young people they do have a job, they may be working such long hours that they find little time to date.

# The link between income and marriage

**A. The share of men who are married rises with income**



**B. Men in their 40s with low incomes are more likely to be single**





# Improving the financial position of young people

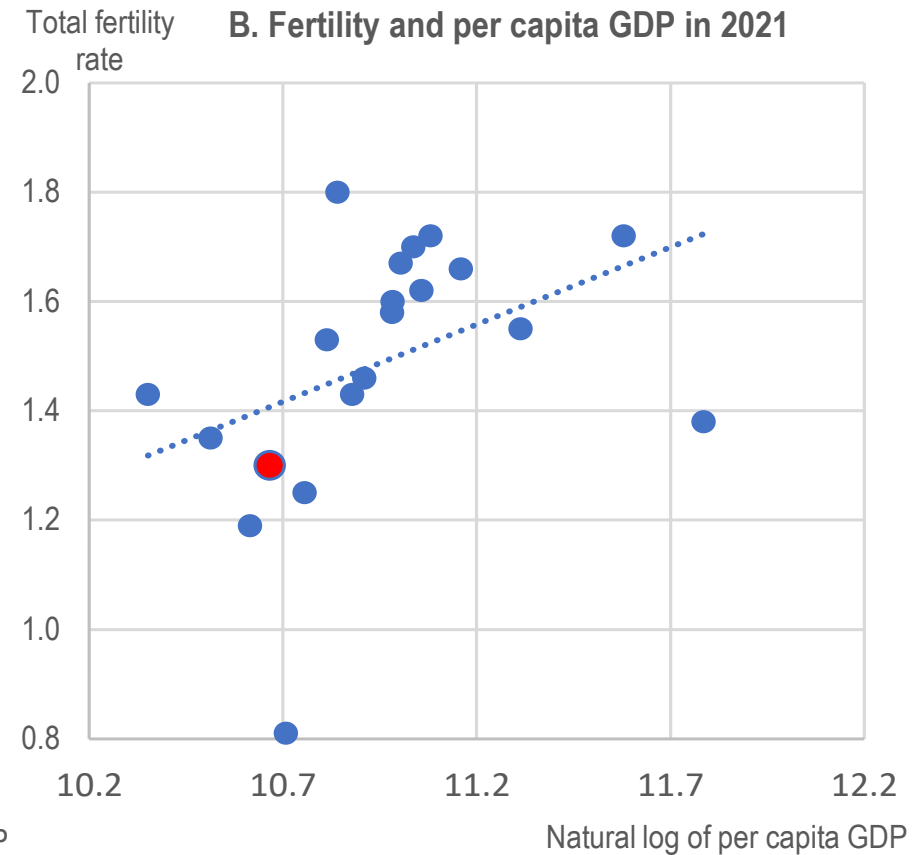
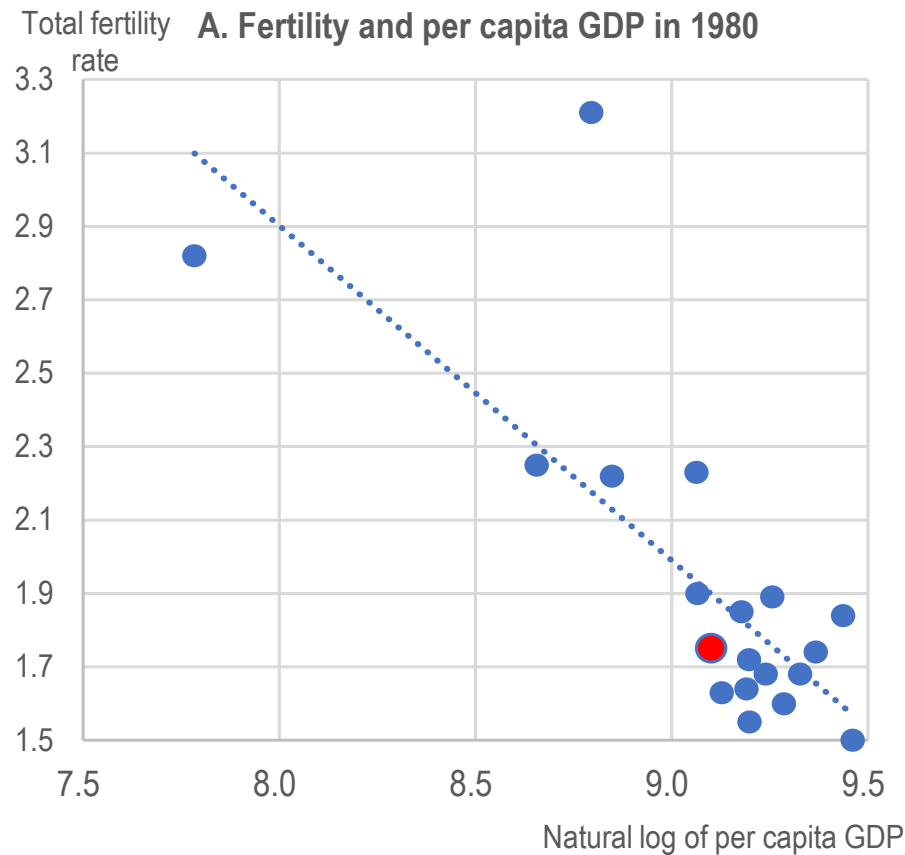
The first basic principle of the government's children and child-rearing policy announced in March 2023 is to “increase the income of the young generation”. Policies that might help in this regard:

- The seniority-based system tends to pay young workers less than their productivity while paying older workers more. Reducing the importance of seniority in wage-setting and increasing the weight of performance and job category would increase the income of young people.
- The share of non-regular workers among the 15-24 age cohort has risen from around 20% in 1985 to 50% by 2022. For the 25-34 age group, it rose from 3% to 14% for men and from 25% to 31% for women over the same period. In addition to their precarious nature, non-regular jobs pay significantly lower wages than regular ones.
- Wealth inequality has risen significantly among young age cohorts; the share of households in the 25-35 age group with zero wealth increased from 5% in 1984 to 9% in 2014 and the Gini coefficient for wealth in that age group rose from 0.51 to 0.61.
- It is important to address the issue of *hikikomori*, who are defined as individuals who refuse to leave their parents' house, do not work or go to school and isolate themselves for more than six months. The problem of shut-ins has been exacerbated by COVID-19. A 2023 Cabinet Office report estimated that around 2% of persons aged 15 to 39 are *hikikomori*.

# Other explanations for falling fertility rates

Prior to the mid-1980s, the relationship between fertility and GDP per capita was negative (as income rises, fertility goes down), reflecting:

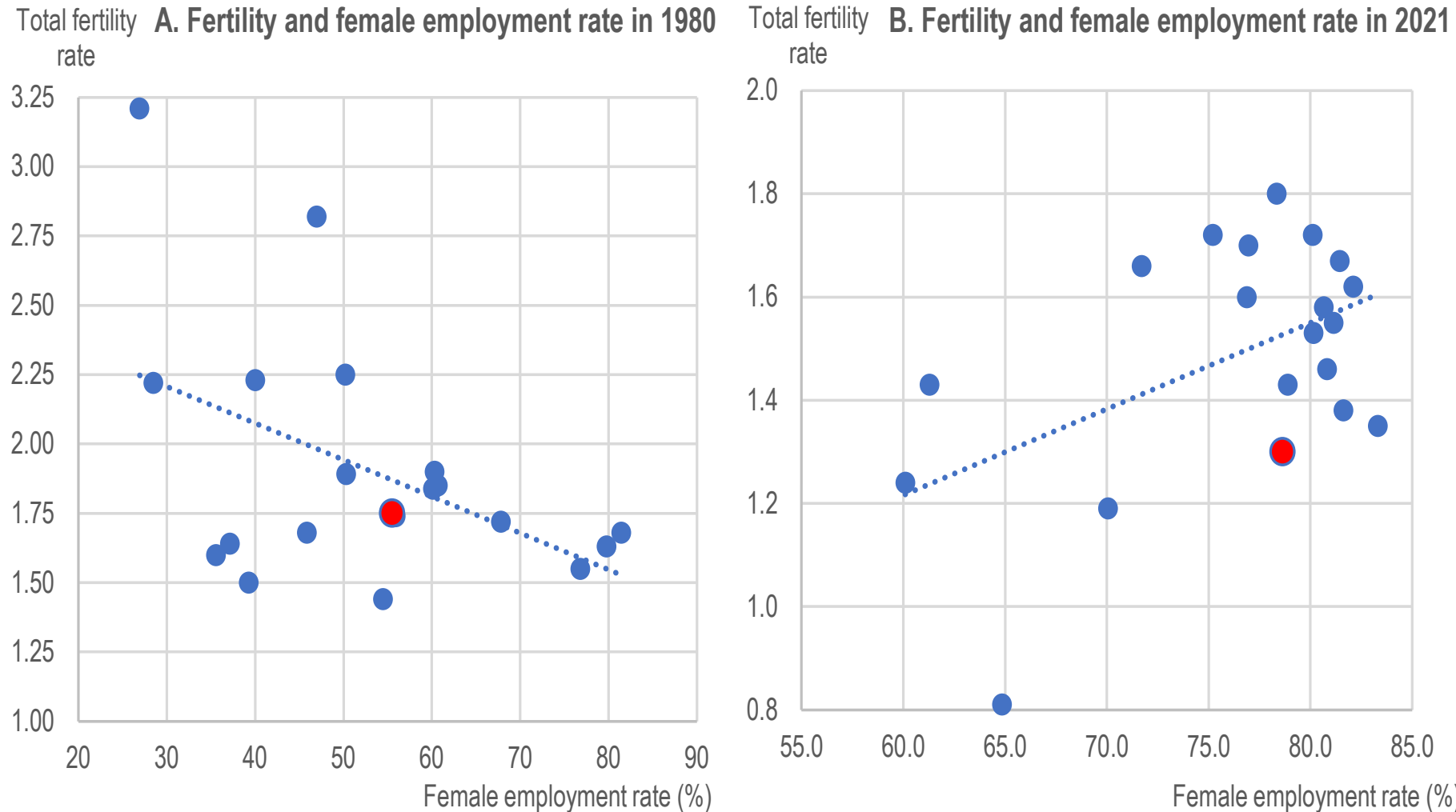
- The quantity-quality trade-off: as parents get richer, they invest more in quality (e.g. education), which is costly, so parents choose to have fewer children.
- The rise in the opportunity cost of childcare rises as wages increase. The result is a decline in fertility as income increases, as well as an increase in female employment.



Note: The correlation coefficient between fertility and income increased from -0.8 in 1980 to +0.4 in 2021. The figure includes 20 OECD countries for which data are available since 1980. The larger red circles represent Japan.

Source: Calculations based on data from the World Bank and OECD, National Accounts.

# The relationship between fertility and female employment also turned positive in the mid-1980s

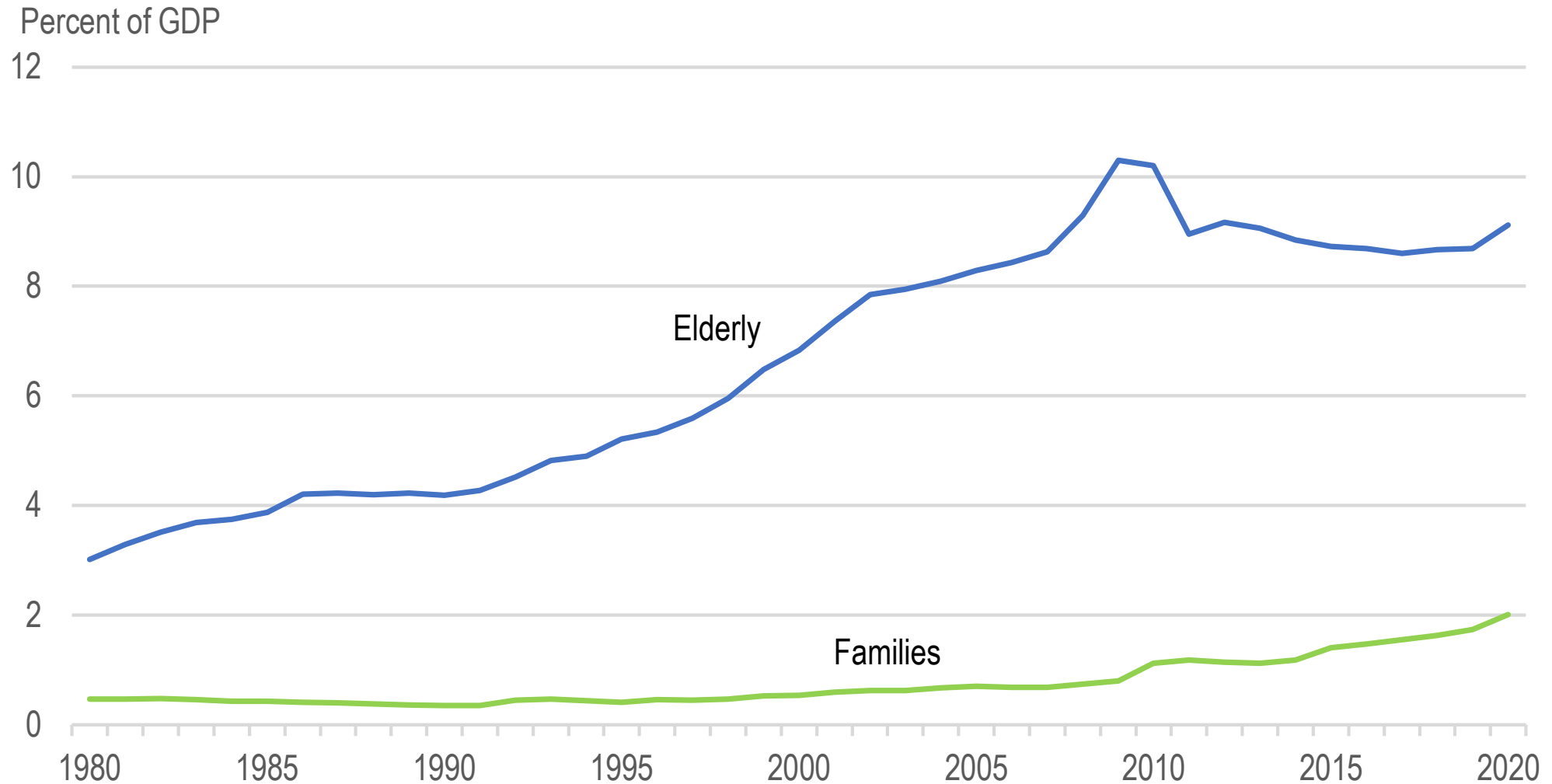


Note: The correlation coefficient between fertility and the female employment rate rose from -0.5 to +0.5. The female employment rate is for the 25-54 age group. The figure includes 20 OECD countries for which data are available since 1980. The larger red circles represent Japan.  
Source: Calculations based on data from the World Bank and OECD Labor Force Statistics.

# In advanced countries, there is a positive relationship between the fertility rate and female employment

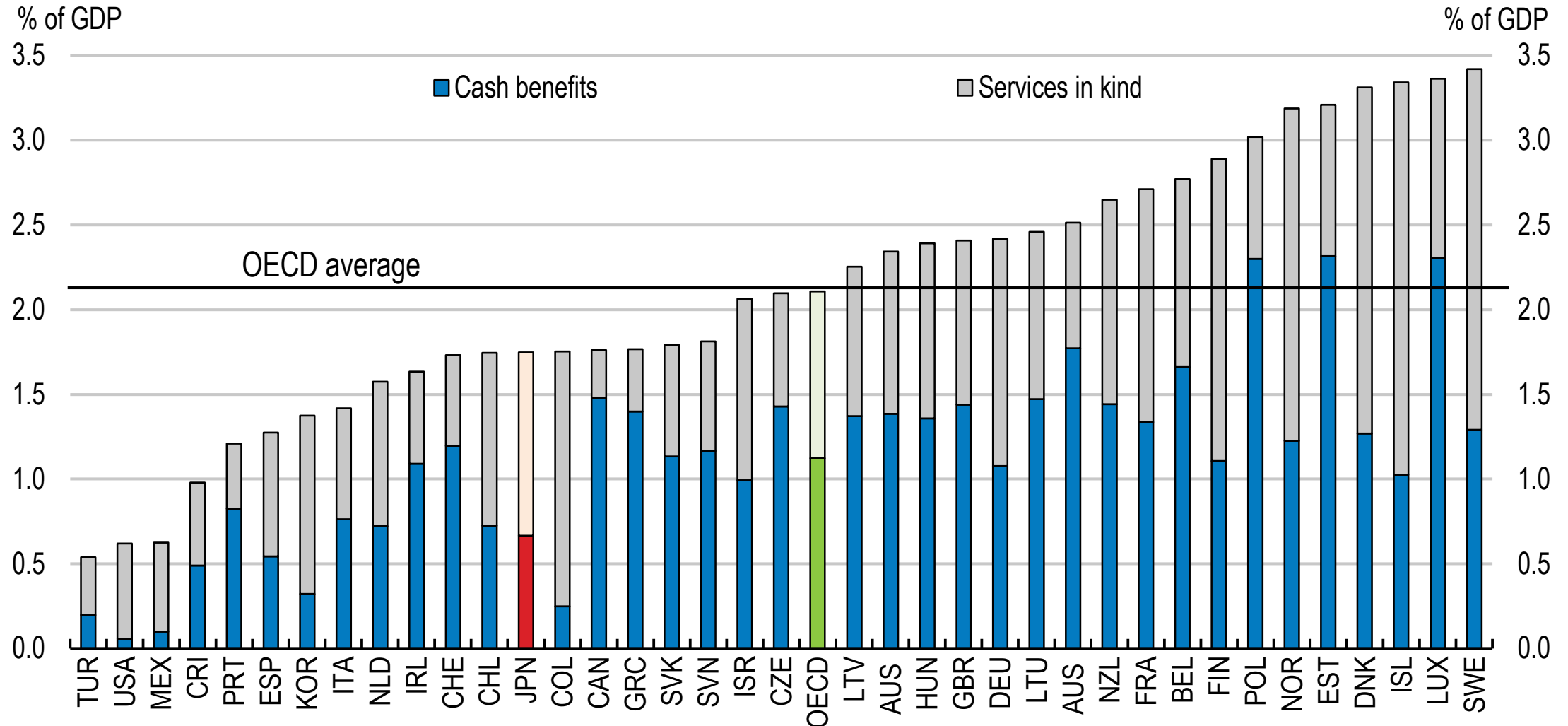
- Fertility behavior in high-income countries, appears driven by the compatibility between women's careers and families. Without such compatibility, women choose to have fewer (or no) children. In other words, making it easier to combine paid work and family is critical so that women are not forced to choose between a career and children.
- **The compatibility of women's careers and families depends on:**
  - i. Public social spending (including cash transfers, services and in-kind benefits) and tax benefits for families with children.
  - ii. The role of fathers
  - iii. Flexible labor markets: segmentation between regular and non-regular workers is a problem in Japan
  - iv. Favorable social norms: 教育ママ (Education Mother)

# Public social spending: outlays for the elderly far outpace expenditures for families



Source: National Institute of Population and Social Security Research (2021), *The Financial Statistics of Social Security in Japan FY2020*.

