

Roundtable with Dr. Naoyuki Yoshino, Dr. Mai Seki, Dr. Daisuke Wakisaka & Masakazu Toyoda

H ow Can We Stop Japan's Depopulation?

By Japan SPOTLIGHT

The Roundtable discussion was joined by Dr. Naoyuki Yoshino, emeritus professor of Keio University and chairman of JEF's Research Group on Japan's Depopulation that issued its policy recommendation in November 2023, and Dr. Mai Seki, associate professor of Ritsumeikan University, and Dr. Daisuke Wakisaka* from Keidanren (Japan Business Federation), both members of the Research Group.

*The views expressed by Dr. Wakisaka are his own and do not represent the organization he belongs to.

The moderator was, as usual, JEF Chairman Masakazu Toyoda.

(Roundtable on Nov. 10, 2023)

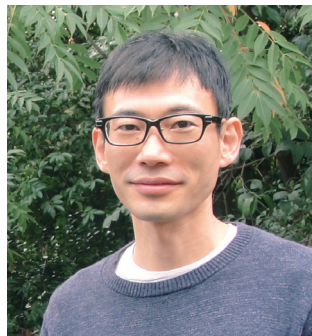
Participants



Dr. Naoyuki Yoshino



Dr. Mai Seki



Dr. Daisuke Wakisaka



Masakazu Toyoda

Introduction

Toyoda: An aging society with a low fertility rate presents a common challenge for many developed nations. European nations, for example, have been coping with it for many years. It is not surprising that the administration of Prime Minister Fumio Kishida recently adopted “extraordinary countermeasures against the low fertility rate”. However, in Japan I think our situation is more serious than in any other developed nation, as an aging population with a low fertility rate will lead directly to depopulation. For example, among the G7, Japan and Italy are the only nations with decreasing populations. Not only the United States but also Germany have increasing populations by accepting immigrant workers. Japan's population peaked at more than 120 million in 2008, but has continued to decline since then. According to National Institute of Population and Social Security Research, Japan's population is estimated to be around 87 million (including foreign workers) in 2070. In Germany, meanwhile, the fertility rate is declining as in

Japan, but with countermeasures it has increased to more than 1.5 from around 1.3, a stagnant level. In Japan, the fertility rate is 1.25.

To achieve population growth, a fertility rate of more than 2.0 is needed. In this light, many European nations and the US have achieved population growth by accepting immigrant workers in spite of low fertility rates. Germany has seen its population grow, but it is predicted to peak at around 85 million in 2030.

Most of the Japanese media seem to think it inevitable that Japan will have no choice but to survive the challenge of depopulation as a middle power with a smaller population. But would this be the right option? What others options are there? Will we need to think about introducing a larger immigrant labor force?

JEF began research on “policy solutions to cope with depopulation in Japan” and has published a recommendation, as introduced in this issue. I would like to hold a discussion today on this recommendation with three experts who participated in this research. Emeritus Prof. of Keio University Dr. Naoyuki Yoshino, chairman of this research group, is a leading economist in Japan

with a deep knowledge of the structural issues of the global economy; Prof. Mai Seki from Ritsumeikan University is an expert on labor issues as well as human resources development; and Dr. Daisuke Wakisaka is an expert on migration policies at Keidanren.

Consequences of Depopulation

Toyoda: Prof. Yoshino, in our policy recommendation we identify three issues stemming from depopulation, namely “decline of economic power”, “increase of fiscal burden” and “the impact on national security”. Could you please explain about the first issue? Can you also touch upon the positive aspects of an aging society, such as the possible emergence of new industries in responding to the increased needs of the elderly?

Yoshino: I think that depopulation means a decline of national power or economic power. Looking at capital contributions to various international organizations such as the IMF, World Bank, Asian Development Bank, and OECD by country, their ratio is fixed largely in accordance with the size of GDP. With a declining population and declining GDP, Japan’s capital contribution ratio to such international organizations will decline as well, and thus also its presence at international venues. Although there is a view that the economy will continue well on a GDP-*per-capita* basis, in terms of presence in the international community it is overall GDP and not GDP *per capita* that determines national power.

