

Aging Population in Japan & Burgeoning Workforce in India: Opportunities for Cooperation

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With falling fertility rates and increasing life expectancy, all the Asian countries are going through a demographic transition in which the proportion of elderly persons is increasing. However, different Asian countries are at different stages of this transition. While in some countries such as Japan, South Korea and China, the working-age population is set to decline in the medium term with a sharp increase in elderly population, in others the working-age population is set to increase sharply, with the increased ratio of the elderly occurring much later. This creates an opportunity for regional cooperation where countries with surplus workforces and large elderly populations can help each other in a major way. In this article we illustrate this opportunity with respect to cooperation between Japan and India in this area.

A report issued in June 2006 by the India-Japan Joint Study Group consisting of government officials as well as academics from the two countries identified movement of people as a possible area of cooperation between India and Japan. To quote:

“Population in Japan will reach its peak in 2006 and then start declining. Without further integrating aged persons, youth and women into workforce, this might lead to a sharp decline in the working-age population. In contrast, India is a country that has a growing work-age population. It was therefore suggested that both sides may study appropriate ways and means to realize temporary movement of professionals in some sectors between India and Japan. The report points out that the population in Japan is aging rapidly while the population in India is young and growing rapidly. There may be mutually beneficial cooperation between India and Japan through movement of natural persons.” (paragraph 3.51)

Working Population Sagging in Japan, Growing in India

The numbers on aging in Japan and workforce expansion in India are indeed staggering. According to a median variant of UN population projections, over the next 45 years (2005-2050), the population in Japan will decline by 25 million with the number of elderly (aged 65 or older) growing from 25 million in 2005 to 35 million in 2020 and 38 million in 2050, and its working-age population (aged 20-64) will be decreasing from 78 million in 2005 to 69 million in 2020 and 48 million in 2050. The number of working population per elderly will decline from an already low 3.1 in 2005 to 2.0 in 2020 and 1.3 in 2050. That means that in 2050, the working-age population will share, in one form or another, some 40% of their income with the elderly.

It is clear that such aging in Japan will put an unsustainable burden on the country through pension payments, increasing health costs and a falling savings rate. On the other hand, the population of working age defined as 20-64 in India will increase from 590 million in 2005 to 794 million in 2020 to 1,013 million in 2050, and India may well face a formidable challenge in providing employment for the growing workforce. The number of elderly will also increase in India and the ratio of working population per elderly will decline from 10.5 persons in 2005 to 4.2 in 2050. However, India's dependency ratio of the elderly will remain lower than that of Japan even in 2050 (see Table 1).



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Multi-faceted Approach Needed

It is reasonable to argue that movement of people from India to Japan (among other sources) will be mutually beneficial. It will reduce the pressure on employment of young people in India. It will also help to stabilize the workforce in Japan and reduce the ratio of the elderly to those working. In 2005, the ratio of migrants in the Japanese population was only 1.6% as against 9.7% in the Euro area, 12.9% in the United States, 9.0% in Britain, 18.9% in Canada and 9.7% in OECD countries. Thus, even an import of 10 million workers in Japan over the next four decades will only bring the ratio of migrants in the country in 2050 close to that in other OECD countries at present.

The general trend of the above argument is reasonable but migration alone may not solve the problem. Even if there are 10 million additional working-age migrants, the working-age population in Japan in 2050 will be only 58 million and their number per elderly only 1.5. Thus migration, while a part of the solution, is not a complete one. A multi-faceted approach is needed. We explore some of these possibilities below.

Combine Migration, Shift in Retirement Age

First, as has been argued in the UN paper *“Macao Declaration on Aging for Asia and the Pacific,”* compiled by the Economic and Social Commission for Asia and the Pacific, the aging problem is in substantial part a policy and institutional issue rather than totally demographic. With increasing life expectancy, the work ability of the population at a particular age changes and can be improved further through proper changes in lifestyle and health care. A person at the age of 70 today may be as healthy and capable of work as one at age

TABLE 1

Population dynamics in Japan and India: 2005-2050

	Japan			India		
	2005	2020	2050	2005	2020	2050
Total population (in millions)	128	124	103	1,134	1,379	1,658
Of which:						
Age 20-64	78	69	48	590	794	1,013
Age 65+	25	35	38	56	93	240
Working age population per elderly	3.1	2.0	1.3	10.5	8.5	4.2

Source : "World Population Prospects: The 2006 Revision," United Nations, 2007

TABLE 2

Elderly in Japan with improved work ability

	2005	2020	2050
Population (in millions)			
Age 65+	25	35	38
Age 70+	18	27	32
Age 75+	11	18	24

Source : UN population projections

60, say 20 years ago. Thus, in long-term projections of working and elderly populations, the age should not be fixed but variable with changing life expectancy and health facilities. If one assumes the work ability of a person aged 65 in 2005 will be close to that of a person aged 70 in 2020 and 75 in 2050, we get a more manageable problem of aging in Japan.

As noted in *Table 2*, if aging and by implication retirement/pension programs are defined with respect to such shifting age, the number of elderly will rise from 25 million in 2005 to 27 million in 2020 and decline to 24 million in 2050. The number of working-age population in 2050 will be 63 million. If 10 million migrants are added to this, the working-age population will be 73 million, or 3.0 per elderly. A combination of migration and shifting age of retirement can keep the dependency ratio in Japan close to the present level. Thus, if the retirement policy can be made more flexible, the burden on the pension system and a decline in the size of workforce may not be as serious a problem as usually envisaged.

Secondly, migration does not have to be a one-way street. While the young from other countries will be migrating to Japan, some elderly Japanese may consider migrating to warmer climates in India and other Asian countries. For migrants from either side, special service areas (like special economic zones) may be created to facilitate living together so as to maintain cultural comfort.

Thirdly, with development of Internet facilities, exchange of services can take place without migration of people. In particular with aging populations, medical costs are rising fast in Japan. With Internet facilities, many of the medical services can be outsourced and medical tourism to India can help to reduce medical costs for Japan and provide gainful employment for young Indian medical workers.

Win-win Proposal Helping Both Japan & India

With a fourfold approach combining (a) increased migration of young workers to Japan, (b) shifting age for retirement with increased life expectancy and better health care, (c) migration of elderly to warmer climates, and (d) increased outsourcing of medical facilities, the aging problem in Japan can be less formidable than it is often made out to be. Increased cooperation between Japan and India in this area can be a win-win proposition that can help India manage its burgeoning workforce and Japan its rapidly aging population. **JS**

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