# Japan's public expenditure on family support is relatively low



Note: The figure does not include tax breaks for families, which amounted to 0.3% of GDP in Japan in 2019, close to the 0.2% of GDP average.

Source: OECD Family Database.

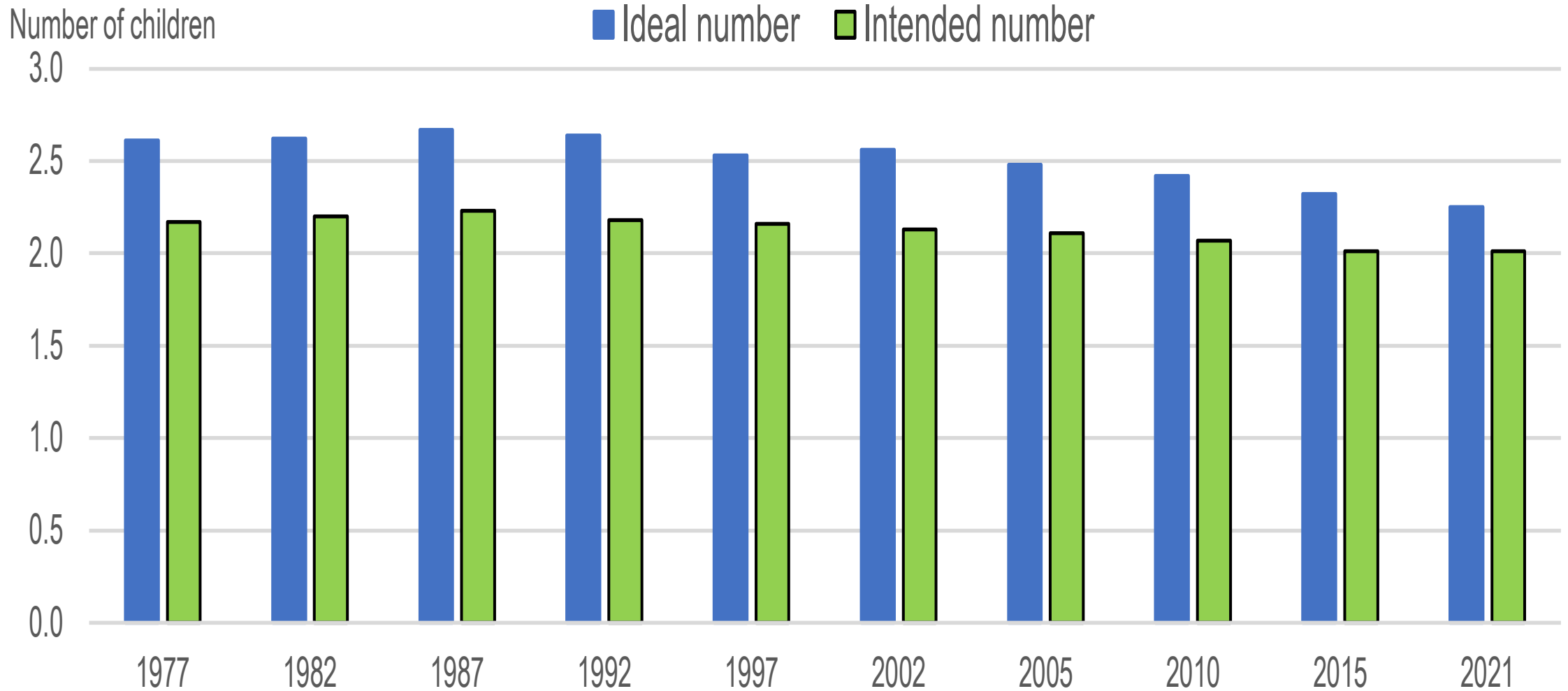
# Japan's public spending on family policies has risen considerably since 2000 (as a percent of GDP)

	2000	2019
Cash benefits	0.2	0.7
Family allowances	0.1	0.5
Child allowance	0.1	0.4
Social allowance	0.1	0.1
Maternity and parental leave	0.0	0.2
Benefits in kind	0.4	1.1
Early childhood education and care	0.3	0.8
Home help/accommodation	0.0	0.1
Other benefits	0.1	0.1
Total	0.5	1.7

Note: In addition, Japan's tax benefits to families with children amounted to 0.3% of GDP in 2019, close to the OECD average.

Source: OECD, Social Expenditure Database.

# Policies should focus on enabling couples to have their intended number of children

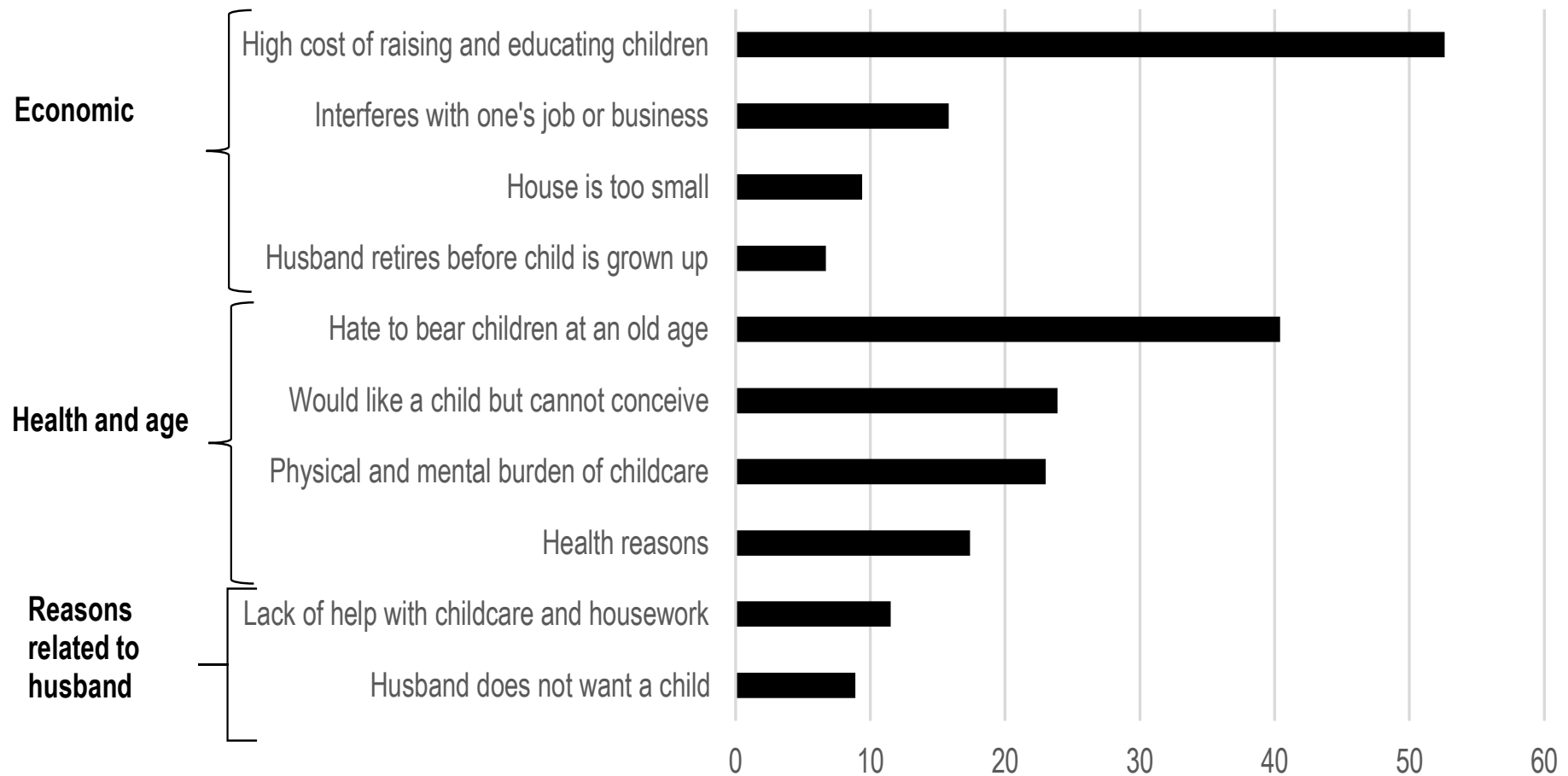


Source: National Institute of Population and Social Science Research (IPSS) (2022).



# The cost of raising and educating children is the key reason that couples do not have their desired number of children

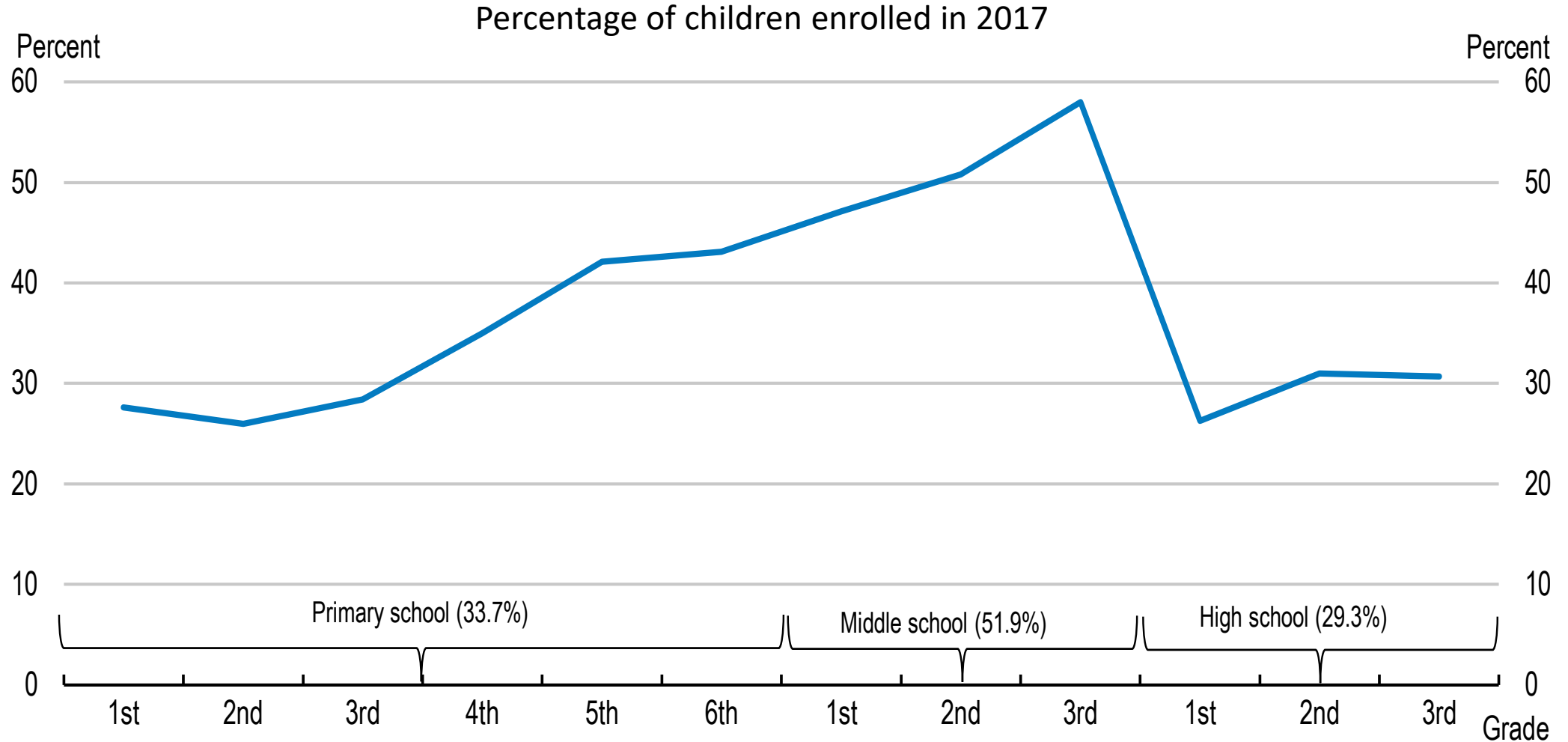
## B. Reasons why couples do not achieve their ideal number of children



Note: A survey of married women under age 50 and whose intended number of children is less than their ideal number. As multiple answers were permitted, the total exceeds 100%. In addition, 8.2% responded that they wanted to focus on themselves and 5.0% said the social environment is not suitable for children.

Source: National Institute of Population and Social Science Research (IPSS) (2022).

# The enrolment of children in after-school tutoring institutions (*juku*) is a major expense for parents

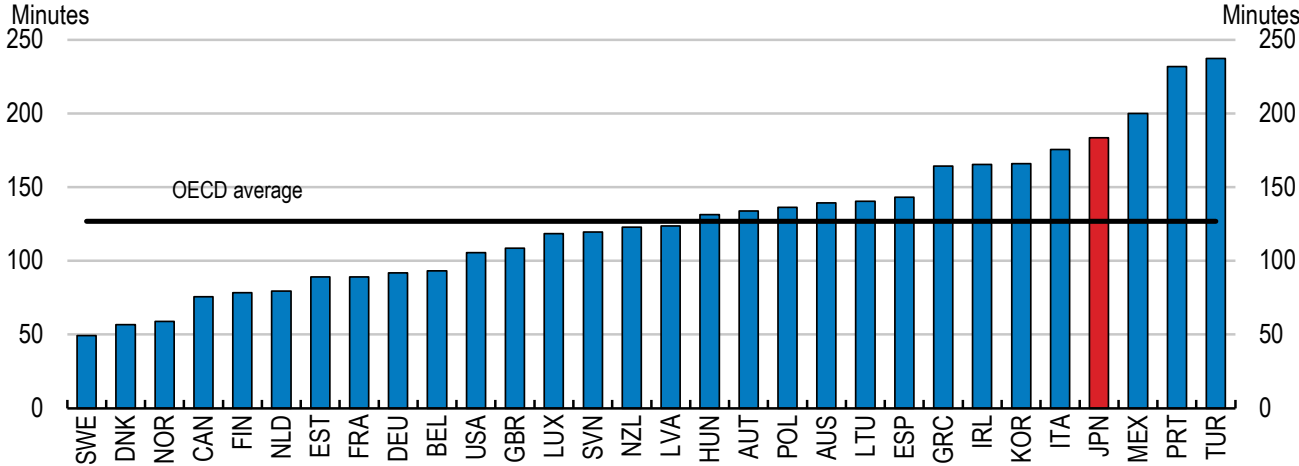


# Severe competition for entrance to prestigious schools and universities has led to an essential role for *juku*

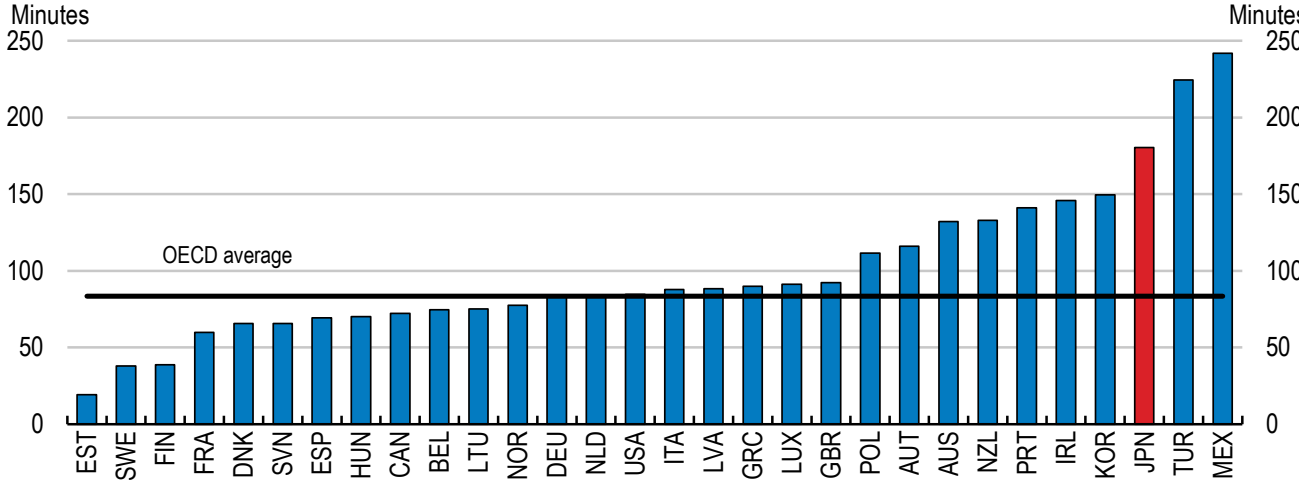
- Entrance exams determine to a significant degree students' future educational, economic and social opportunities.
- There are an estimated 50,000 *juku* in Japan, focusing on entrance exam preparation and supplementary courses centered on Japanese, English, math and science.
- In addition to *juku*, another one-fifth of students participate in home tutoring or distance learning.
- Average household spending on *juku* per student in middle schools amounted to around 5.5% of average annual earnings in FY2021, a significant burden, particularly for families with multiple children.
- *Juku* attendance is highest in Tokyo and other major urban areas, where fertility rates are lowest.
- Reducing the role of *juku* would lower the financial cost of children while improving equity in educational outcomes.