There would be two channels through which population affects GDP. One is on the supply side. A nation’s supply is determined by (i) capital, (ii) labor, and (iii) Total Factor Productivity (TFP, meaning technological innovation’s contribution to growth), and with the decline in population, is interpreted as a decline in the labor force, and so supply-side growth would be restricted.

On the demand side, as the population declines, consumption also declines. And as sales drop accordingly, private investment would also subsequently decrease. Thus total demand would decline. In this light, though it is crucial to raise TFP and capital productivity to maintain growth as much as possible, it would be necessary to maintain the level of population.

My second point is that in an aging society it would be important to maintain the working population in spite of the decline in total population by having aged people continue to work as long as possible without retiring. We should take full advantage of elderly people who are still in good health and ready to work for their whole life. In addition, new products would emerge, like caregiving robots enabling the elderly to continue working longer or some other devices for aged workers in their work places. Some aspects of AI can be used easily by the elderly. In other words, with such technological help, it would be possible for Japan to secure a larger working population. However, I believe that working people’s salaries

must be based upon productivity and not on seniority, as a seniority-based salary system would end up being an impediment to Japan’s growth, given that the elderly would be senior workers. A longer working life based on productivity-related salaries would also lower medical expenditures and especially social welfare expenditures, and these expenditures’ negative impact on Japan’s fiscal deficit would be mitigated.

Finally, with more elderly people continuing to work, we can test what robots or aspects of AI would be needed in specific jobs. If Japan is successful in achieving a big innovation enabling the elderly to continue working by taking advantage of the results of such tests, we could export those new technologies to China or Europe, which are also experiencing aging. A new big industrial sector in this field, corresponding to the existing automobile sector, would be a large source of exports in the future and raise the Japanese economy’s growth potential.

Toyoda: Prof. Seki, could you lay out the second issue you mentioned, “increased financial burden?” Could you also explain how aging reduces the effect of monetary and fiscal policy with regard to depopulation’s second challenge, the “increase of fiscal burden”?

Seki: Aging would have a long-term impact on the economic structure through a decreasing working population and an increasing retired population, and so short-term or mid-term policies like monetary or fiscal policy could not essentially cope with it. So I believe the relationship between aging and public finances could be limited to the issues of fiscal burden and fiscal and monetary policy’s effects.

The increase in the retired population could be mitigated by their extension of retirement, but we cannot easily predict by how much the number of retired people would increase or what their health conditions would be like. This would lead us to conclude that the main macroeconomic concern about aging must be the increase in fiscal burden resulting from the greater social welfare expenditure.

Even at this moment, social welfare expenditure accounts for 30% of all general appropriations of the Japanese government’s budget. By simple extrapolation, we forecast that social welfare expenditure will increase in proportion to the increase in the aged population. The fiscal deficit of Japan has mainly been compensated for by government bonds, but whether further increases in the deficit from now on could be domestically absorbed is an issue that needs to be examined.

The Japanese current account balance has recently been inclining towards a deficit. With a current deficit, confidence in Japanese public finances would drastically decline. In this case, there is growing concern that the drastic fall of Japanese government bond prices reflecting this decline in confidence could lead to extremely

high interest rates and make it difficult for the Japanese government to bear the burden of interest payments.

In addition, there is research suggesting that the stimulating effects of monetary and fiscal policies would decrease due to societal aging. The prevailing theory assumes that in a recession a monetary easing with lower interest rates would improve the investment environment or that fiscal stimulus could boost demand and eventually revive private consumption, though its impact could depend on the people's perception of the policy. However, according to a study by Prof. Naoyuki Yoshino and Prof. Hiroaki Miyamoto, in an aging society with a larger retired population depending on savings or pensions, those policies to stimulate business and eventually boost consumption through wage increases brought about by business expansion would not work well, because those elderly people do not depend on wages. So these fiscal and monetary policy stimulus measures would be largely limited.

