

# Aging Society: Turning Challenge into Opportunity

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## Aging – World's Common Agenda

The aging of society is progressing all over the world (*Chart 1*). How to keep our vitality, safety and security in our society as aging progresses is a common agenda item everywhere.

Japan SPOTLIGHT has highlighted this issue in the past mainly in the light of business opportunities that aging will create. This is certainly an important aspect of aging since it could create new industries such as medical care- or health-related businesses and thus encourage economic growth. For countries like Japan that have suffered from deflation due to a long-term lack of domestic demand, it is vital to create new markets to enhance potential economic growth. In the Japanese government's recently published new economic policy initiative to promote economic growth, the health care industry is considered one of the most important industrial sectors to be developed.

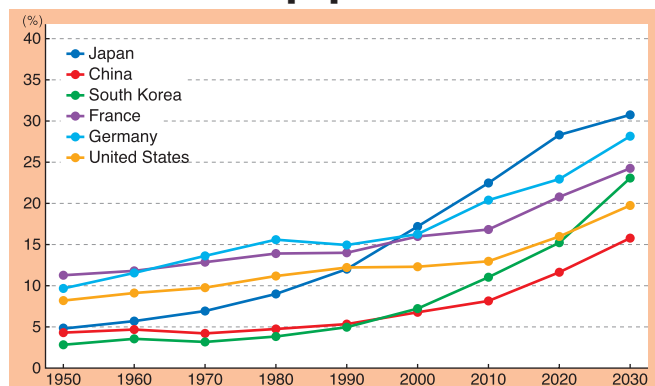
## What Possible Challenges from Aging Society?

However, this is not to be considered the sole crucial element in the aging phenomenon. The issue of an aging society comprises a wide range of perspectives, not only economic but also social, geopolitical and even cultural.

The rising cost of social welfare due to the advancement of aging is a question that immediately comes to mind. Japan, in particular, has already fallen into a serious fiscal deficit and, due to the continuing decline in tax revenue brought about by economic stagnancy lasting for two decades, the snowballing fiscal deficit is one of our most significant challenges in the 21st century. In the future, Japan may have to tackle an even more serious fiscal challenge that will possibly be caused by swelling government expenditures on social welfare due to the progression of aging. Raising taxes could be a

CHART 1

### Ratio of population over 65 to total population



Source: World Population Prospects (2008 revision)

solution to the issue; however, it would be difficult to achieve a consensus on this among the general public.

The rising social welfare spending could cause another problem in geopolitics. It could create pressure to curb an increase or even reduce other government expenditures such as defense. Although the aging phenomenon is global, there is diversity in the speed and degree of aging. Therefore, there is the possibility that in some more rapidly aging countries, more significant political pressure would lead to a reduction in military or defense expenditure than in countries with a less rapidly aging society. This diversity could provoke a geopolitical change in military power.

The third issue concerns employment. In developed nations with the aging phenomenon at this time, we live in the age of miraculous scientific and technological innovation and all of us are its beneficiaries. Medical science is no exception. The current significantly advanced level of biotechnology and medical science has enabled all of us to live longer, enjoying stable and good health. This means we can continue to work much longer. It may be possible to realize the so-called ageless society where anybody can continue to work regardless of their age as long as he or she is in good health. Thus, social welfare costs can be saved by allowing healthy older people to stay in the workforce for a longer time. This looks an excellent solution since it would provide a means of achieving reduction in social welfare costs and at the same time increase job opportunities and create a meaningful life for elderly people.

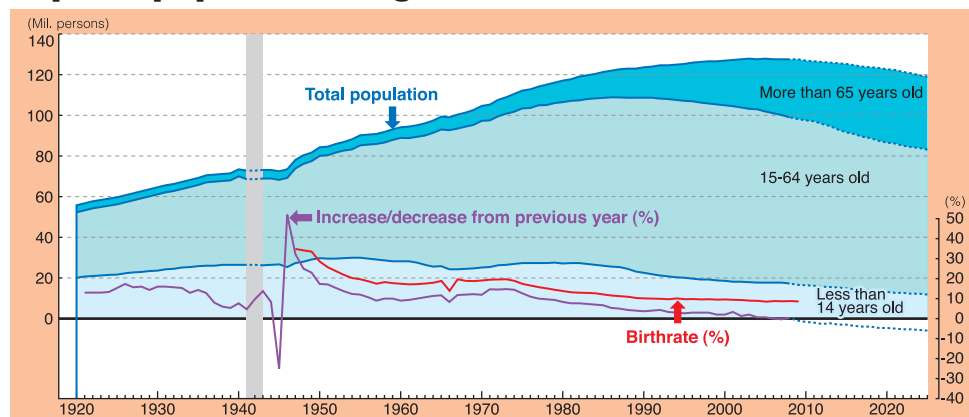
However, a question rises from a possible conflict between the old generation and younger generations for job opportunities, particularly in developed nations suffering from high youth unemployment with stagnant economies. How can work-sharing between generations be effectively achieved? One solution might be shortening working hours defined in the labor law, like the 35 hours determined by law in France.