# A second factor that makes it difficult for women to combine employment and family: the role of fathers

A. Japanese women spend much more time than men in unpaid work

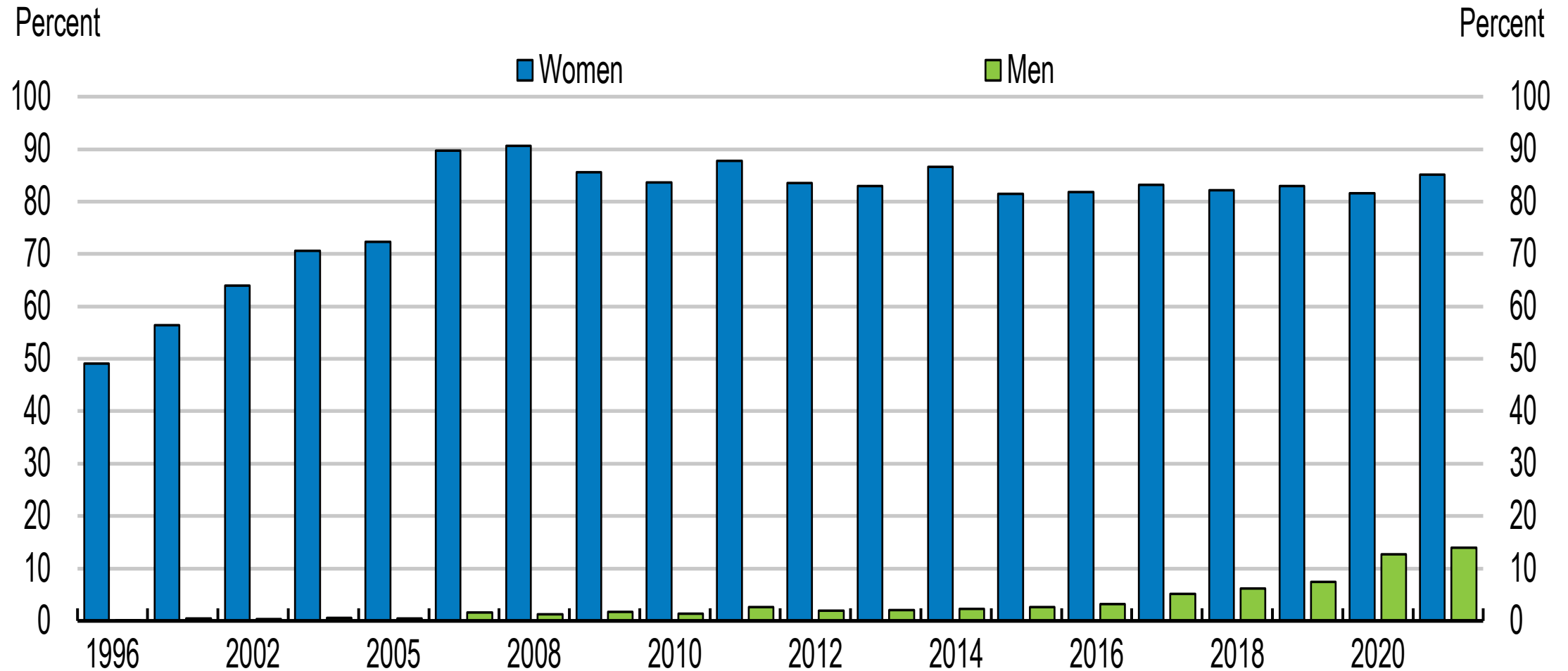


B. Japanese men spend much more time than women in paid work



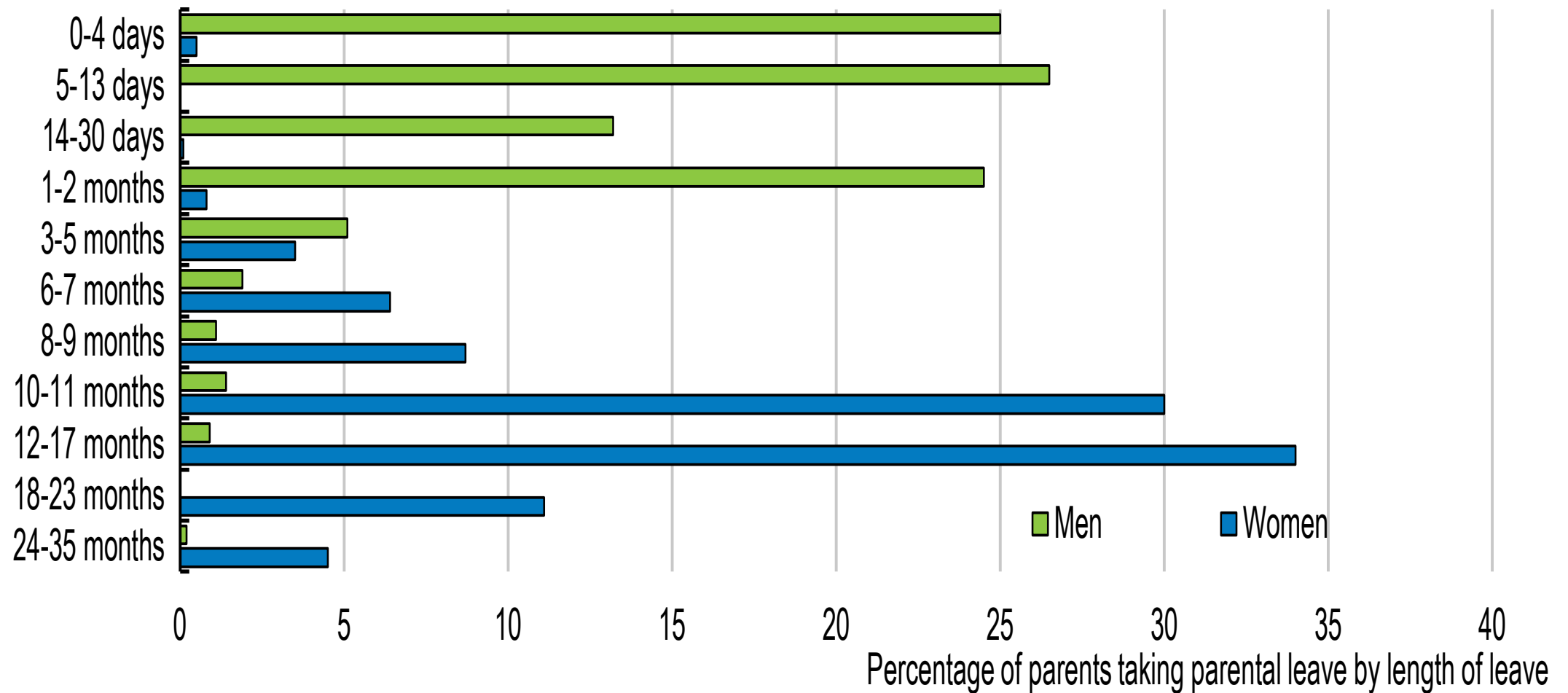
Source: OECD, *Employment: Time Spent in Paid and Unpaid Work by Sex*.

# The share of men taking parental leave is low in Japan



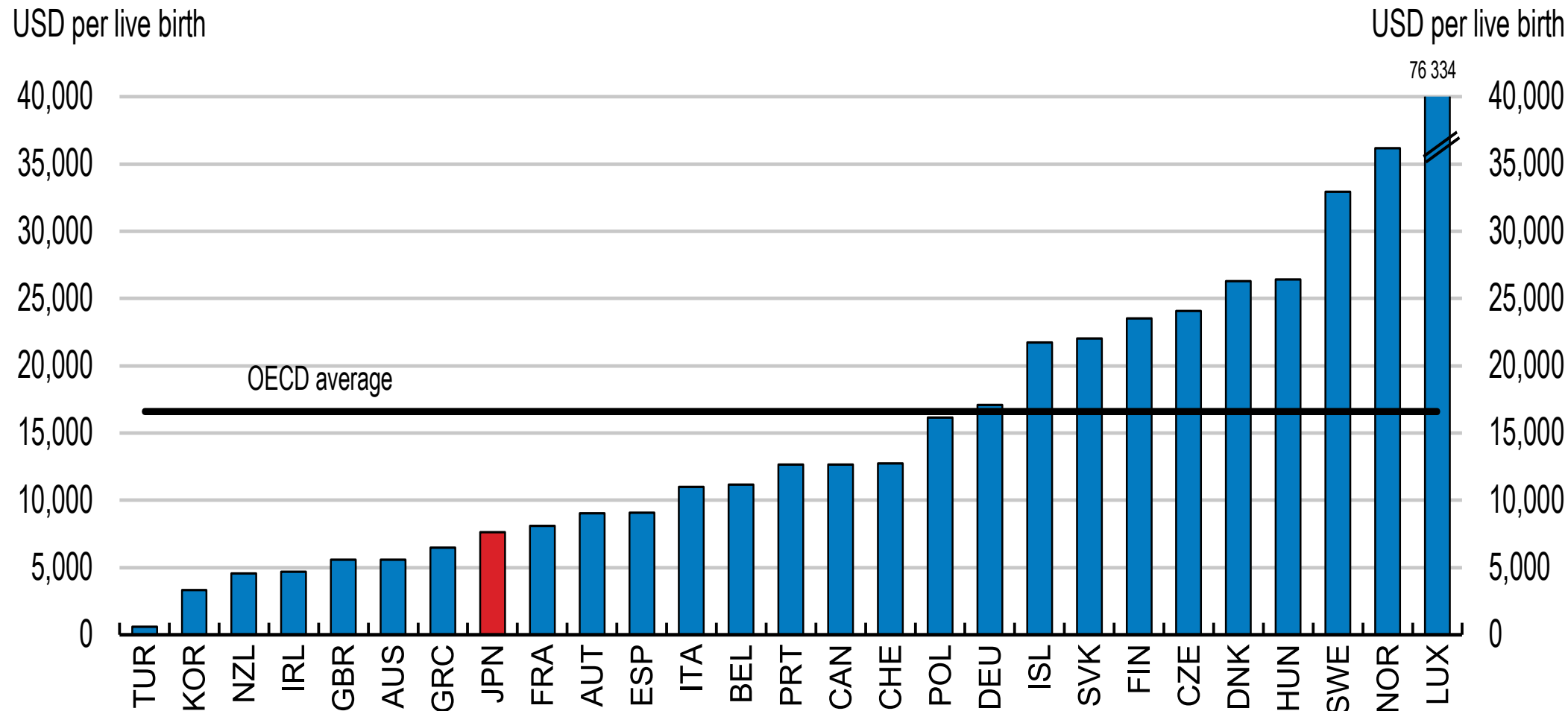
Source: Ministry of Health, Labor and Welfare.

# The duration of parental leave for men is relatively short (in 2021)



Source: Ministry of Health, Labor and Welfare.

# Public expenditure on parental and maternity leave in Japan is relatively low (in 2019)



Source: OECD, Family Database.

# In June 2023, the government announced the “Acceleration Plans for Child and Childrearing Support”

## Strengthening financial support for childrearing

- Expand the child allowance: *i)* the income test will be eliminated; *ii)* its coverage will be extended to high school-age children; and *iii)* the allowance will be increased for the third and subsequent children.
- Increase the lump-sum childbirth and nursing allowance from JPY 420 000 to 500 000 (USD 3 846).
- Expand scholarships and tuition reduction to middle-income households with multiple children and/or students studying science, engineering or agriculture.
- Raise housing support for families with children and boost the capacity of child-friendly housing.

## Expanding support for households with children

- Expand seamless support during pregnancy and after birth.
- Improve the quality of childcare, in part by changing the ratio of caregivers to children (for one-year-olds, the standard is changed from six children per childcare worker to five).

## Promoting dual income households and co-parenting

- Boosting the FY2025 target for the share of private-sector male employees taking parental leave to 30% and setting an 85% overall target for FY2030. Consider expanding the requirement that companies disclose the share of male employees taking parental leave.
- Significantly strengthen subsidies for SMEs that develop systems to support parental leave.

## Raising awareness to create a society that is friendly to children and child-rearing

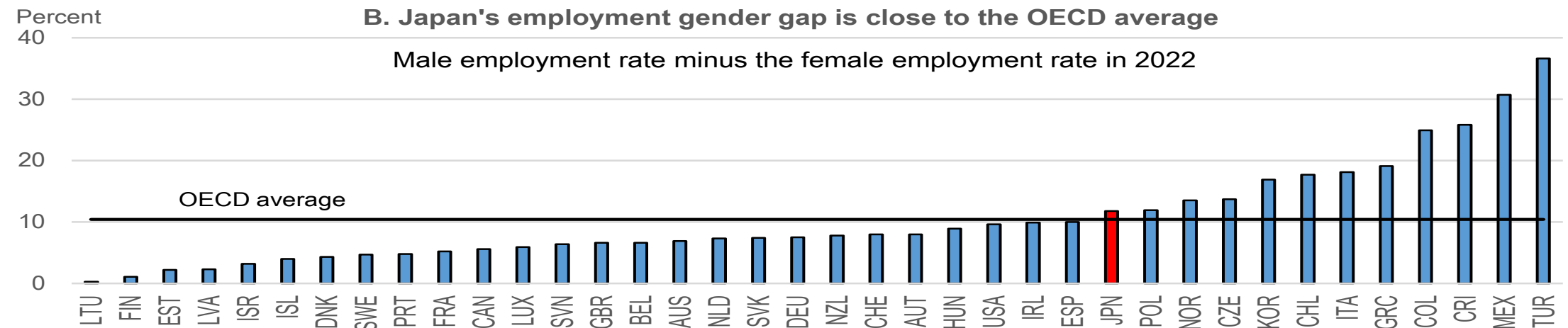
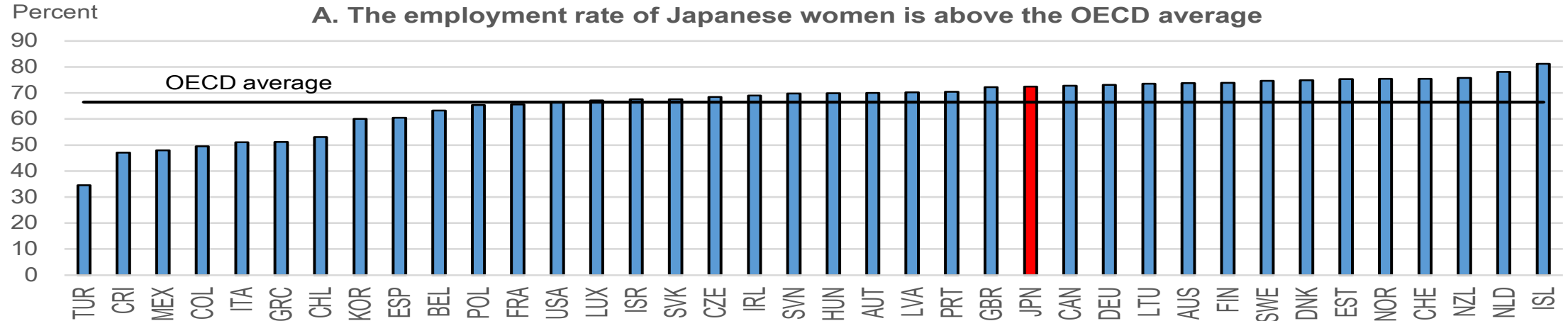
- Create a “national movement” beginning in mid-2023 to increase awareness of the need to create a child-rearing-friendly society.