Toyoda: The third consequence of depopulation is “the impact on national security”. Dr. Wakisaka, what do you think about this issue from the viewpoint of Japanese businesses, which have many production bases around the world, in particular in Asia, against the background of rising geopolitical risks such as the Ukraine crisis, the Hamas-Israel conflict, a possible Taiwan crisis, and North Korea's provocative military actions?

Wakisaka: It is true that Northeast Asia where Japan is located is now an area in which any unexpected incident can affect our national security. The Ukraine crisis or the conflict in Gaza should not be thought of as having little to do with Japan. National security can be affected not only by military forces but also by what we call soft power, such as economic power or cultural power. If Japan's national power including the power of its economy or science and technology weakens with the aging of society and a low fertility rate, it would be natural to see national security risks rising. In this regard, I think we would need to continue our existing policies to attract friends from all over the world by taking full advantage of Japan's economic power and cultural power, as is suggested in our policy recommendation.

On the question of national security and depopulation, I think that policies to cope with depopulation in our remote border islands will also be important. Japan's land territory is the 61st largest in the world, but our territorial sea is the sixth largest, an immense area. In this light, it would be potentially important for our national security to maintain the livelihoods of the residents of those remote islands to prevent them from being deserted. Remote work or remote education would make it possible for us to maintain the population in those islands or even encourage people to return to their home islands. We could take advantage of a “Special Zone System” (*Tokku*) for those islands where a number of deregulations which

could not be implemented in urban areas could be attempted on an experimental basis, in particular for the introduction of advanced technologies. To be more specific, drones or Advanced Air Mobilities could be tested for experimental use in those islands, though it would be difficult for them to be fully utilized in areas of dense population.

Policies to Cope with Depopulation

Toyoda: There are two pillars of policies to cope with depopulation in Japan in our policy recommendation, apart from policies to minimize security crises. The first is policies to raise the fertility rate, and the second is policies to increase the labor force. Dr. Wakisaka, our recommendation mentioned the need to reform the Japanese employment system and improve labor market mobility with the aim of raising wages and productivity to encourage young Japanese couples to have children. What do you think about this policy option, as you frequently meet business people at Keidanren?

Wakisaka: There are two main aspects to the Japanese employment system. One is lifetime employment and the other is seniority-based wages. I believe that an individual's flexible working style in accordance with his or her work-life balance will be the key to policies to raise the fertility rate. As in our recommendation, the Japanese employment system needs to be changed to accommodate flexible working styles. Japan's existing employment system used to work well in the high growth era with a large working population, but it will be essential to change it in the time of depopulation.

For example, Japanese companies faced with severe competition from the major global IT companies will not be able to win the race to recruit competent human resources without adopting a new employment system in which remuneration is based on competence. I think even Japanese companies, in particular those with major overseas rivals, are now undergoing drastic changes in their employment systems.

However, the old Japanese employment system is one in which companies also share the responsibility for their employees' social security. Without this, and with a competency-based salary and flexible labor market, we will need a more robust public social security system. Otherwise, social inequality will spread, as in the US and Europe, and that would negatively impact our aging, low-fertility society. Even in the US, lifetime employment was prevalent until the 1960s. The employment system for white middle-class workers in the automobile industry was a typical example. It is said now that the disappearance of lifetime employment systems due to global competition was a cause of the decline of the middle-class in the US today. We also need to learn the lesson from this narrative.

Toyoda: Prof. Seki, our policy recommendation pointed to the

“creation of good job opportunities in local regions in Japan” as one solution. What do you think about this, by taking Kyoto as one example?

Seki: It is true that job opportunities in Japan are concentrated in Tokyo. We cannot expel young workers in Tokyo to regional areas. Creating jobs in the regions by encouraging growth in local economies must be the answer to more balanced economic development between the metropolitan areas and regional ones. With jobs and quality of education assured, there would be a greater possibility of young people moving from crowded and expensive Tokyo to places where they could find it easier to raise children or returning to their home towns, or staying there instead of going to Tokyo in the first place. It is thought that more young people would naturally want to have children in a good environment.