In Japan, I think we have to reconsider the seniority system in management and let competent young people serve in as many posts as possible, and then employ older people as their advisors, possibly on a part-time basis. Thus wages are not necessarily to be determined by the number of working years as they were under the seniority system that was a prominent feature of the so-called Japanese management system. Instead, they would be determined by individual competence. If we can achieve an optimal balance between the young and the old on work-sharing, it would be highly instrumental in solving not only the issue of high social welfare costs but also another challenge allegedly being caused by aging society, namely a decline in productivity, since young employees could replace older ones smoothly without this meaning that older workers would lose jobs.

Another geopolitical risk exists in the rapid aging in big countries such as China. They will suffer a large-scale negative impact on their productivity and eventually their economic growth if they fail to respond to the

CHART 2

## Japan's population begins to decline



aging issue effectively and rapidly. A serious decline in their economic growth could easily cause a significant slowdown in other economies depending on such countries in terms of trade and investment.

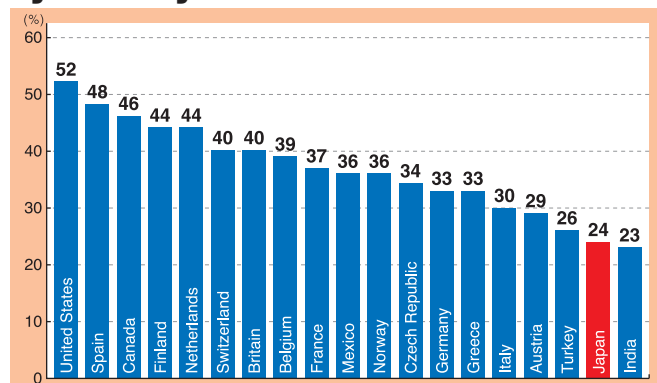
Finally, there is the question of culture, particularly in the case of Northeast Asian countries. Many of them are still categorized as nations under the strong influence of Confucian culture, where young people are automatically expected to respect older people. Respecting the elderly occasionally turns into a mere formality where younger people are forced to blindly obey, doing whatever older ones ask them to do in the company or the community. If this custom survives in a rapidly aging society, a large number of young people expected to respect their elders naturally may become frustrated since they have to respect too many people and do what too many people ask them to do. If young workers lose their respect for the elderly due to this frustration, older people will be frustrated as far as they insist upon this custom. How we can calm this possible emotional confrontation between the young and the old in the future? We may have to create a new breed of culture in Northeast Asia or Japan in particular that enables us to enjoy human relationships between the younger and older generations.

### How to Turn Challenges into Opportunities?

We can turn all the above-mentioned possible challenges caused by the progressing of aging into opportunities where we can enjoy an

CHART 3

### Percentage of women employees by country



Source: WEF Corporate Gender Gap Report 2010

even better quality of life and strengthened industrial competitiveness.

Especially in Japan, we now face not only aging but also a population decline, which is considered one of the major elements bringing long-time lingering deflation ([Chart 2](#)). How can we resolve these challenges?

The key to resolution of these two issues that Japan faces is simply a change of mindset or focus. Older people are generally equipped with invaluable skills that could be harnessed for the education of young

people and children. Why do we not use these skills instead of automatically paying them a higher salary in accordance with seniority or providing them with senior posts in a company following Confucian thinking to show them respect?

Many older people can work as mentors for their younger colleagues in a company for a lower salary and without being a part of the corporate hierarchy. Firms are thus able to maintain their productivity despite the aging of employees.

Many older people can help their daughters or daughters-in-law at home by educating their grandchildren and thus more women can join the labor force; more importantly, these women can use their high-quality talent, which is often far better than men's, for a company's management or some other professional work. If their parents can take care of grandchildren at home after childbirth, women do not have to worry about raising children while they are working. We can encourage women's participation in the workforce ([Chart 3](#) shows us just how low Japanese women's workforce participation rate is) and raise our productivity, and at the same time increase the birthrate and stop the depopulation trend faced by Japan due to the significant decline in the birthrate in recent years.

In order to achieve the above-mentioned reform, we need a change in the mindset or prejudice that Japanese males have had for so long – the belief that raising children is the woman's job and that being a part of the corporate hierarchy is always considered an honor or a credit for them in a company while being a mentor or an advisor is not.

However, given the risks of depopulation and continuing deflation in Japan, these tasks that could be expected of older people are very important. We should change our mindset and get rid of our preconception. Then we can achieve safety, security and vitality in an aging society. If we are successful in doing so, we can show the model of aging society to other Asian countries sharing Confucian values with us that will face population graying in earnest at some later stage. Thus we can avoid the geopolitical risks mentioned above due to a possible decline in economic growth in our neighboring countries.

Older people need to recognize that they are entrusted with an extremely important mission that will turn all challenges into opportunities for growth and prosperity in aging society. **JS**

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