

Interview with Dr. Reiko Hayashi, the Deputy Director-General of the National Institute of Population and Social Security Research in Japan

Low Fertility & Aging Societies – Thoughts on Japan’s Contribution to a Common Global Challenge

By Japan SPOTLIGHT

Japan is often referred to as a frontrunner in low fertility rates and an aging society. How long will this continue and what will be the consequences for Japan? What kinds of cooperation would be possible with other Asian nations facing the same challenge? How could Japan contribute to solutions for their own aging societies and low fertility rates?

Dr. Reiko Hayashi, the deputy director-general of the National Institute of Population and Social Security Research in Japan, a distinguished academic on demography, responded to our questions on these issues in the following interview.

(Interviewed on Sept. 5, 2023)

Challenges of Depopulation Due to Low Fertility & Aging

JS: It is said that depopulation due to low fertility and aging will have not only economic consequences, such as shrinking personal consumption and a slowdown in growth, but also many other large consequences, including an increased national security risk or decline in self-defense capacity due to the nation’s decreasing political presence. On the other hand, it could have a positive impact such as a possible increase in GDP per capita. How do you assess depopulation’s impact on the nation overall?

Hayashi: There are many people saying that depopulation would be disastrous, but when the Total Fertility Rate (TFR) in Japan was 2.1 in 1974, at the time when the first Japan Population Conference was held, many people said the population was too big and there would be a shortage of energy and food with 100 million people in a small country like Japan. The concern about excessive population was then the mainstream argument, with the view that even 100 million would be too big for the nation.

Depopulation would not have only a negative impact, as you mentioned. While there may be an argument that the working-age population would decrease, we now see in Japan that the number of actually working people is increasing, with social innovation encouraging more women, elderly people and foreigners to join the



Dr. Reiko Hayashi

workforce. Therefore, with policies to increase the labor force, depopulation would not necessarily have only negative effects. As was mentioned in 1974, with depopulation, the environmental costs would decline, not only in Japan but also worldwide.

JS: I have heard that Sweden adopted policies to raise its fertility rate and accept immigrants more actively to raise its population, particularly over security concerns about being a neighbor of Russia. What do you think about depopulation and national security?

Hayashi: When did Sweden do that over security concerns? Such a story would not be irrelevant to nations which have borders with Russia, like Finland. But Sweden would have many other reasons for wanting a higher fertility rate and a more advanced social welfare system. Yes, there could be cause-and-effect relations between depopulation and another nation’s threat from the security viewpoint. For example, with regard to its relations with Palestine, Israel takes this issue very seriously and is attempting to raise its fertility rate.

JS: According to the Population Projection for Japan in 2023 published by the National Institute of Population and Social Security Research, the population in 2070 is estimated to decline to 87 million. Assuming there would be security concerns with depopulation, can we say that a population of

less than 100 million in Japan would present a security issue?

Hayashi: It's a question of what size of population would be considered appropriate. The 100 million figure may come from a remark in 1967 by Konosuke Matsushita, the founder of Panasonic, that the market would be large enough for business with 100 million people. However, in terms of national security, I think this is groundless. Before World War II, Japan used to be considered a "Danger Spot" by the United States, though the population then was only around 57 million. With this population, Japan was considered a threat. In the old days, war was infantry-oriented, but today war appears to have greatly changed and to be driven by IT such as drones or robots. So with regard to national security, I think what will matter is the quality of human resources competent in the use of IT rather than numbers of infantrymen.

Looking back further into the past, Japan's population in the Edo Period (1603-1867) stayed fairly stable at around 30 million. So in light of these observations, the argument that 100 million is now considered appropriate seems to be groundless.

On Measures to Stop Depopulation

JS: There seem to be two ways to stop depopulation, namely raising fertility rates and accepting more foreign workers. Which do you think would be more realistic and more effective?

Hayashi: Both are feasible in the real world. But it is difficult to raise fertility rates in the short term; we need policies to boost fertility over a longer period. On the other hand, our projection assumes an increase in the foreign labor force of 160,000 every year towards 2070 based on data up to now, and as a result the percentage of foreign residents in the population will be around 10% in 2070. I think accepting a larger number of foreign workers will be an extremely important policy not just for stopping depopulation but for increasing diversity in Japanese society and strengthening the international competitiveness of Japan. In Europe, however, with the rising proportion of immigrants to the total population, there seem to be difficulties emerging in several nations and some governments have adopted more anti-immigration policies.