# Outline of presentation

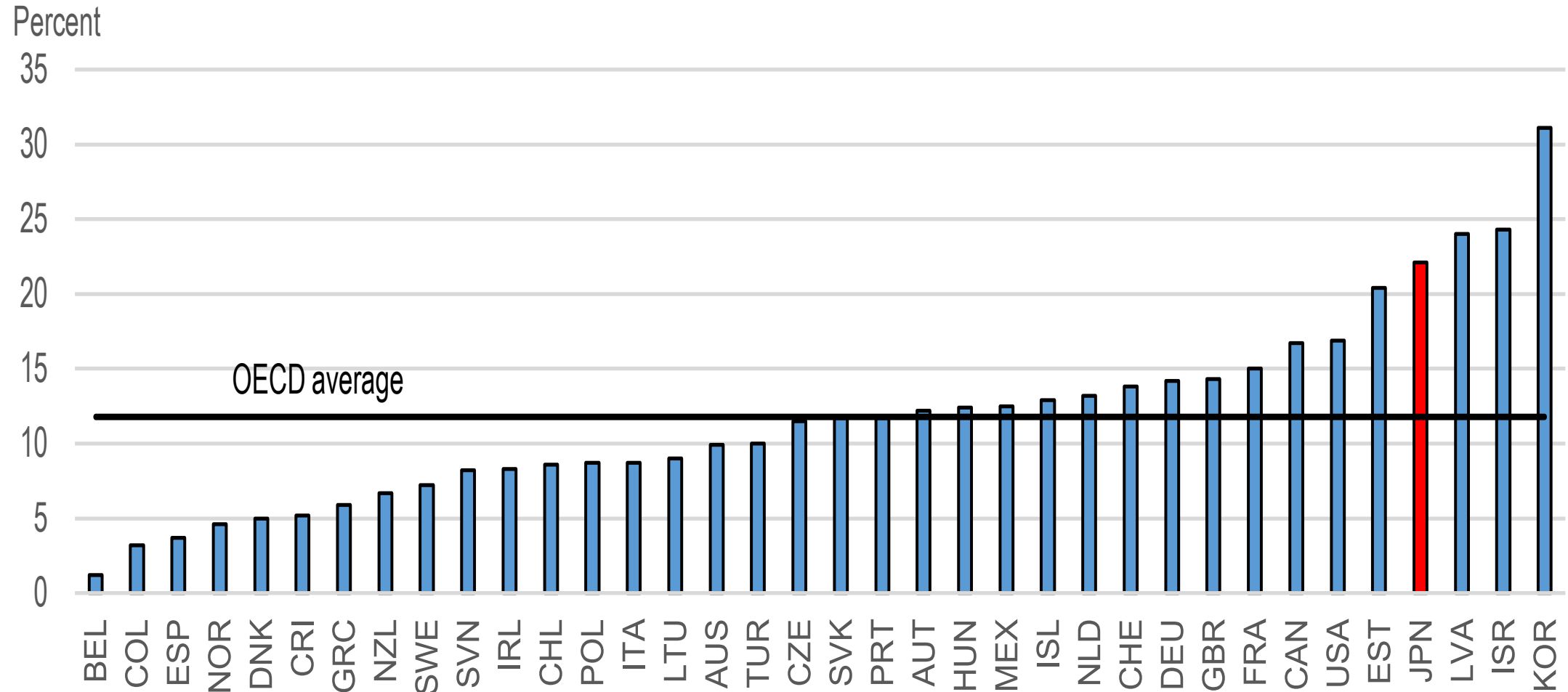
1. Japan's demographic situation
2. Strategies to increase the fertility rate
  - Strengthen the financial position of young people
  - Reduce the costs of raising children, particularly for education
  - Increase the role of fathers, in part by greater take-up of parental leave
  - Break down labor market dualism to enable women to combine employment with family responsibilities
3. Expanding labor market opportunities for women
4. Removing barriers to the employment of older persons
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# The female employment rate and employment gender gap are close to the OECD average



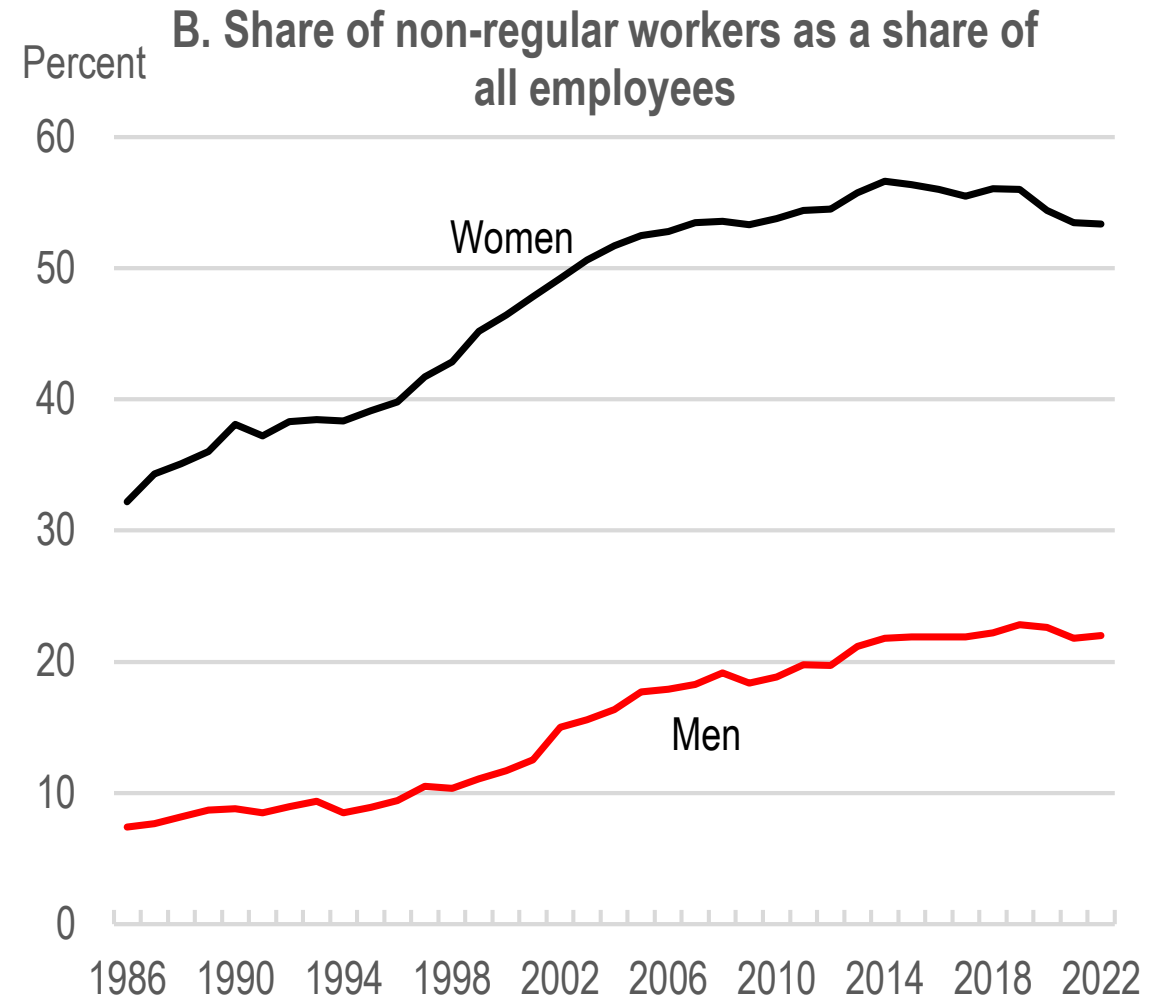
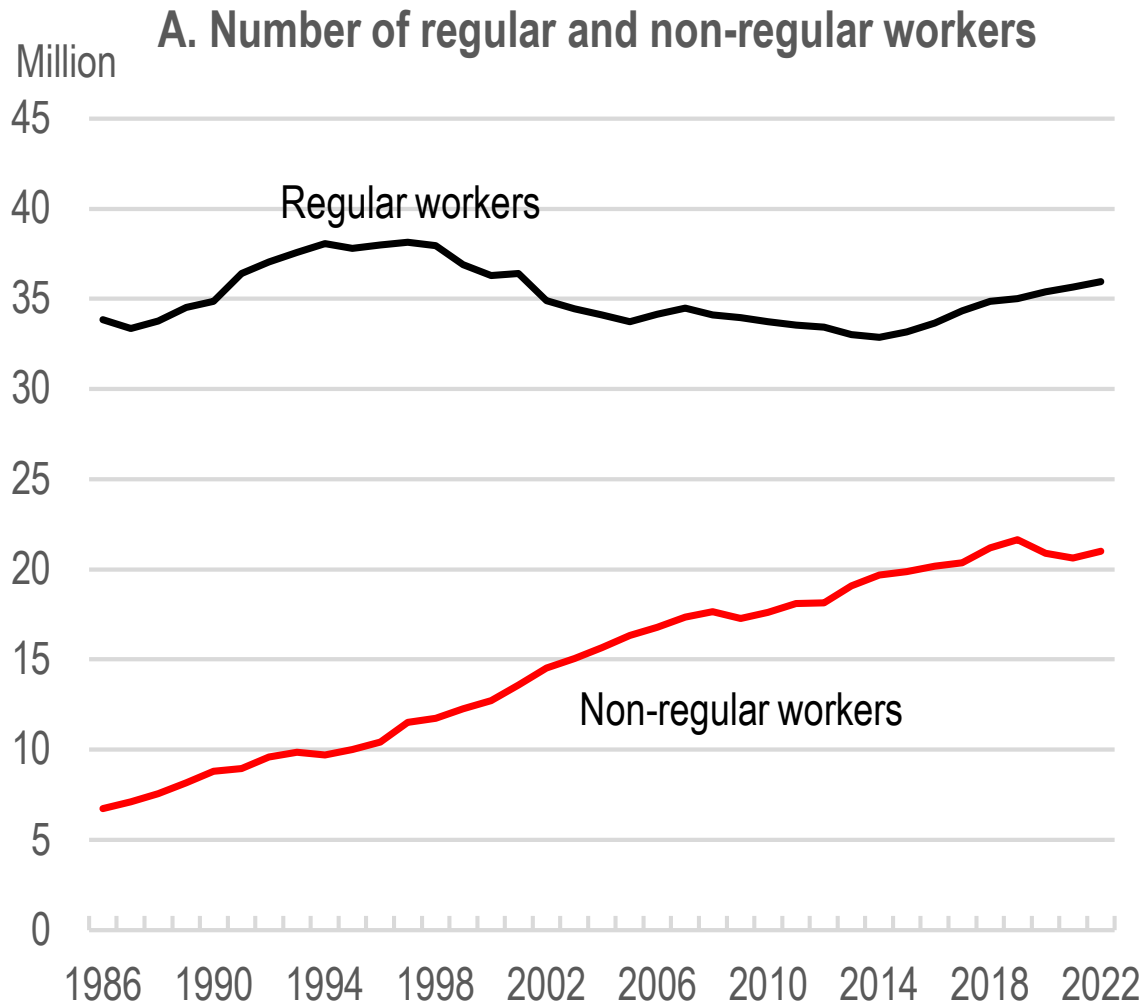
Note: Panel A – Percentage of 15-64 population in 2022; Panel B – Male employment rate minus the female employment rate in 2022.  
Source: OECD, Labor Force Statistics database.

# The gender wage gap in Japan is among the highest in the OECD (in 2021)



Source: OECD, Labor Force Statistics database.

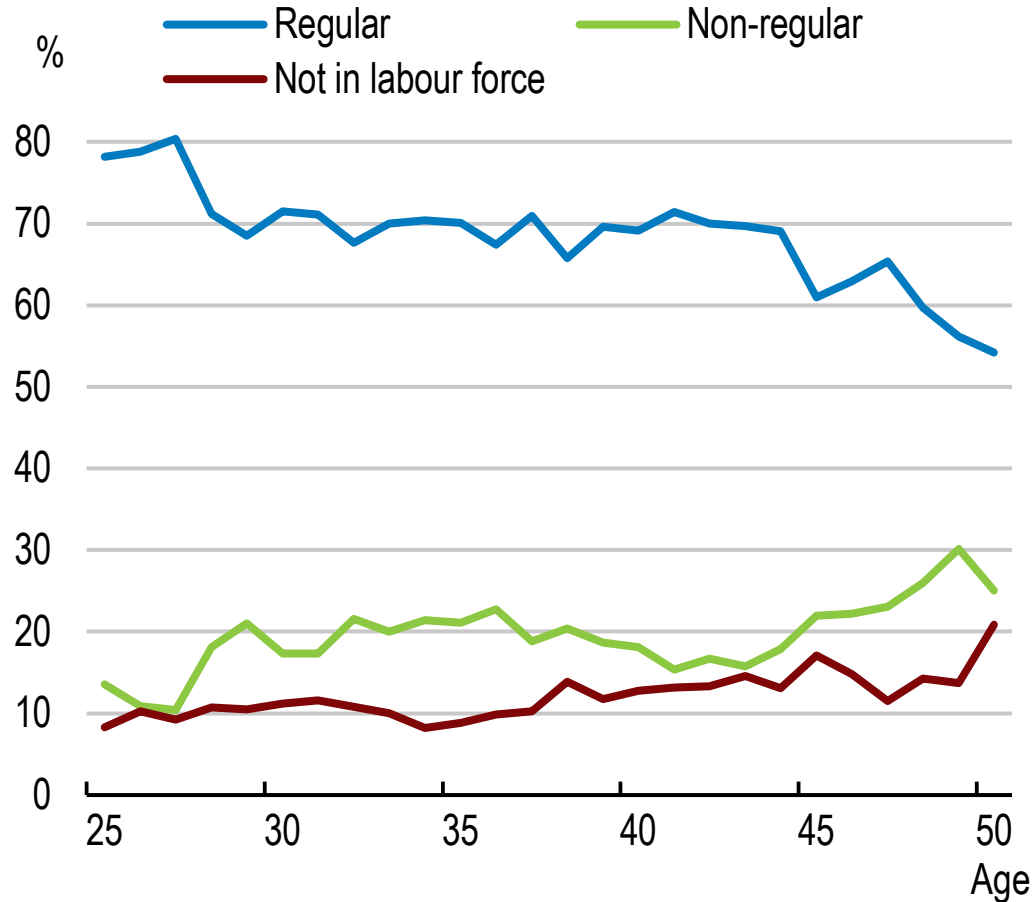
# Labor market dualism is a fundamental source of gender inequality



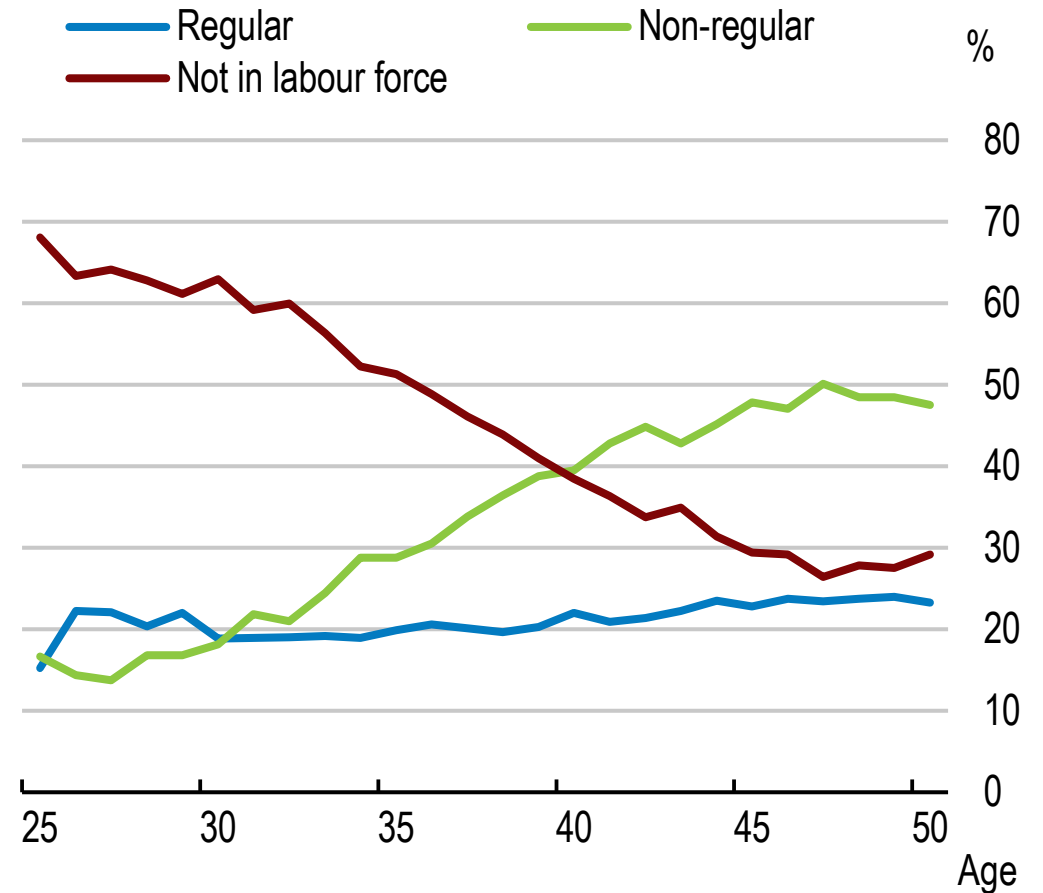
Source: Ministry of Internal Affairs and Communications, *Labor Force Survey, Basic Tabulation*.