With such a virtuous cycle, there could be a route to achieving more stable local public finances. The local governments would receive more residential tax and they could raise fixed asset taxes to prevent land price from falling further. There are also many people trying to promote the potential of the regions for tourism. Kyoto is now so popular with inbound tourists following the pandemic that the issue of over-tourism is being discussed. There are many more tourism resources that could be awakened all over Japan. We could combine cultural tourism with nature tourism, but nature tourism could be easily associated with environmentalism and as such we could promote eco-tourism, which is increasingly popular.

Ritsumeikan Asia Pacific University provides courses for developing human resources for the tourism industry and this is how regional universities could provide opportunities for young people. However, job creation in local regions has limits and it would be difficult to activate local economies and restore public finances only by having more young people move there. Today there are an increasing number of people who work in one place for half the week, while staying with their family in another place for the other half. It would be necessary to strengthen local governments' public finances with appropriate reforms for taxation on such a lifestyle.

Toyoda: Prof. Yoshino, could you explain about the importance of “remote education and remote work” since this is related to the restoration of local economies that Prof. Seki mentioned? In many European nations, for example, public education is free. Could you please touch upon this as well? Also, our policy recommendation mentions that we should maintain a population of at least 100 million as a national goal, but why do you think this should be the minimum population?

Yoshino: There are two main movements of population in Japan. One is when people enter universities and the other is when they get a job. There are many students entering universities in large cities

like Tokyo or Kyoto. But on the question of employment, they face the reality that they cannot find good jobs in their hometowns. So it becomes most likely that most of them stay to work and live in big cities, and even after retirement they do not return to their hometowns. In other words, large population transfers in Japan are nearly limited to the occasions of entering universities or starting work. This is because there are not many good jobs in regional areas, and this is particularly the case with women.

I believe that remote work and remote education is the solution to this issue. Though remote work became common during the pandemic, in Japanese society corporate managements tend to consider workers whom they can talk to in person as more deserving of favorable job performance assessment than remote workers. But what matters in job performance assessment is productivity whether communicating with the boss in person or online. For Japanese businesses, I think it is important to evaluate a worker's productivity more objectively, otherwise working remotely would become impossible. We need to implement such objective assessments of job performance as quickly as possible.

With more remote work, people would not have to live in big cities like Tokyo, Kyoto or Osaka. Just going to the office in those big cities once a week should work well for them, and therefore they could live anywhere within a couple of hours' commuting distance from these big cities. Then the demand for housing in the cities would decline and young people would move to the countryside to enjoy life with their children in a large house, instead of buying an expensive apartment or a small house in Tokyo.

A possible problem could be concerns about the quality of education in local regions, as in urban areas kids need to go to preparatory schools to raise their academic level and these are available only in urban areas. Remote education could resolve this issue. I believe that a public remote-learning system could be introduced for all academic subjects. With remote education, good and competent teachers could teach students anywhere in the nation and the local teachers could supplement such remote lessons. Children would not have to go to a preparatory school anymore. Students could also watch video programs by the best teachers anytime and anywhere in any subject like English, Physics, or Mathematics, and they could complement their lessons with such videos. Even students from poor families could freely access such remote education, and thus equal opportunities for good and high-quality education would be provided to all and social inequality and regional inequality would be reduced.

With remote work, I think the prices of residential apartments and land will fall, because urban populations would decline and young couples' real income would increase. Remote education and remote work could thus lower young people's cost of living, which is obviously a serious impediment to the fertility rate. In addition, with a wide range of people moving to local areas, there would likely be

more innovation and new ideas being born as a result of the diversity of people, which would help stimulate local economies and encourage university graduates to return to their home places.