JS: ASEAN countries such as Thailand, Malaysia and Singapore are said to have similar depopulation threats due to their low fertility rates and the aging.

Are they in more serious difficulty than Japan?

Hayashi: Let me think about this issue in ASEAN+3, which adds Japan, China and South Korea to ASEAN countries. In South Korea, the TFR was 0.78 in 2022, more serious than in Japan with a TFR of 1.26. In China as well, the TFR was reported as 1.07 in 2022 and so lower than Japan. Likewise, the figure was around 1.0 in Thailand and Singapore and their declining fertility rates have continued, and this trend will not be reversed. Malaysia's TFR is similar to Japan's. So low fertility is a common issue among all these nations. The Thai population entered a natural decline in 2022. Fertility rates declined in 2022 all over the world due to the pandemic, and we cannot see yet how this trend will change in the post-pandemic era.

On the question of whether these ASEAN nations are in a more serious situation than Japan, many countries are getting into this situation without any preparations for increasing caregiving or boosting their low TFRs and thus they are in a more difficult situation than Japan, I suppose. It should also be pointed out that there are differences in the challenges and countermeasures of these nations. For example, Malaysia and Indonesia have commonalities as Muslim regions and they can be supposed to share the same issues in the area of social welfare for elderly people. Singapore and Malaysia used to be British colonies and as such they maintain the legacy of British social security systems, and their policies for the aging and low fertility rates are similar to the British ones.

JS: Assuming that there are many nations facing the same challenges, would it be mutually beneficial for them to exchange views? For example, in APEC are they discussing policy options for coping with low TFRs and aging?

Hayashi: Of course, they discuss it very often. Every year, the Japanese Ministry of Health, Labour and Welfare hosts a High Level Officials Meeting for ASEAN nations on population aging and related social policies in the region. The developing banks and international organizations host a variety of international meetings to prepare for this challenge as well. The Asia Health and Wellbeing Initiative launched by the Japanese government in 2016 is an idea for international development and expansion of health care and long-term care in the face of population aging.

For example, in this initiative, Japan accepts caregiving and nursing human resources from Southeast Asian nations facing the same challenges. They learn and gain experiences in Japanese health and long-term care facilities. Faced with the need for medical care

and caregiving for elderly people in their own countries, we expect them to use the skills they learned in Japan when they return to their country, along with the knowledge on Japanese long-term care system and devices, and contribute to raising the quality of their own countries' long-term care system.

JS: China and South Korea are actively working on exchanging views on aging and low fertility with Japan and the three countries are learning from each other. Japan's contribution to this issue in terms of health and long-term care systems must be very important as a frontrunner of aging societies. Would it be considered a good idea to expand the Japanese long-term care insurance system among Asian nations?

Hayashi: As I mentioned, Thailand, Malaysia and Singapore have already introduced medical systems implemented by taxes similar to the National Health Service in the United Kingdom, and so they seem to be not much interested in the Japanese-style long-term care insurance system. However, they are very interested in how Japanese long-term care actually works on site, and they often come to Japan to hear about this.

JS: As aging continues, the healthcare market is expected to get larger. Do you think that cooperation in this field among ASEAN, China, South Korea and Japan will expand?

Hayashi: The Asia Health and Wellbeing Initiative that I mentioned is exactly the policy initiative promoting such industrial cooperation. Also, concerning the question of whether pharmaceutical companies or medical equipment companies in Japan can develop their business in Asia, the Japan Agency for Medical Research and Development (AMED) provides them with funding for research. However, in the case of their overseas business development, they would need approval of their products by the host countries' governments. At this moment, in this area, US and UK companies might be more competitive than Japanese companies in Asia.

New Industries in the Aging Society

JS: In Thailand, Malaysia and Singapore, they are starting to raise new industries for an aging society. Do you think there is growth potential for these

industries in such nations?

Hayashi: I think it depends on what kind of industries are concerned. For example, the countries which are not yet fully prepared are in need of increasing long-term care facilities including daycare centers, and they would have a variety of needs such as medical and long-term care equipment or services for those facilities.

JS: Innovation could be considered one solution for an aging society as part of industrial evolution. For example, caregiving robots are expected to have high-growth potential. In such cases, do you think Japan can lead Asia in this product area?