# The rate of non-regular employment is much higher among married women

## A. Single women

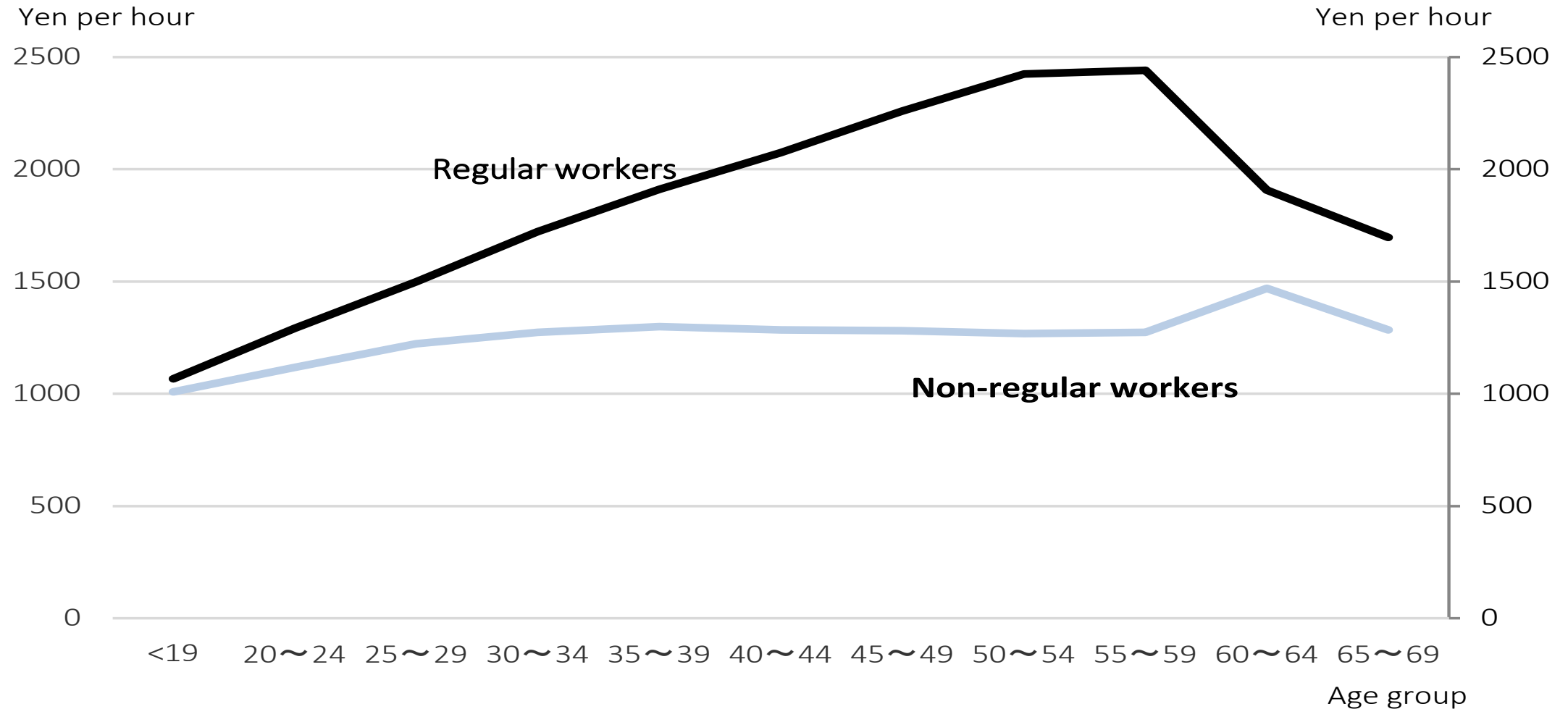


## B. Married women



# Labor market dualism – the segmentation between regular and non-regular work leads to high wage inequality

In 2018, excluding overtime and bonus payments



Note: Scheduled cash earnings divided by actual number of scheduled hours worked.

Source: Jones (2022), *The Japanese Economy: Strategies to Cope with a Shrinking and Ageing Population*, London: Routledge Press.

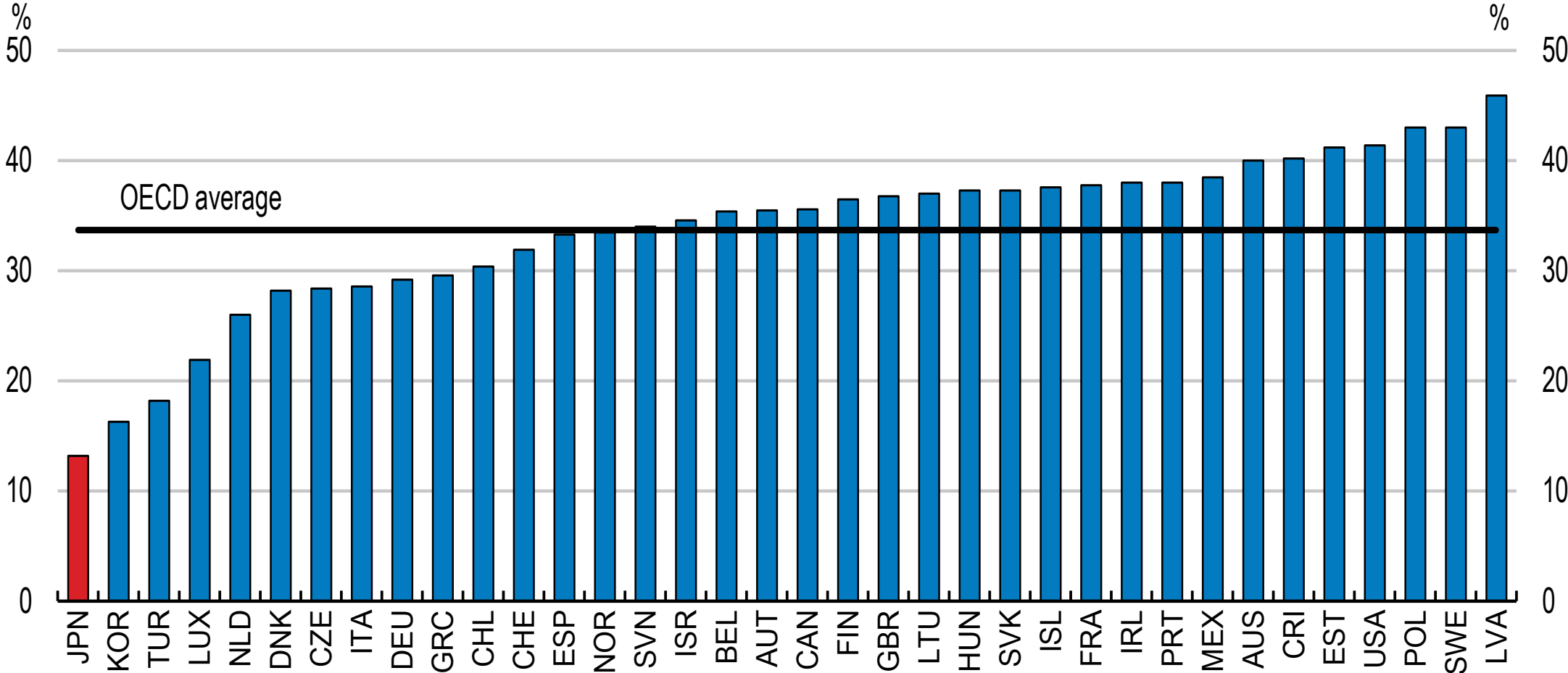
# In 2017, former Prime Minister Abe stated: “the term non-regular work will be swept from this country”

Breaking down labor market dualism requires addressing the factors that encourage companies to hire non-regular workers. In a government survey that asked firms why they hire non-regular workers:

1. 39% of firms cited the need to reduce labor costs (in addition to lower wage costs firms pay less in social insurance premiums, given the lower coverage of non-regular workers).
2. 33% of firms cited the need for a more flexible workforce to adapt to changing workloads.
  - The lack of employment flexibility is a result of employment protection accorded to regular workers. According to the Global Competitiveness Index, Japan ranks in the lower third of OECD countries in its flexibility for hiring and firing workers.
  - Labor law states that any dismissal of workers that “lacks objective, reasonable grounds and is not considered to be appropriate in general societal terms, [shall] be treated as an abuse of power and be invalid.” Judicial precedents have established the criteria to determine whether employment adjustment in corporate downsizings is an abuse of power by the company.
  - This formulation allows the legal system considerable discretion. Consequently, according to JETRO, it is “exceedingly difficult to judge the validity of dismissal,” as these criteria leave considerable room for interpretation.
  - A comprehensive strategy is necessary to break down labor market dualism by increasing the coverage of social insurance and improving training programs for non-regular workers and reducing employment protection for regular workers, in part by increasing its transparency.
  - The fundamental goal should be to shift from protecting jobs to protecting workers, the so-called “flexicurity” epitomized by Denmark.

# Discrimination also contributes to Japan's wage and employment gender gap

Women's share of management positions in 2021 or latest year



Source: OECD, Gender database.



# Eliminating the tax deduction for spouses and their exemption from social insurance contributions would boost female employment

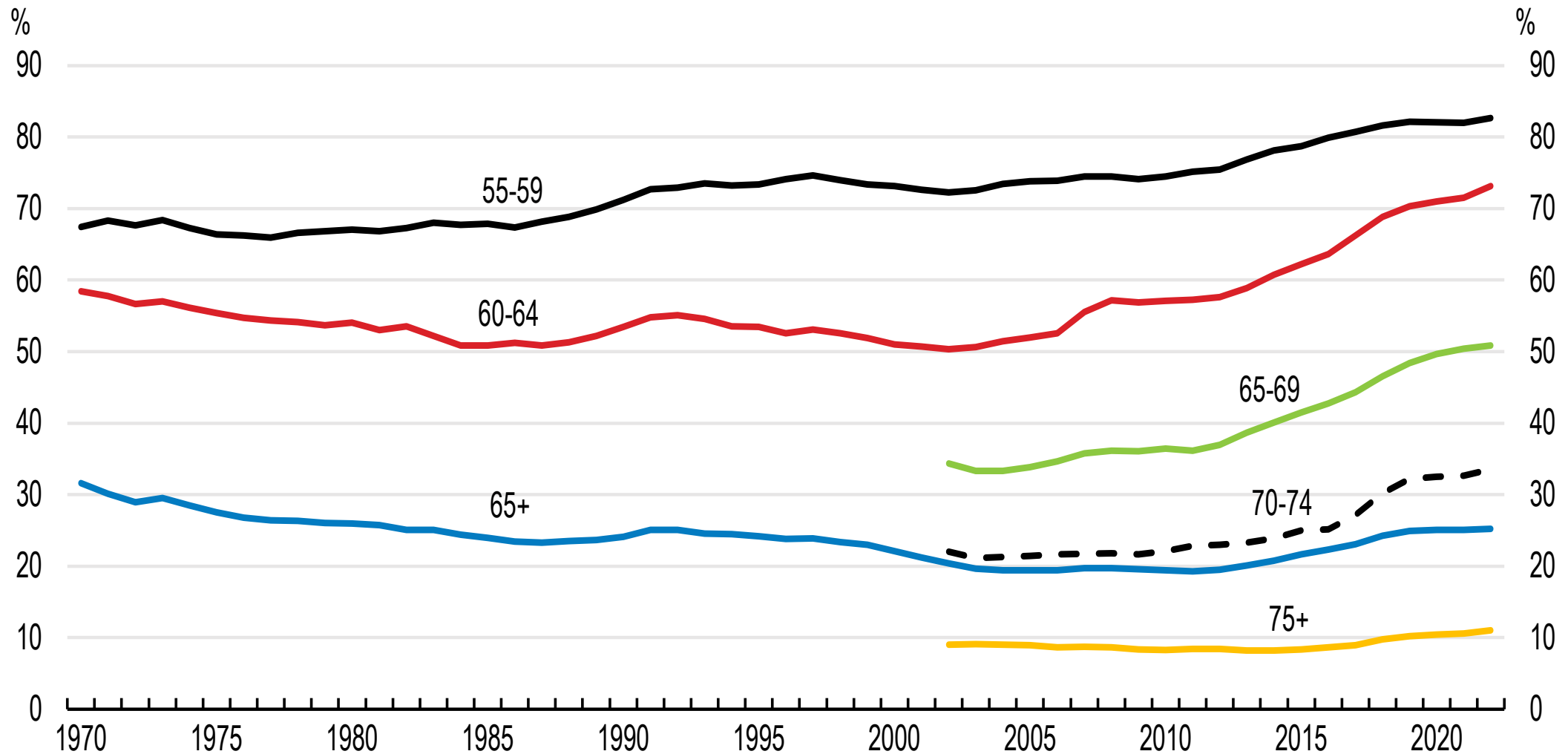
Female participation rates under alternative policy scenarios (for the 25-64 age group)

	Baseline	Elimination of the spousal deduction	Elimination of the exemption from social insurance contributions
<b>Employed</b>	<b>64.6</b>	<b>71.2</b>	<b>71.2</b>
Regular worker	28.6	26.6	35.6
Non-regular worker	37.8	44.5	35.6
Not in labor force	35.4	28.9	34.1
By marital status			
Single: employed	86.9	89.2	87.5
Regular worker	57.4	57.6	58.7
Non-regular worker	29.5	31.5	28.8
Single: not in labor force	13.1	10.8	12.5
<b>Married: employed</b>	<b>59.9</b>	<b>67.2</b>	<b>67.7</b>
Regular worker	20.4	20.0	30.7
Non-regular worker	39.5	47.2	37.1
Married: not in labor force	40.1	32.8	32.3

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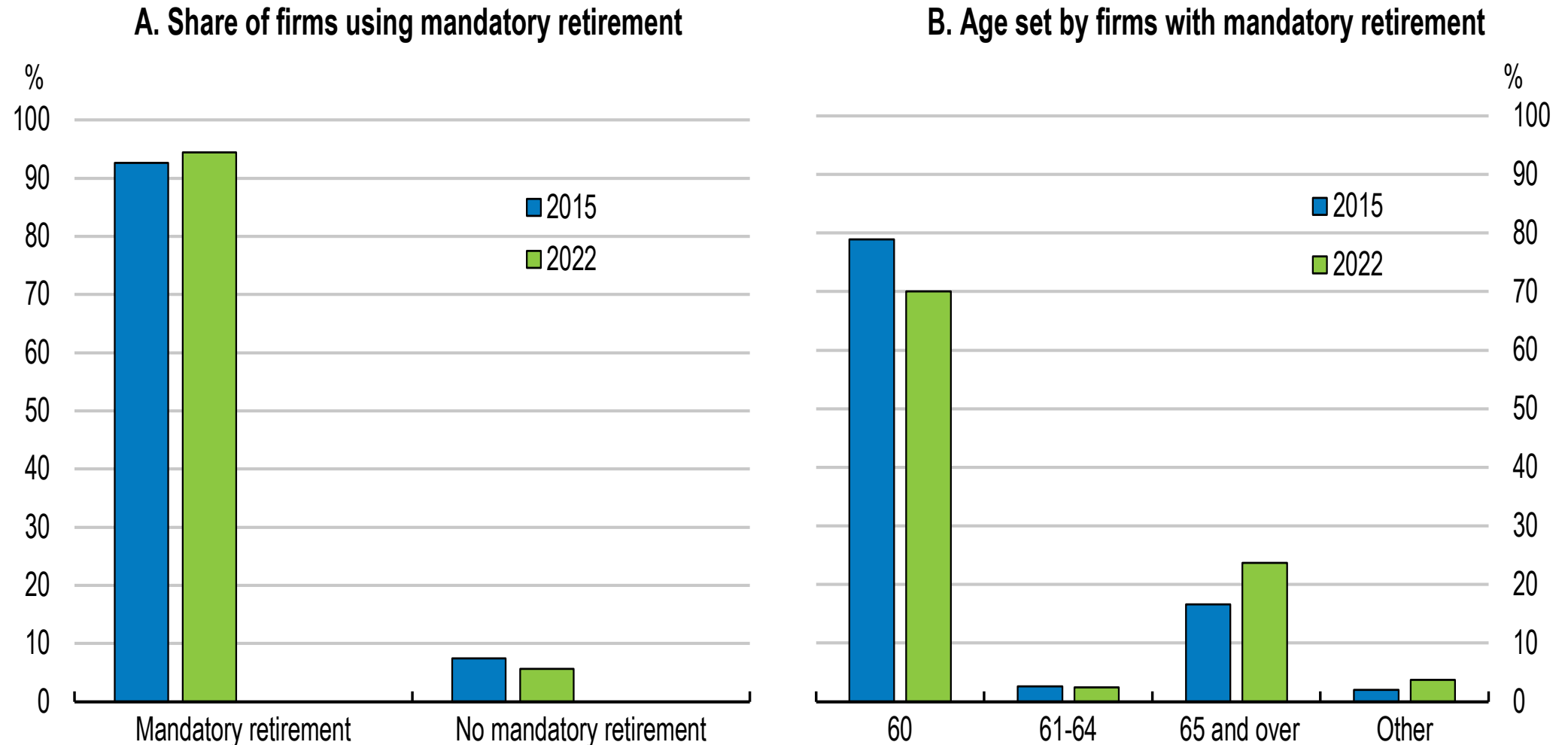
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# The employment rate of older persons in Japan has been trending up



Source: OECD, Labor Force Statistics database.