On the question of free public education, I fully support it. In Germany and Sweden where I used to teach, the students enjoy free public education, though the public burden for it is rather high, and thus the value-added tax rate is 19% in Germany and 25% in Sweden. I think this is absolutely necessary as it creates social mobility. No matter what family circumstances a person may be brought up in, hard studying will make it possible to go to a university. This increased social mobility could vitalize economies and societies.

On the issue of 100 million as a minimum population, even with the current population of 120 million our GDP is much smaller than China's and could be overtaken by India. Our national presence is thus declining, reflected in falls in various ranking scores. With a further 20% decline in population, it will reach 100 million, and this should be the minimum to maintain our national presence.

Toyoda: Our policy recommendation proposed correcting the underrepresentation of women in politics in order to change gender norms. Could I have views on this from all of you?

Wakisaka: In my personal view, men would benefit as well by having more women in high-ranking posts in society. In my research in interviews with highly skilled migrants working in Japan, I found one of the major complaints about inefficient Japanese work practices was that their co-workers tend to stay at work until late at night without actually doing anything. One of the reasons I think they stay late at work without much to do is that men do not then have to do any housekeeping work at home. This must be changed. With more women in management posts, it would be taken for granted that people would leave for home as soon as their work is finished, which would be more efficient. When people from a similar background are at the top of society in charge of decision making, I do not think they can promote any reform of the norms in work-life balance. But a greater diversity of people in management would enable reform of the work-life balance. This is true not only in business but also in politics and policy formation. We need to have diversity in management not only in gender but also in many other aspects including age, nationality, physical abilities and sexual orientation. Also, we believe that policies to raise the fertility rate would probably not work very well without the involvement of people in the generation working on raising children. So I believe it is important not only to have more women in responsible positions but also more young people as political representatives.

Seki: I think we need to increase the number of women involved in policy decision-making to correct their underrepresentation. With

only a small number of women representatives, we cannot have much diversity of opinion among women. It will be important to have a diversity of views from women on their different working conditions and preferences. With a greater number of women representatives, minority views could be better reflected in policy-making. We should raise our numerical target for women in politics. Unless there are more than 30% of female political representatives in the Diet, it would be difficult to reflect the diverse views among women in policy-making.

Yoshino: My grandmother worked as a member of Saga City Council for five terms, 20 years. It was because there were devoted supporters behind her. She was a teacher in junior and senior high school and she had four children. Women with children could not do the same as men did then. But then there were many female teachers in the schools and they supported her as they believed in the need for a representative in the council. Nurses, mostly women then, also supported her. This was how she became a candidate for election to the council. Thinking about her case, there are now so many women active in society and grass-roots support for outspoken female candidates would be needed to encourage women to enter politics. With such support, I think women representatives in the Diet could be 50% of all members, given that half of the population are women. Among those female political representatives, there should be more representing the interests of housewives, I believe. With more grass-roots support for those representing their interests among a variety of professional women, there could be more female Diet members from diverse backgrounds.

Toyoda: On the second pillar of remedies for depopulation, policies for increasing the labor force, as Prof. Yoshino has already made a detailed argument about longer working by the elderly as one solution, I'd like to focus here on promoting "women joining the labor force" as another solution. On this issue, we need to resolve the so-called "annual income wall" – meaning that working wives exceeding a certain annual income cannot enjoy a spouse deduction in tax or must even pay tax of their own. Instead, we should have French government-style adopted family coefficient rules, the so-called "n-th power method", a tax incentive to encourage couples to have more children. This could resolve the annual income wall issue and also work as an incentive to have children. What do you think, Prof. Seki?

Seki: To increase the labor force, a good means is of course to encourage elderly people to work longer in their life. Among the aged, however, there are many differences in terms of willingness to work: physical condition, work skills and experience, and their productivity levels vary. I find it utterly irrelevant to economic theory to have them all retire at a certain age or have their wages drop

rapidly in the case of their being reemployed after retirement from permanent employment. What matters is that wages are paid in accordance with their productivity or the supply-demand situation of the labor market. The ideal would be to have the elderly continue to work in jobs for which their skills and competency are well matched.

