

The "Silver" Industry

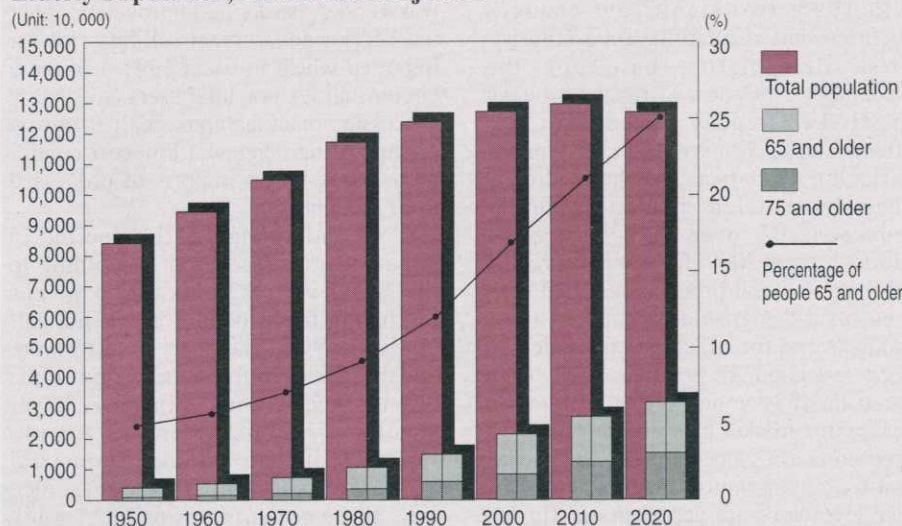
As Japan's population ages, many businesses are anticipating the opportunities afforded by the "silver industry"—the business of serving the needs of the elderly—as the market changes in quality and expands in quantity. Rising life expectancies mean more elderly people, and that, coupled with a declining birthrate, boosts the percentage of the population that is over 65. In 1990, the population of people over 65 was 14.9 million, or 12.1% of the population. By 2020, both the elderly population—predicted to reach 31.97 million—and their percentage of the population—estimated at 25.2%—will have more than doubled (see figure). In general, the enrichment of the pension system and the growth of savings and so on will create a more affluent older population, and these will tend to make more active and difficult choices about values and lifestyle than their predecessors. Their new style of consumption will create a large market.

But as the number of elderly people increases, so will the number of people who need nursing care. Social needs, especially in the nursing sector, will burgeon, and not simply because of this numerical increase. The nuclearization of the family and the increasing number of women who work will reduce the ability of the family to care for its older members without outside help. In addition, financial limitations may mean that the availability of public services, already lagging behind demand, will not be able to meet the growing needs of the elderly population.

The emerging "silver industry" covers a wide range of goods and services, but it is generally defined as the supply of goods and services to the silver population (those around 60 and older) by private companies engaged in competition with each other. Essentially, it is a category of business based on a definition of the consumers, not the products. The industry includes: (1) provision of old folks' homes, nursing homes and other facilities for care; (2) home care service, home bathing services, food delivery services and other home

Elderly Population, Actual and Projected

(Unit: 10,000)



Source: Up to 1990, *National Census* by Management and Coordination Agency. After 2000, *Population Projections for Japan (1991-2090)* by the Institute of Population Problems of the Ministry of Health and Welfare

care; (3) sale and rental of equipment for nursing assistance, physical support and rehabilitation; (4) pensions and nursing insurance; and, (5) travel, hobbies, study, sports and other health and lifestyle-related services.

Below, I examine current business issues and outlooks for fields particularly important for the elderly, especially facilities and home care services.

Contrary to expectations, "silver" businesses and services have not found a very responsive market. There appear to be two reasons for this—the intangibility of demand and the difficulty of price-setting.

Japanese tend not to be very aware of welfare services, and careful responses to welfare needs are rare. Ascertaining what people need, and translating that knowledge into a tangible demand, is therefore quite difficult.

Setting appropriate prices is also difficult. Users tend to think that the prices set by the private sector are too high, both because they think of welfare as something that should be provided by self-governing bodies at no cost, and because the

division of labor between public and private services is unclear. It should be that basic services are provided by the government, and higher-quality, diversified services should be provided by private business. Currently, this line is not clearly drawn, and the two sectors are instead competing. A system must be created in which the division of labor is clearly delineated, prices are set according to the services provided, and users can base their choices on economic logic.

It is against this background that mechanisms for dealing with the rapidly aging population are being created. The fiscal 1995 budget included a "New Gold Plan," and the mid-term report of the Council for the Public Health and Welfare of the Elderly entitled *On the Establishment of a New System of Care for the Elderly* included a proposal for "public nursing care insurance." These mechanisms prepare for the increase in the number of elderly needing care, set up organizations to provide welfare services under a 10-year plan, and attempt to alleviate the financial burden on the

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target population through a system of social insurance. For these mechanisms to work, more institutions that provide welfare services must be available. It is also hoped that a market for such services will develop in which private busi-

nesses will feel free to participate.

To create and expand demand in the "silver industry," public and private institutions must clearly delineate their separate functions and necessary government regulations and guidelines must be drawn up. Most important, however, is

how well private corporations will be able to meet the needs of the elderly with their services and products, and whether they will be able to set prices that are within the range of what their target population will accept. JTI

(Kawaguchi Hiroyuki, economist)