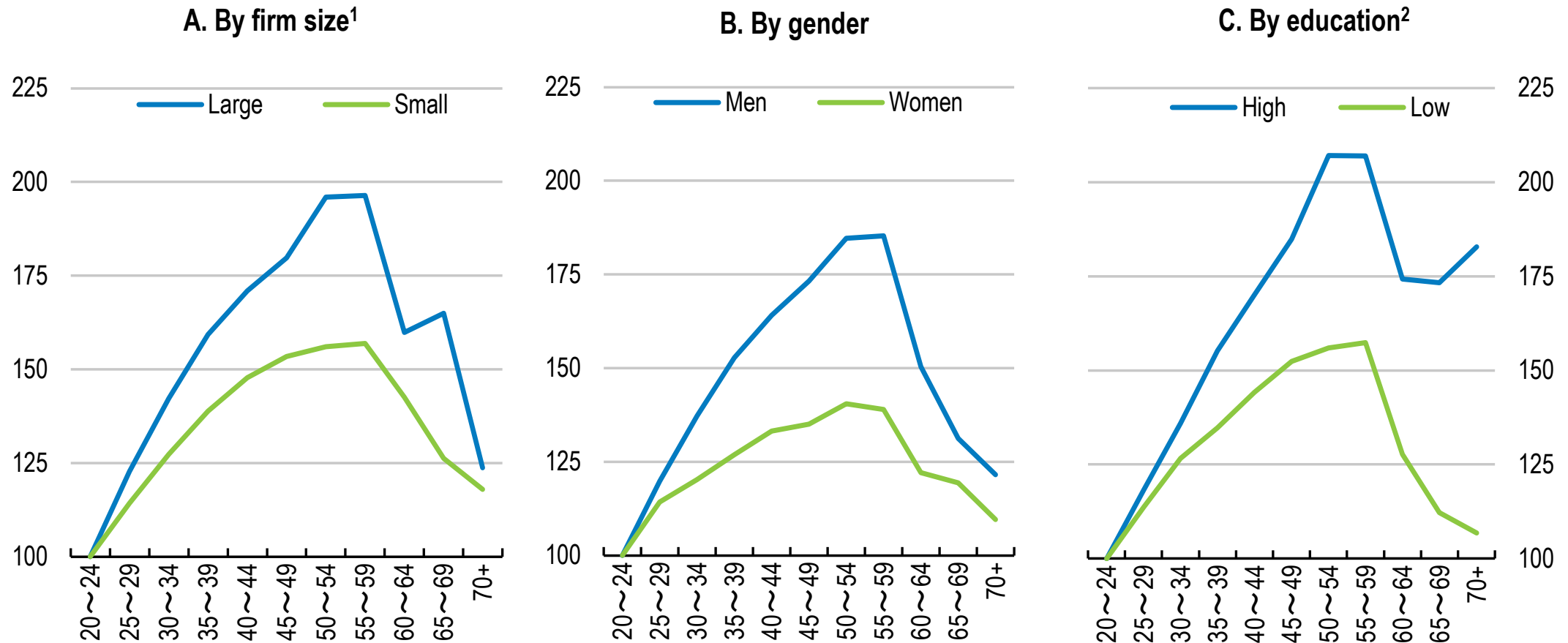
# Older persons would like to work longer, but most companies set a mandatory retirement age of 60



Source: Ministry of Health, Labor and Welfare, *General Survey on Working Conditions*.

# Japan's seniority-based wage system encourages firms to dismiss older workers as their wage level surpasses their productivity

The wage profile for regular employees, 20-24 age group = 100 in 2021



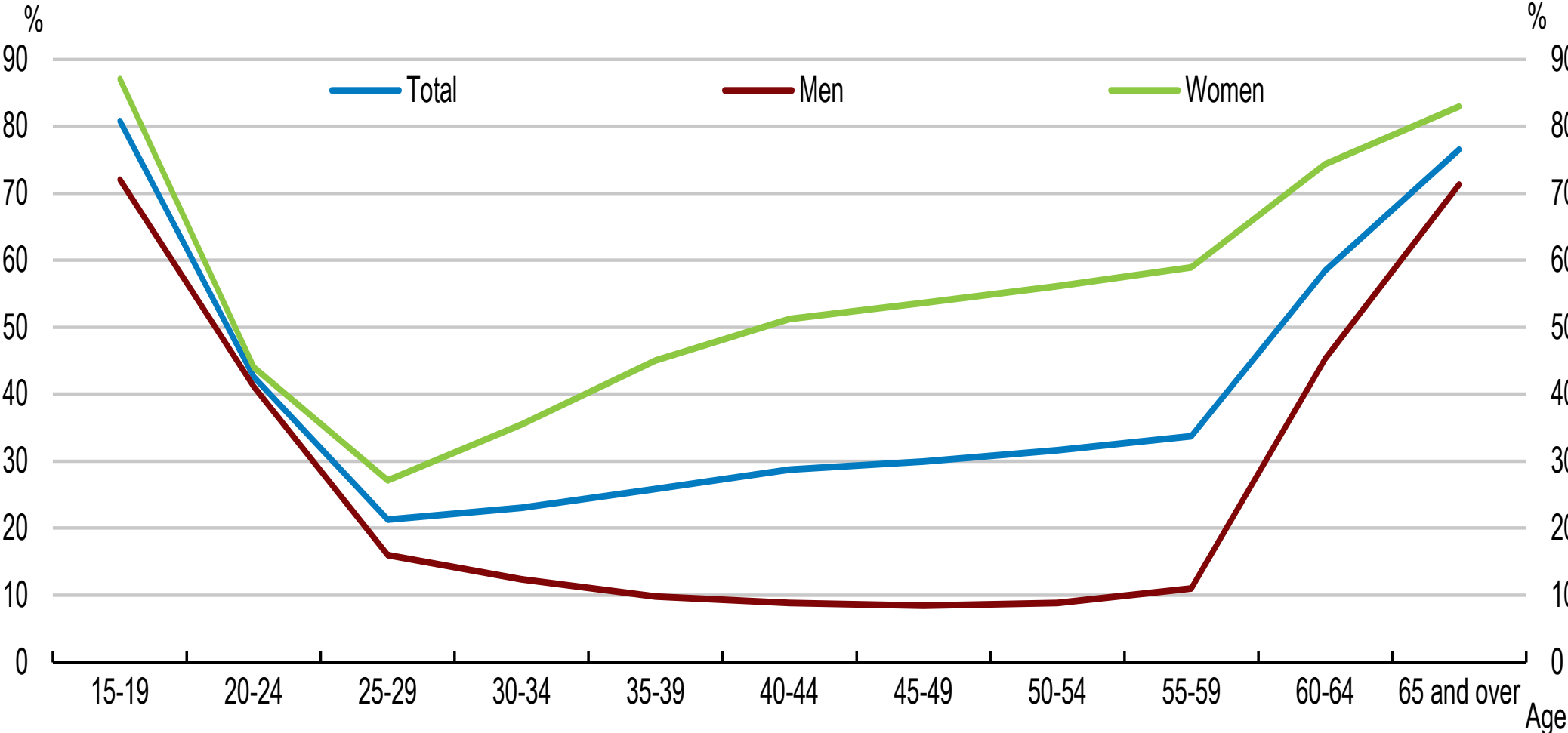
1. Large firms are those with more than 1 000 employees and small firms are those with between 10 and 99.

2. High refers to university graduates and low refers to high school graduates.

Source: Ministry of Health, Labor and Welfare, *Basic Survey on Wage Structure 2021*.

# Since 2013, workers are allowed to continue working to age 65, but many become non-regular workers

Non-regular employees as a share of all employees (excluding executives) by age, 2022



Source: Ministry of Internal Affairs and Communications, *Labor Force Survey (Basic Tabulation)*, 2022.

# Policies to enable older persons to extend their working lives

The higher educational attainment of older age cohorts, longer life expectancy, improved health and the changing nature of work will encourage the employment of older persons who wish to work. A number of policy reforms would promote employment of the elderly:

1. The right of companies to set a mandatory retirement age should be abolished.
2. The pension eligibility age should be raised further after reaching the target of 65 (in 2025 for men and 2030 for women for the earnings-related portion) as has been done in many OECD countries. Japan's healthy life expectancy is the highest in the highest in the OECD.
3. Wage systems should give less weight to seniority and more to job type and performance, with the government taking the lead in adopting such practices.
4. Expanding lifelong training and education for older persons is important to provide them with the skills for an increasingly digital economy. The traditional three-stage pattern of education, career and retirement is no longer well-suited to rising generations, among whom many will live 100 years, and the accelerating pace of technological change. The skills learned by people in their teens or early 20s are inadequate for a career likely to extend into their 70s or even 80s.

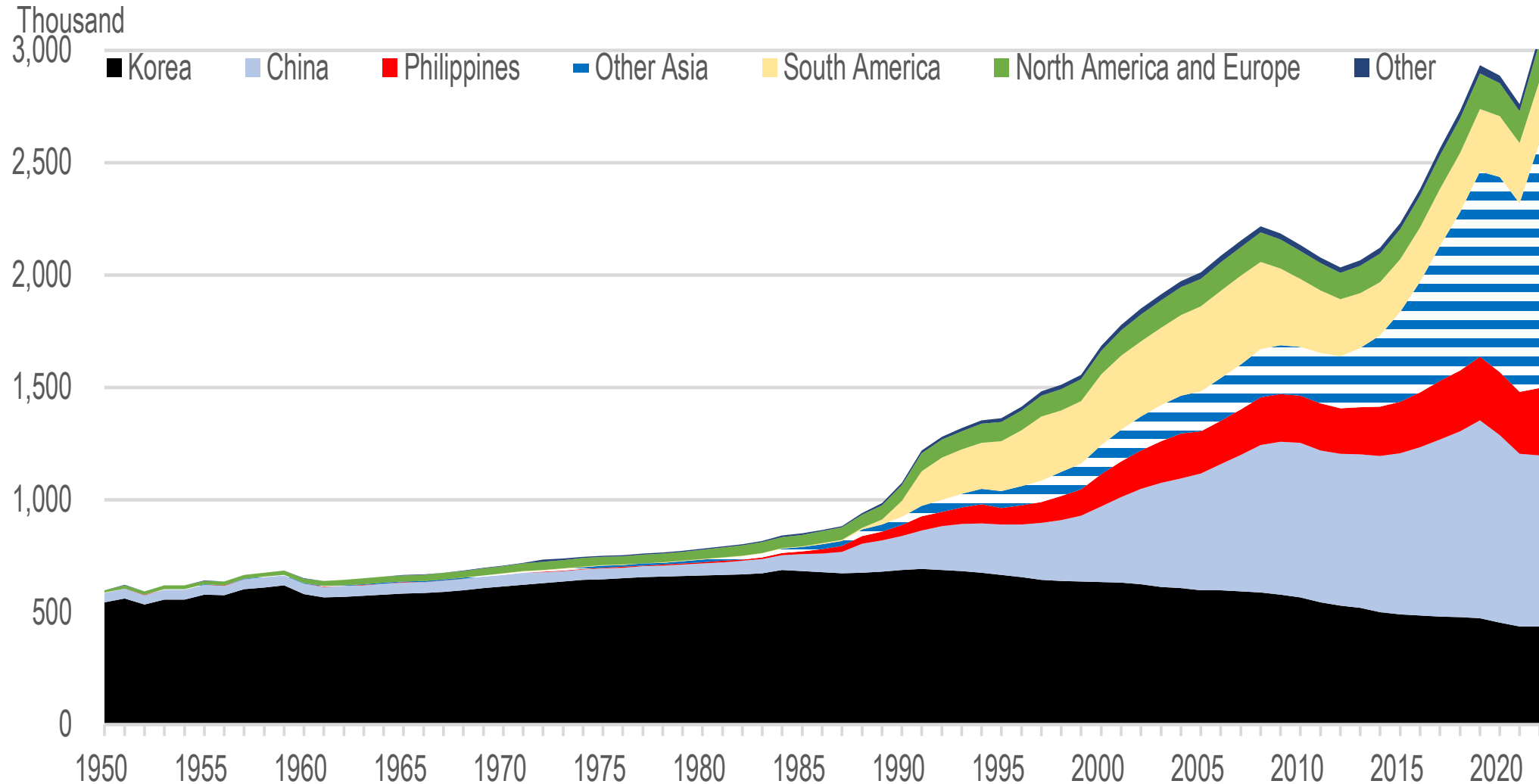
**The priority is not to have women conform to the traditional Japanese employment system, but rather to change the traditional system to accommodate women and men in ways that promote the well-being of individuals and families.**

# Outline of presentation

1. Japan's demographic situation
2. Strategies to increase the fertility rate
3. Expanding labor market opportunities for women
4. Removing barriers to the employment of older persons
5. **Enlarging the role of foreign workers**
6. Conclusion



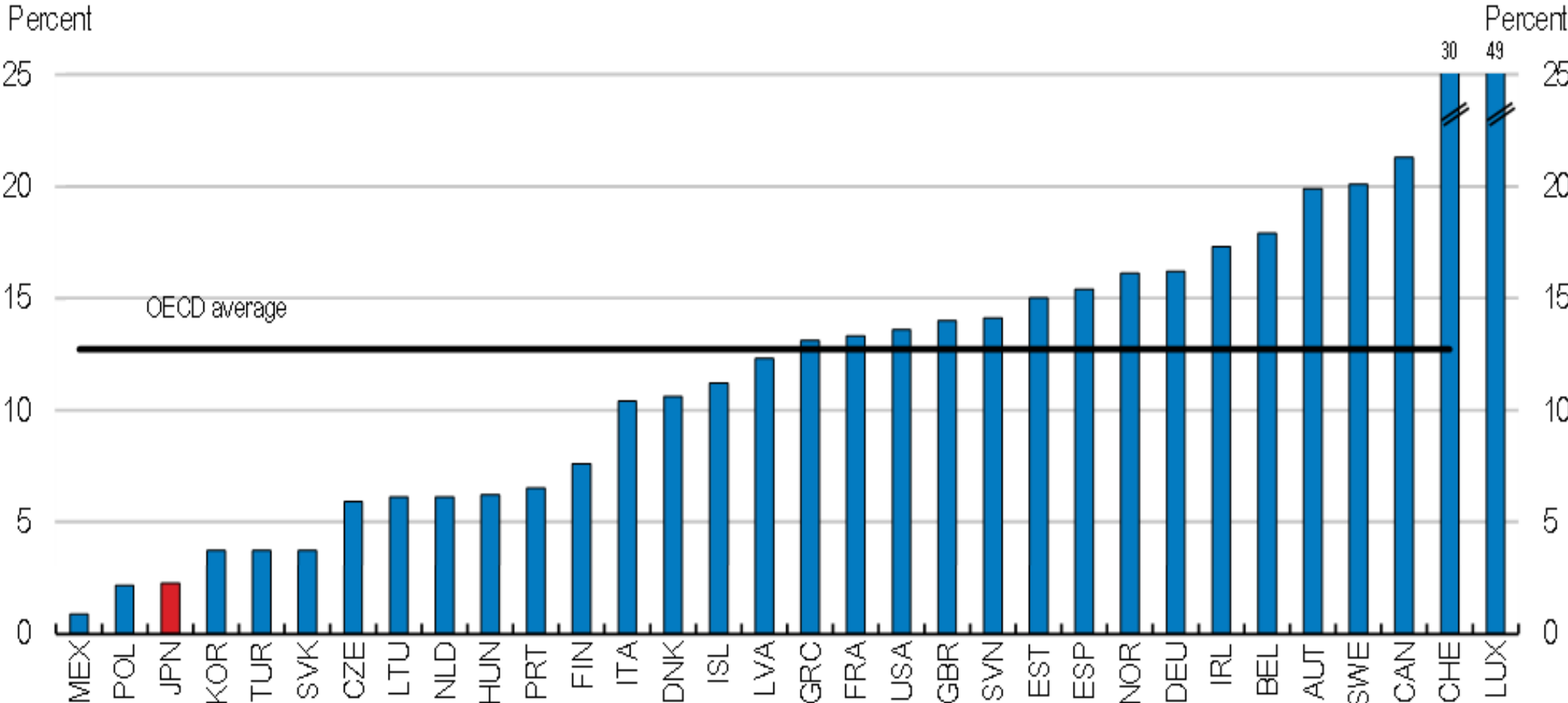
# Japan's foreign population has increased sharply in the past 30 years



Note: Korea includes those who went to Japan before 1945 and their descendants and newcomers since 1945, China includes Taiwan, and "Other" is Africa, Oceania and stateless persons.