On the other hand, in trying to make the Japanese labor market system more flexible, I think it is crucial to think about how to protect workers' rights. The existing system has been designed to protect permanent employees' jobs until they reach retirement age. We will need to secure such protection for workers to a certain extent while providing them with a more liberal and flexible working style.

On the question of promoting female labor, we believe that more women will naturally choose to work if men and women could both have more flexible work-life balances and pursue both work and child-raising equally. What are the reasons that women cannot take full advantage of their own skills in the labor market or hesitate to do so? One is that they have to be in most cases fully involved in housework and caring for children, as well as being mainly responsible for caregiving for elderly family members, which is the custom in Japanese society. Unless women are relieved of any sense of guilt in escaping from these social norms by working outside the home, no change will happen. Many Japanese women have a strong sense of responsibility and believe that nobody can do these things better than they can. Some people may be content with fulfilling these responsibilities, but at the same time many are often facing a difficult decision over whether to focus on a job or on housework.

Another issue is their husband's relocations. Permanent employees are often relocated somewhere different from their current residence, either to a different prefecture in Japan or overseas, by their company's order. In some cases, the husbands go alone while their wives and kids stay in their residence; in other cases, they prefer living together as a family and then the wives entirely drop out of the labor force or switch from full-time to part-time work, or from a permanent job to a non-permanent one. In these latter cases, it is difficult for the wives to go back to their permanent full-time job. Ideally, both husband and wife could continue working and choose where they wish to live, so it will be important to have the option of full-time or part-time work, and then both men or women can flexibly choose when to re-enter the labor market in their life plan. Either partner could choose to be a housewife or house husband, and it would be natural to have such a situation for a certain number of years when the children are small. The issue is thereafter how to ensure their return to the labor market.

The debate over the "annual income wall" is continuing in Japan. The proportion of Japanese working women has become very high, though they are mainly non-permanent workers, and Japanese women's academic background and skill are internationally also high. But a large number of them are working as non-permanent

employees, as part-timers or temporary workers. With their high potential productivity, these young people are shifting increasingly from non-permanent to permanent full-time jobs, and the social security and tax systems will need adjusting to cope with a smooth transition in life choices.

The annual income wall had been gradually raised, though we often heard about a wall of one million and 30,000 yen. In reality, the actual tax burden increase was not so much, as the annual income wall has been raised from one million and 50,000 yen at which residential tax was imposed to 1.5 million yen since 2018. But in terms of data, there are still unexpectedly many people starting to limit working hours when their income exceeds one million and 30,000 yen. This is irrational. It is probably because the public information on this has not been updated. The Japanese government needs to simplify the social security and tax system and inform all people of the changes in the system to help them make rational decisions about working.

On the question of the "n-th power method" in France, I think we should take note of the different circumstances around raising children between France and Japan. Yes, it would be a possible policy direction to build incentives for raising children into the tax and social security system. However, in the case of Japan, we have high education costs and public support for raising small children is not well implemented. So although we consider this a successful policy in France, a mere carbon-copy of it may not work very well. We need to examine the possibility of its introduction within a comprehensive package including other policies.

Toyoda: I would like to ask Dr. Wakisaka about acceptance of foreign labor. Looking at the US and Europe, the fertility rate increase is limited and policies aimed only at increasing this rate will not sustain the population. Though Japan's "Technical Training System" for accepting foreign workers seems to have improved, I have the impression that this is far from a substantive and earnest acceptance of foreign labor. What are your views on this?

Wakisaka: The most important thing in accepting migrant workers is to control their quality and quantity adequately. We tend to think about the number of accepted foreign workers when discussing them in the context of depopulation. In the histories of some other nations accepting migrant labor policies relating to their numbers could lead to accepting a limitless quantity of workers to counter the decline in population, and this could end in deadlock eventually.