Hayashi: In some long-term care places, we now have cat-shaped robots working on mitigating the symptoms of dementia. In thinking about the possibility of global business development for such robots, how competitive they are in terms of price would be the key question. Meanwhile, there are some cases involving software applications in which you can apply for caregiving services immediately. These are widely used in countries such as Malaysia and China. I have also heard that the Uber-like taxi service is used for transporting elderly people in the countryside. Asian countries with less administrative restrictions are using such IT technologies more than in Japan.

Cooperation with Countries with Younger Populations

JS: There are some Asian countries with somewhat younger populations, like India, Vietnam and the Philippines. To achieve win-win relations between Japan and these countries, what do you think will be crucial?

Hayashi: India's TFR has been lowered to 2 and thus even in India the demographic situation is that the younger population is not increasing anymore. Japan has implemented the policy of accepting foreign workers in accordance with bilateral agreements, and so acceptance of Indian or other Asian workers would be promoted accordingly. In particular, there used to be a political aspect to attracting IT engineers from India to Japan. But since the English-speaking countries are more competitive than Japan as a destination for business, these engineers have not been increasing as much as we expected. In order to accept more of them, we need to create an

appropriate immigration channel for them to come to work in Japan.

Helping the Elderly Continue to Work

JS: We will need to have a diversity of people to maintain our working population. Women, the elderly and foreigners must join our work force. Do you think we will need reskilling programs to enable the elderly to work longer?

Hayashi: The Japanese government has been working on those policies. Many elderly people are keen on continuing to work longer, and to encourage the labor mobility of these elderly people we would need training programs for reskilling.

Teleworking has been progressing during and since the pandemic, but there do not seem to be sufficient policies yet for encouraging more flexible working styles. This is because the current labor policy covers only those workers enrolled in employment insurance. There does not seem to be sufficient support in Japan for self-employed, part-time workers or entrepreneurs not enrolled in this insurance in comparison with other countries including China and South Korea. The existing measures for promoting the employment of elderly people could be further developed.

Looking at the rest of the world, in the US, the retirement age system is becoming almost abolished, on the grounds that this would be a kind of discrimination by age. But if this means there are not many posts left for young people, that would be another challenge. In Japan, the retirement age is gradually being prolonged, and even for government officials it started from April 2023.

Anyway, what would matter most is that people who wish to work could do the work they wish and be happy with their job.

International Cooperation on Policies to Cope with Depopulation

JS: It will be important to resolve the issue of depopulation worldwide through international cooperation. Could you give us some examples of international organizations' efforts in this regard, such as in ASEAN or the OECD.

Hayashi: The OECD is an organization with mostly European nations as its members, but Japan has been a member since a long time ago and conducted jointly the comparative analysis among the member nations on various issues including low fertility and aging, social

security policies and labor policies. The UN is in charge of an international cooperation framework on these issues too, and in particular on aging, it hosted the first World Assembly on Aging in Vienna in 1982, and 20 years later in 2002 the second one in Madrid. Nations have been engaged in the policies to address the aging issue on the basis of the outcomes of these two conferences. Further, they defined the decade from 2021 as the “Decade of Healthy Aging” and started promotion of healthy aging worldwide. This is leading to specific engagements by the World Health Organization (WHO), the United Nations Fund for Population Activities (UNFPA) and the United Nations Development Programme (UNDP).

On the other hand, on the issue of social security policies for which the International Labour Organization (ILO) is responsible, international cooperation requires understanding of each member nation's complicated legal system and this domain is somewhat behind than in health policies, in my impression. Policy discussions in the UN have mainly centered on elderly people's human rights or mitigating prejudice towards them.

Each country needs to build up a system of fundamental aging policies, but there are domains where international cooperation could intervene effectively. For example, we also need to think about creating a better environment for elderly people such as transportation networks or expanding services to enhance their mobility. We can expect contributions from international development banks and organizations to find solutions for these issues.

And finally, it is also noteworthy that at the first UN World Assembly on Aging in Vienna, the need for NGOs on aging policy was acknowledged and that Help Age International was founded accordingly. They have been working with the goal to create a more equal world by helping elderly people lead a safe, healthy and respectable life. They have a branch office in many countries in the world and their regular meetings are organized by region, such as in Asia or Africa. Alliances between the international organizations and such NGOs and Civil Society Organizations (CSOs) will be indispensable. JS

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