Source: Ministry of Justice, *Foreign Citizens Registration Data*.

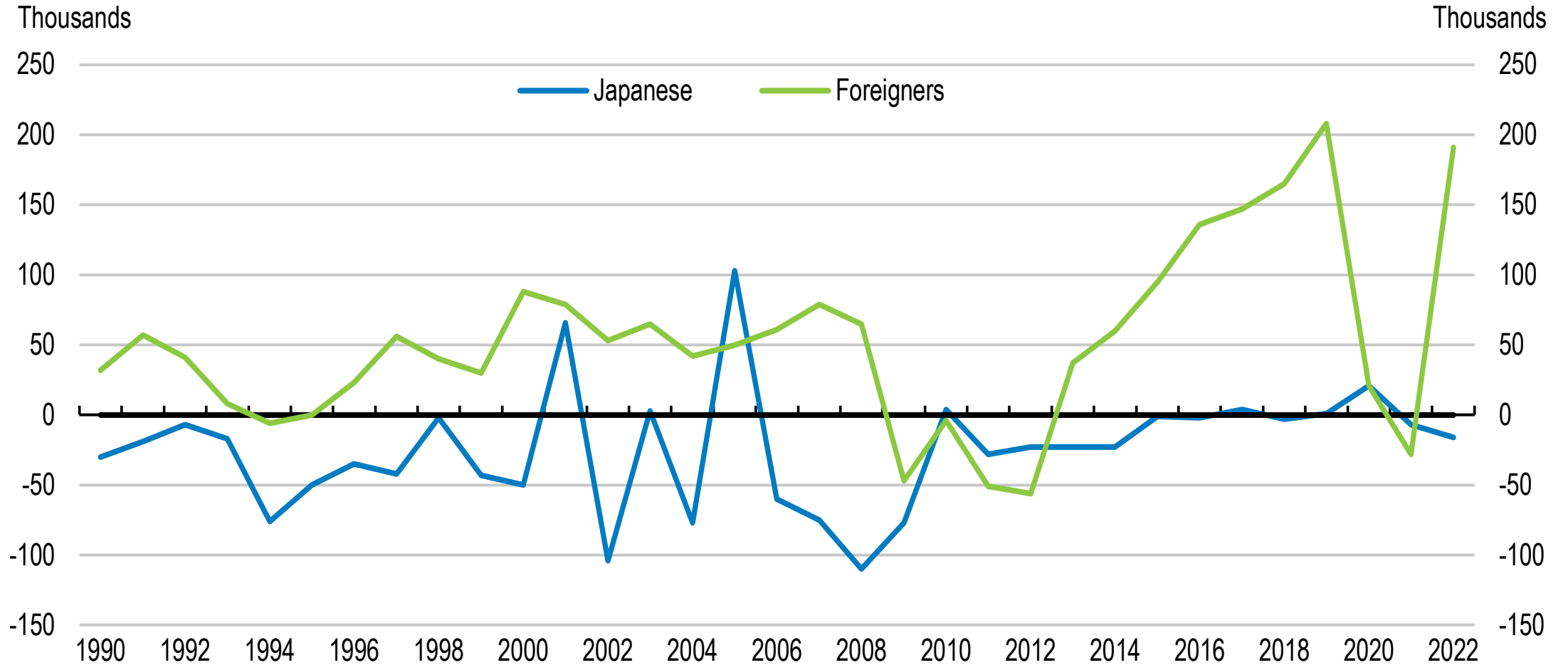
# But the share of the foreign-born population in Japan is low compared to other OECD countries



Source: OECD (2021), *International Migration Outlook 2022*.

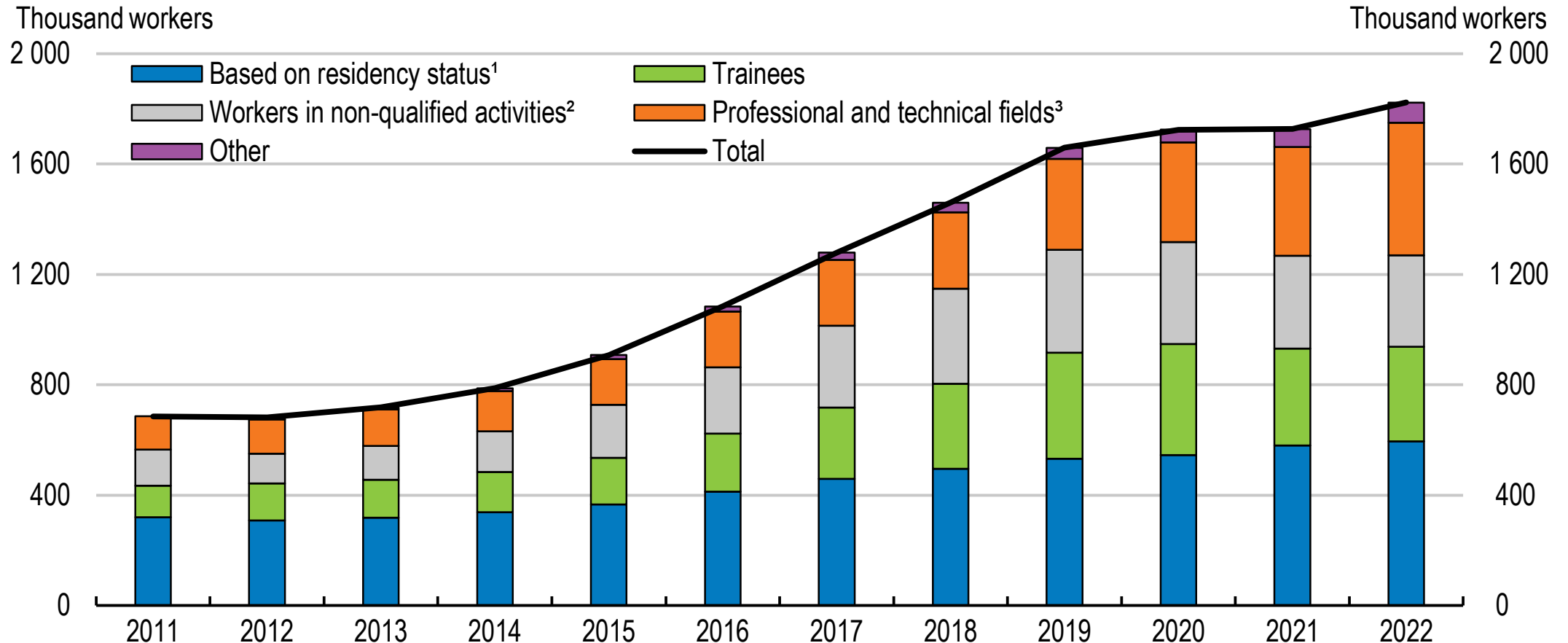
# Net inflow of foreigners to Japan has been on an upward trend

Positive values mean that the number of entrants exceeds that of departures



Source: Compiled from Population Estimates, Statistics Bureau, Ministry of Internal Affairs and Communications.

# The number of foreign workers in Japan has more than doubled since 2015



1. Includes (permanent) residents and spouses of Japanese or (permanent) residents.

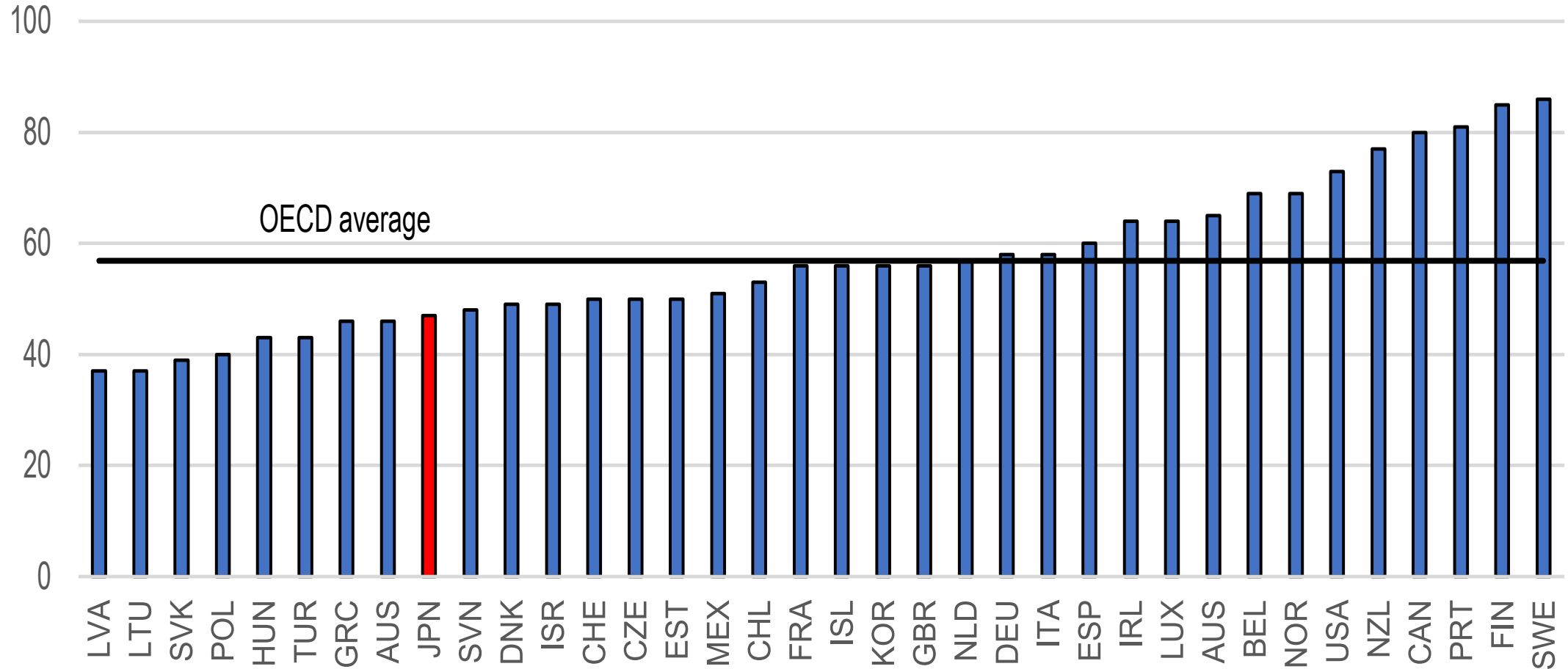
2. Persons who have permission to engage in activities outside of their visa status. This group consists primarily of international students.

3. Includes professors and teachers, artists, religious teachers, journalists, business management (including corporate intra-industry transfers), legal and accounting services, health and nursing care, entertainment, research, engineers and specialists in humanities and international services.

Source: Ministry of Health, Labor and Welfare (2023), *Summary of Notification Status Indicating "Employment Status of Foreigners"*.

# Japan has to scope to improve the quality of policies to integrate immigrants

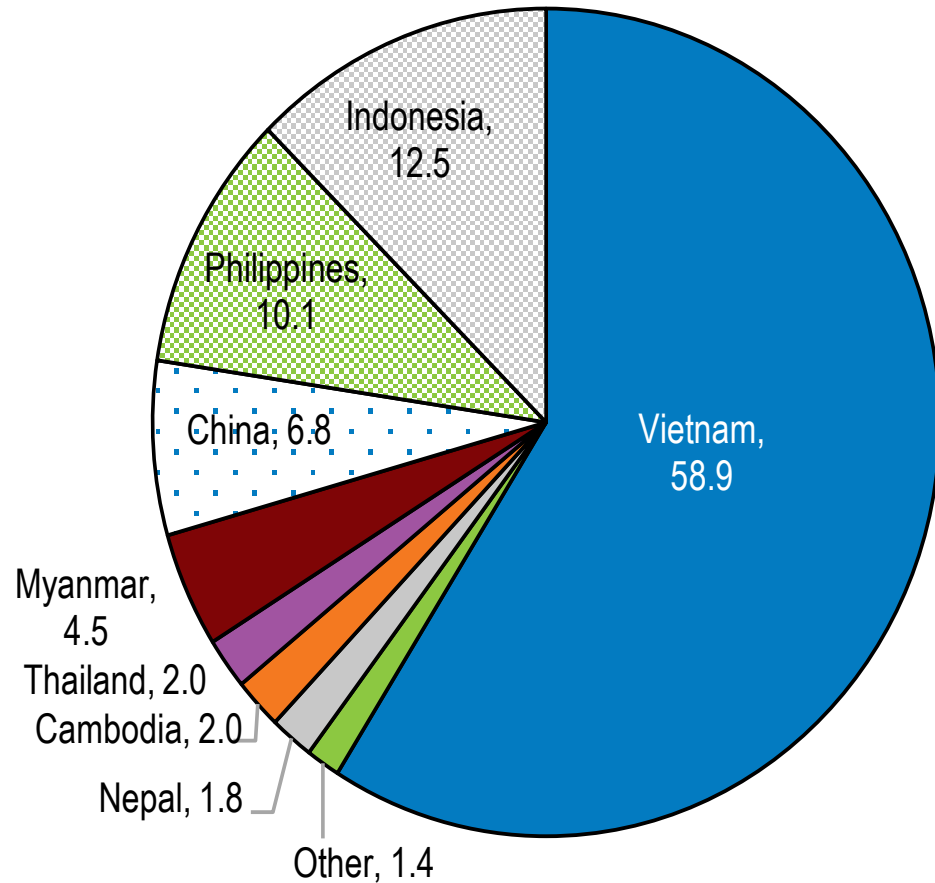
Quality of integration policies for immigrants (0 = worst and 100 = best)



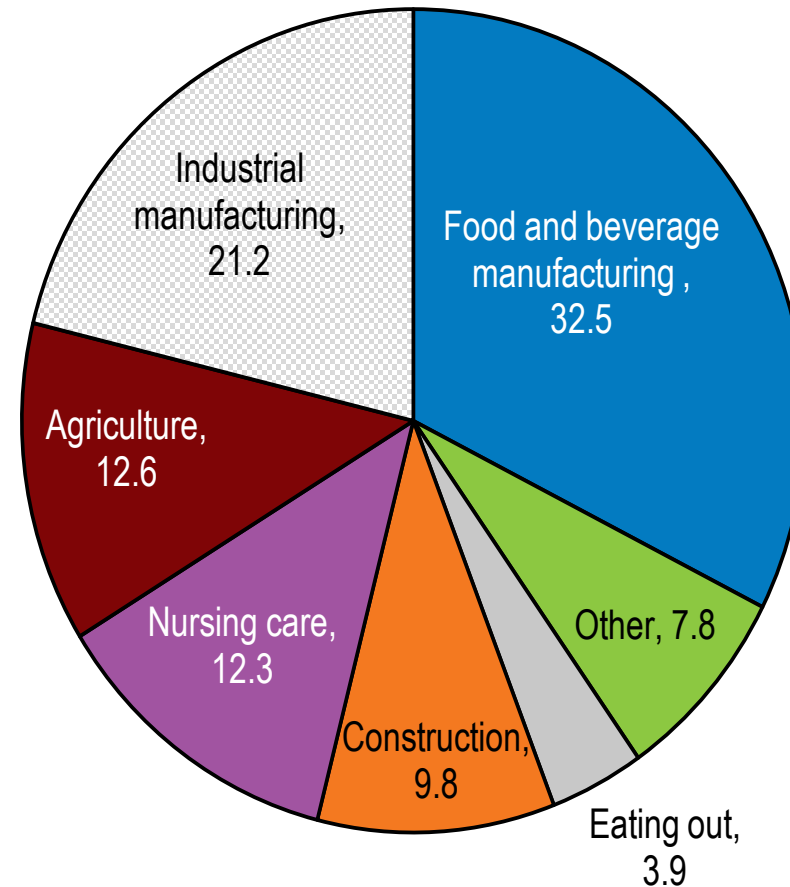
Source: Migrant Integration Policy Index.