For example, in the case of United Kingdom, support for leaving the European Union's "free movement" regime stemmed largely from the fact that it lost control over the quality and quantity of migrant workers entering the country. This is why ensuring the quality and quantity of migrant workers and controlling them tactically would be indispensable. In the case of traditional settlers'

countries like Canada and Australia, they consider quality especially. This is why they have a so-called point-based system in which they try to keep control of the migrant labor force by scores of points in judging their professional skills and language abilities, and so forth. In Canada, even in accepting asylum seekers from third countries, their professional and academic quality could be examined. I think that we need to have a system by which competent migrant workers who contribute to Japanese society will want to stay in Japan for a longer period. In the case of the Technical Training System, the direction of reform is to develop the trainees' skills or technological capacity and Japanese language competency, and to let them gain a residential status leading to permanent residency if they are well-qualified. I think this direction is desirable.

One of the issues for Japan in accepting migrant labor is that it takes 10 years for them to gain permanent residency. Thinking about other nations competing against Japan for highly skilled workers, it takes only five years to get permanent residency in the UK, South Korea or Taiwan. Japan needs to make a policy decision on this issue by taking other nations' policies into account.

Above all in the case of Japan, without permanent residency migrants cannot get loans to buy a house. Non-Japanese tend to think in general that buying a house rather than renting one would be a solid and stable basis of life. So without a house, they would likely move to another country. We need a policy to provide highly skilled migrants with permanent residency as soon as possible.

Toyoda: In talking about acceptance of foreign laborers, Prof. Yoshino is saying we need to consolidate policies to take care of their families or create better infrastructure for them. What do you think of the difference in policies between Japan and the US or Europe in this regard?

Yoshino: Based on my working experience abroad, I note that the first-generation immigrants are skilled and competent and thus working very well. However, people in the second generation could drop out of school, as their parents cannot speak the local language very well, and they are likely to have complaints about the society they live in.

To attract foreign workers, I think we need to create a system to take care of the second generation in advance. First of all, Japanese language education must be available for these second-generation people. And with remote education available in any academic subject, these second-generation students could learn from the best teachers regardless of their family background or wealth, as long as they can master Japanese. So they could work hard and go to the best universities in Japan or anywhere in the world and get a good job. This is how education would be a key to their success. In Japanese elementary schools, we often hear about students bullying kids with

a different appearance. So the school teachers need to impress upon these students that diversity among people is important.

On the issue of technical training, while it is important for technical trainees to settle down in Japan after their training, I think it is also important for them to go back to their own countries and contribute to their economic development using the techniques learned in Japan. In order to maximize the merits of this training system, I think it necessary to provide them with a channel of communication to inform the Japanese government of issues of forced labor or violence against them in their own language. Their employers would need to be aware that they are being supervised by the authorities through this communication channel and thus encouraged to train them properly. These labor policies can help us win friends around the world.

Additional Policies for Mitigating Depopulation

Toyoda: Finally, I would like to ask you all to say what you think should be emphasized additionally, in particular in comparison to other nations' policies, on the two categories of raising the fertility rate and active acceptance of foreign labor. In addition, the question of financial resources for these policies is crucial, such as consumption tax or social insurance fees. Could you touch upon this?

Yoshino: On the issue of the request for aged people to work longer in their lives, I found recently that the number of elderly working people is significantly increasing at construction sites or in SMEs. Their work experience is useful for Japanese society even after they turn 60 or 65. In recent years, they have occasionally been employed by Korean or Chinese companies. Their skills or know-how will flow out to other nations unless they are employed in Japan. It will be important to reemploy older workers with a variety of skills and pay them salaries compatible with productivity. By doing this, we can reduce social welfare expenditures and tax burdens as much as possible. Since social welfare expenditures account for nearly 35% of total government spending, unless we can reduce them we will not curb the rise in the fiscal deficit.

Finally, we need to reduce caregiving costs by prolonging healthy lifespans. It is of course better to avoid any large consumption tax increase by decreasing social welfare expenditure. So we need to continue to work lifelong, as advocated by Prof. Atsushi Seike, former president of Keio University.

Seki: To raise the fertility rate, it is true that strengthening the economic foundation of young people with the potential to raise children would be extremely important. On the other hand, there are

a number of social issues arising on matters of marriage or the family system or the selective separate surname system for married couples. On those questions, I notice there are large gaps in opinions between such young people and the politicians or policymakers. I think it would be better to leave these decisions to young people. We must let them do what they want and society will support them if they opt to increase their families. What the older generation may think about these issues cannot be forced on them; it would not change any young person's behavior or thinking at all. Supporting them in doing what they believe in is the way to go. Views on social systems can change very quickly but nothing can change unless we find out what the younger generation want and devise a social system for them accordingly.

On the foreign worker issue, we should note that any foreign worker will choose a nation in which to work based on their life plan, including family, and not only on a particular career. The keys to which nation they may select are above all housing, permanent residency, possible career path, and quality of education for their children. These are similar to those for young Japanese selecting a local region to move to and settle down in. For foreign workers, language and cultural barriers are also to be considered. We need to create a good working and living environment in order to attract competent people and those who can adapt well to Japanese culture and society. Though we need to take care of those foreign workers staying in Japan only for a short time, creating policies and systems for immigrants intending to settle in the country would work equally well for those who only stay for a short period.

On the question of financial resources, first, with only the prospect of continuous tax increases to match the corresponding increases in social welfare expenditures, bearing a child would not be attractive in someone's life plan. So it is important to consider how to curb social welfare expenditures.

Second, consumption tax increases have almost been given up as a matter of course by everyone, but there must be dialogue between the government and the people to explain what expenditures need to be covered by tax increases. Discussions tend to focus only on tax increases, but we still need the arguments on how to streamline expenditures.

Wakisaka: On the issue of raising the fertility rate, I was impressed by the study of the French policy of raising their rate by acknowledging a variety of family types, including single mothers, to be covered by supportive policies for children in our research group discussion. I think supportive policies based on traditional concepts of the family or marriage are now at a turning-point in Japan as well. A French scholar invited to our meeting articulated that the approval of same-sex marriage in France has certainly contributed to raising the fertility rate there.

Some Japanese with conservative political views may believe that traditional values would contribute well to the formation of families or to raising the fertility rate. But in some other nations this cannot be proved by evidence. Current medical technology has enabled same-sex couples to have a child. Therefore, the approval of same-sex marriage could have a positive impact on the fertility rate. I am now convinced of the need to change existing social norms after our research. Talking about ground-breaking policies to address the low fertility rate, I think we will need to touch upon these norms that are deeply rooted in our society.

However, we need fundamental legal reform to approve same-sex marriage and to do so we need democratic discussion in parliament and a law revision process. In other words, this must become a political issue. Apart from whether same-sex marriage is approved or not, I do not think policies to mitigate depopulation have yet become an important political issue in Japan. For example, each political party's manifesto in Japan mentions little or nothing about the policies for accepting migrants. In the UK, France or the US, this issue is always an important political issue and a point of debate in elections, but in Japan this is not the case. Although Japan is a democratic nation, Japanese people cannot necessarily choose among policy options to address depopulation.

On financial resources for these policies, I also think that policies with benefits exceeding costs must be produced. Pork-barrel policies must be abandoned in this light. Truly effective policies need to be implemented continuously over a 10-20 year period to deal with depopulation, and for that purpose we need stable financial resources like the value-added-tax to be paid by the whole nation. Increasing social insurance contributions as potential financial resources would be senseless as a policy to mitigate depopulation since it would offset the effect of wage-hike policies that the government highlights.

Toyoda: Thank you very much. We have had a good and rich discussion. I have been thinking that most Japanese are not aware of the risks and consequences of a declining population. We must do our best to raise public opinion on this issue to find the best solutions.

JS

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