# The Specified Skilled Worker Program allows work-ready foreigners with skills in 12 business lines that face labor shortages to work in Japan

## A. Workers by country of origin



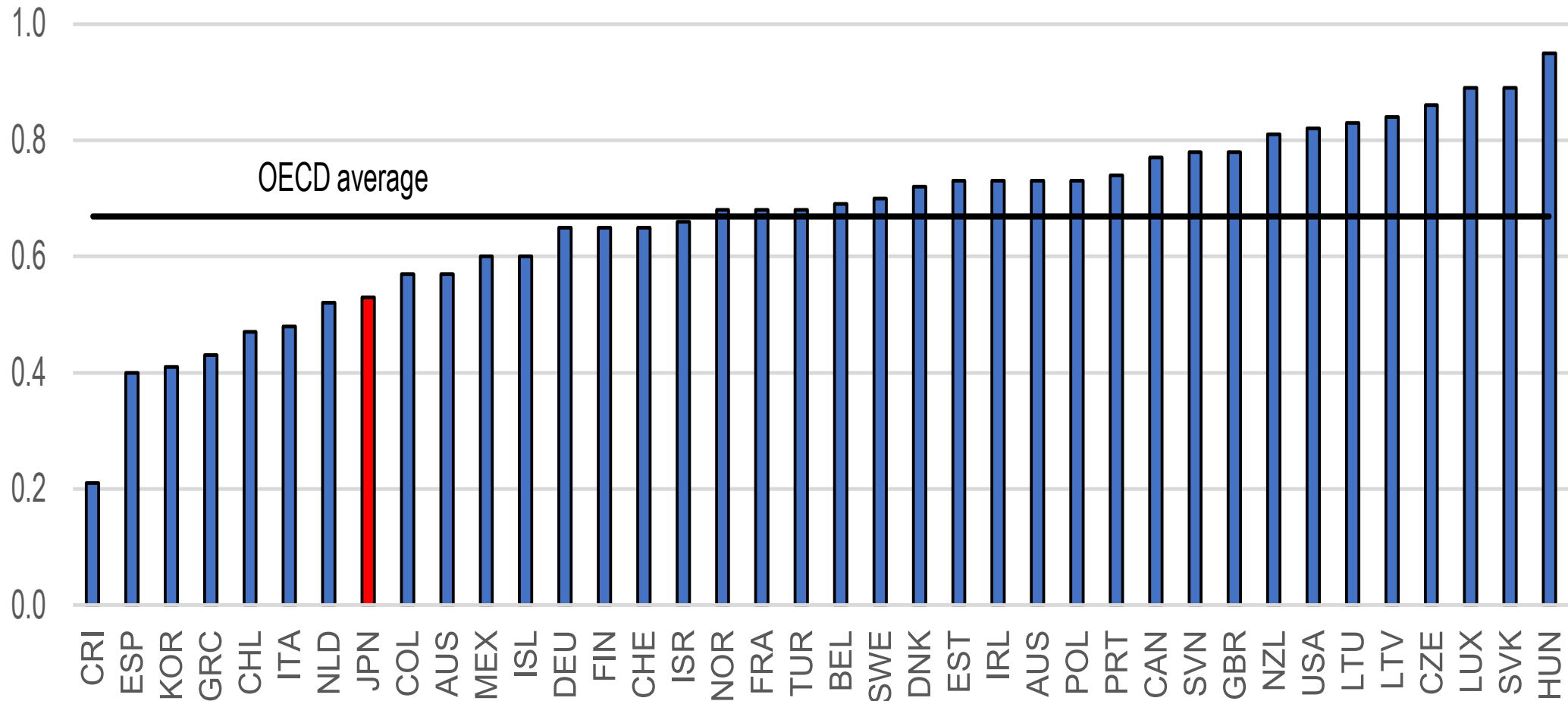
## B. Workers by industry



Note: Industrial manufacturing refers to fabricated materials, industrial machinery, electrical, and information-related manufacturing. As of the end of 2022.  
Source: Immigration Services Agency of Japan.

# Japan could also improve policies to attract highly-educated migrants

Quality of opportunities for highly-educated workers (0 = worst and 1 = best)



# Outline of presentation

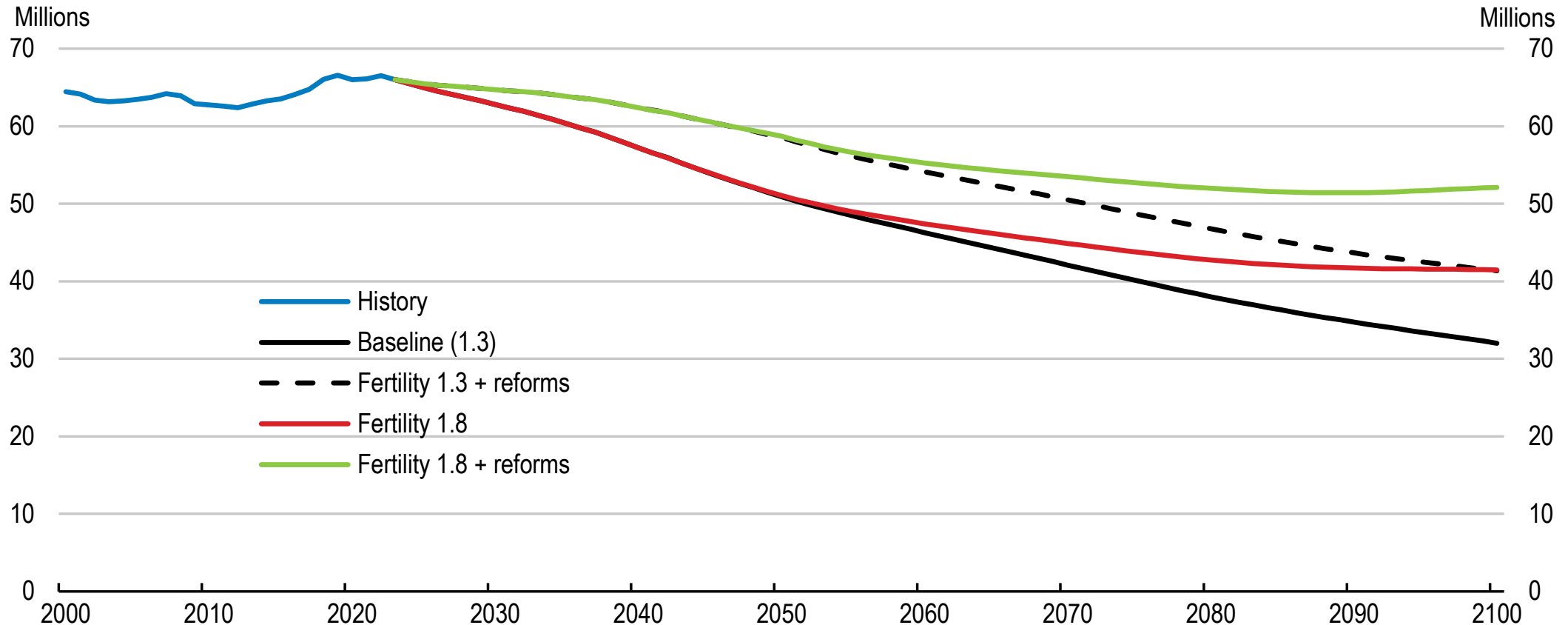
1. Japan's demographic situation
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# Summary

- ❑ Under current fertility, employment and immigration rates. Japan's population would fall by 45% by 2100 (to 68 million) and employment by 52% (to 32 million). Demographic change on such a scale would have major economic, social and fiscal impacts.
- ❑ Prime Minister Kishida stated that reversing the decline in the fertility rate requires “creating a children-first economic society.” **Keys to raising fertility include: i) improving the financial position of young people; ii) reducing the costs of raising children, notably education and *juku*; and iii) enhancing fathers' role through greater use of parental leave and better work-life balance.**
- ❑ However, even if the government's 1.8 fertility target were achieved, employment in 2100 would be around 42 million, a 36% drop from the current level.
- ❑ Given the uncertainty about the effectiveness of policies to raise fertility, Japan needs to prepare for a low-fertility future by:
  - **Expand labor market opportunities for women by: i) breaking down labor market dualism to reduce the share of women working in non-regular employment; ii) overcome discrimination against women; and iii) eliminate tax deductions and exemptions from social insurance taxes for second earners.**
  - **Remove barriers to the employment of older persons by: i) eliminating the right of firms to set a mandatory retirement age; ii) increasing the pension eligibility age beyond the target of 65; iii) shifting wage systems to give less weight to seniority and more to job type and performance; and iv) expanding lifelong training and education for older persons.**
  - **Enlarge the role of foreign workers by: i) attracting skilled foreign workers by implementing a comprehensive strategy to integrate migrants, including by preventing discrimination against them; ii) reforming the Technical Intern Training Program (TITP) to allow interns greater scope to change companies and prevent mistreatment of interns; iii) use the TITP as a step to the Specified Skilled Worker (SSW) Program; and iv) increase pathways to long-term residency and shorten the time requirements both for workers and their families in the SSW program and for highly-educated migrants.**
- ❑ Even without a hike in the fertility rate, such policies to boost labor inputs could keep employment at around 40 million in 2100 – around the same as if the fertility rate were increased to 1.8.
- ❑ Measures to boost labor inputs should be accompanied by reforms to boost productivity, the key to sustaining living standards in the face of demographic change.

# Even without a hike in the fertility rate, policies to boost labor inputs could keep employment at around 40 million in 2100 – around the same as if the fertility rate were increased to 1.8

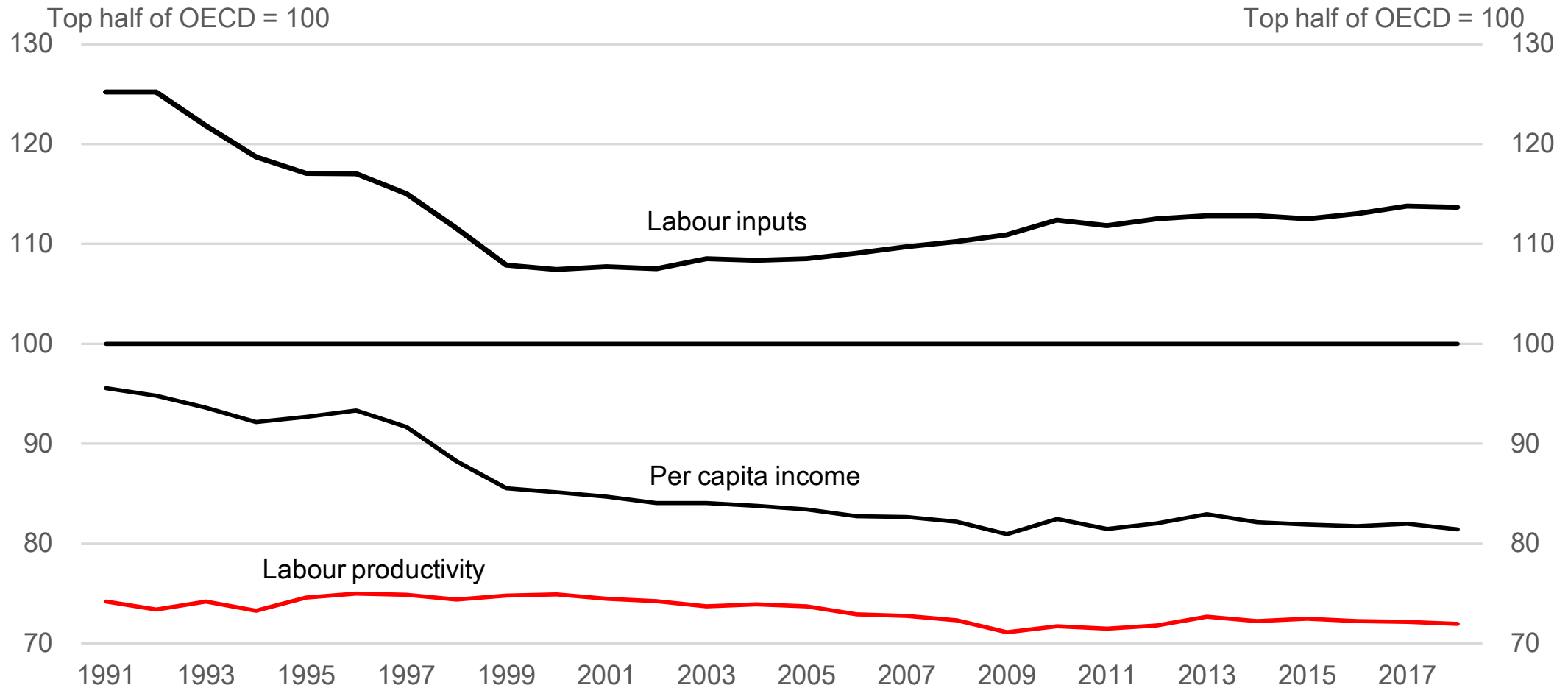


Note: The reforms include;

- i) a doubling of inflows of foreigners to 200,000 per year;
- ii) a convergence of female employment rates to those of men by 2050;
- iii) the employment rate for each five-year cohort from 60-64 to 70-74 converges to that of the preceding cohort (i.e., the rate for the 60-64 group would rise to the 2021 rate for the 55-59 age group, etc.) by 2050.

Source: OECD calculations based on the OECD Long-term Model.

# Measures to boost labor inputs should be matched by reforms to boost productivity, the key to sustaining living standards in the face of demographic change

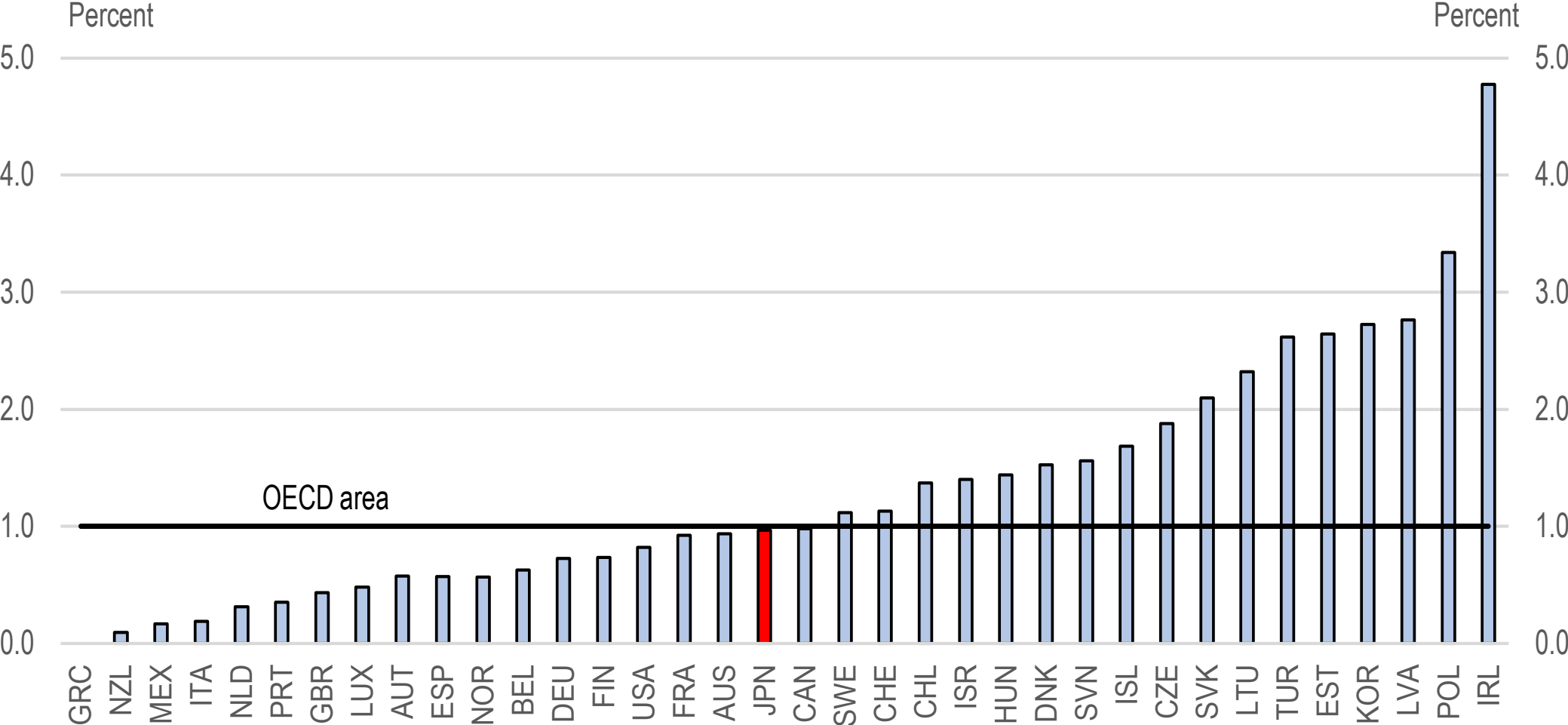


Note: GDP per capita is shown in constant prices and at purchasing power exchange rates, with 2015 set as the base year. Labor productivity is GDP per hour worked. Labor inputs are hours worked divided by the population aged 15-74.

Source: Jones (2022), *The Japanese Economy: Strategies to Cope with a Shrinking and Ageing Population*, London: Routledge Press.

# Abenomics failed to achieve its target of 2% labor productivity growth

Annual average percentage growth over 2012-19



Source: Jones (2022), *The Japanese Economy: Strategies to Cope with a Shrinking and Ageing Population*, London: Routledge Press.

EUROPA ECONOMIC PERSPECTIVES



**The Japanese Economy**  
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The Center on Japanese Economy and Business  
Columbia University  
4 December 2023

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