Age-based Norms, Population Aging and Inequality in Japan

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1. Japan's aging dilemma

Aging affects societies at different paces. Japan's population is aging much faster than advanced Western European countries or the USA. The elderly in Japan accounted for only 7.1 percent of the total population in 1970, but by 1994, it had almost doubled to 14.1 percent. Today about 22.8% of the total population is over age 65.

Rapid aging presents particular problems. Policy-makers need to be aware of possible consequences of aging, so that they can make appropriate decisions ahead of time. Japan is the first country to face such a rapid shift in population. It has no place to look for advice and few countries to analyze. On top of that there is not much time to implement adjustments in policies. Current Japanese welfare and health care systems were designed with the assumption of economic and demographic growth. So the crucial task for Japanese policy

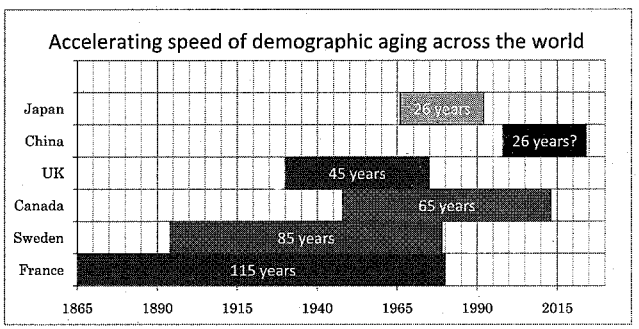

Figure 1. Time taken for number of persons over 65 to increase from 7 to 14% of population
Source: United Nations, *The Aging of Populations and its Economic and Social Implication* (1956); United Nations, *World Population Prospects* (2008)

makers in the near future will be to reform society so that it is less dependent on demographic growth factors. To slow population decline Japan must create an environment where the desire for children is not thwarted by income inequality and other economic factors. On the other hand, Japan is a leader in the aging

population race, and it has already developed a number of policies to care for its dependent population. As there is no precedent of such rapid population aging, Japan will require a period of trial and error, but later, it may become an example for other developed countries.

Falling fertility rates contribute to aging at least as much as increase in life expectancy. Employment of women into low-paid jobs and the lack of legislative and social base to support working mothers led to further decline in birth rates: TFR fell to 1.91 in 1975, 1.76 in 1985, 1.42 in 1995, and 1.26 in 2005.

Japanese society was known for its high social security and life-time employment practices. However aging of the population makes this system more and more difficult to sustain. Still, there is significant pressure on the government to ensure that employment systems provide high level of employment stability. Aging forces society to create "shock absorbers" that would take the first hit in the case of economic downturn and low labor demand. The confrontation between the traditional and neoliberal factions led to a situation where aging made the traditional age-seniority system difficult to sustain, yet the system could not be easily abolished. Thus, aging created a need to distinguish between people who benefit from employment stability and those who don't. Similarly, regions with weaker economies are used as "shock absorbers" to maintain stability in metropolitan areas.

Aging population is changing the face of Japanese society in a number of complex, interrelated ways (Figure 1). It affects labor market, deepens the differences between the regular and irregular workers and contributes to regional disparities. Furthermore, aging is often used as an excuse for deregulation coveted for a long time by neo-liberal politicians. Singling out the effect of aging on every aspect of the society is very difficult because of the complex nature of the processes involved. However, it is still possible to trace general trends when reliable data is available. This paper explores three central questions related to population aging: 1) how is aging changing the social inequality patterns in Japan? 2) How does aging affect employment and social security principles established long ago? 3) How does aging influence regional disparities?

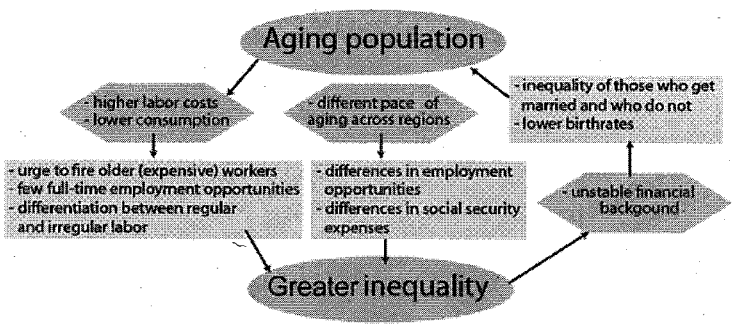

Figure 1: *Aging and Inequality*

2. Was Japan ever an egalitarian society?

Before making conclusions about how aging population changes the face of social inequality it is necessary to make it clear what the face of social inequality in Japan was when its population was relatively young. For a long period of time Japan was considered to be a highly egalitarian, conflict-free mass-middle class society (Murakami 1977, 1979, 1980; Vogel 1963). The level of inequality was the lowest among OECD countries (Sawyer 1976).

Post-war development and increased educational attainment helped many young people move up in class the ownership of basic products, once reserved only for elite, expanded (Gordon 1993).

Most importantly, demographics contributed to the acceptance of the idea of an egalitarian society. Rapid population growth maintained the triangular shape of the population pyramid. This fact, combined with age-seniority, contributed significantly to the idea of equal society. Population growth itself didn't make everyone equal, however, the triangular shape of population pyramid fitted well with the social ladder contributing to the image of an egalitarian society. Differences between individuals were explained by number of years worked. This experience-based inequality was not considered problematic. Young people could expect to be promoted and enjoy the benefits older people did, because younger generations continued to fill the lowest steps of the social ladder. In a society emphasizing age-seniority, it was easy to accept that older people had more power and wealth than young people, especially if promotion was assured.

2.3 Reasons to doubt the veracity of mass-middle class idea

As later controversies show, these ideological debates about the new mass-middle focused on ideals to achieve rather than objective reality. Recently, scholars re-analyzed the raw data from national surveys and reached conclusions that Japan was never as egalitarian as it seemed. (Ishizaki's 1983, Tachibanaki 1998, Tachibanaki and Yagi 1994, Ishikawa 1991, 1994).

Economist Fumio Ohtake (1998, 2005) argued that recent increases in inequality are explained mainly by inequality between generations and aging. As inequality tends to be greater in older cohorts, more older people will contribute to higher inequality. Sociologist Sawako Shirahase (2006), on the other hand, notes that it is also important to consider changes in household patterns. The number of single or couple-only households is growing, and elderly people are now less likely to get support from families. While both arguments are true, there seem to be other ways in which aging influences inequality in Japanese society. One of them is consciousness.

2.4 Inequality consciousness and demography

Something must have happened in people's minds that transformed their understanding of whether the society is egalitarian or not. Shirahase (IBID) tells us about an "explosion of inequality-consciousness" that occurred during late 1990s. That "inequality-consciousness" is not necessarily tied to statistics and Gini coefficient, but reflects instead people's concerns with the present state of things.

This "explosion of inequality consciousness" occurred in the late 1990s

and not earlier because that period marked the important change in the old-to-young ratio. As the number of the aged increased, being older no longer guaranteed a privileged status in society. This was first of all due to the fact that the number of those who are supposed to be "privileged" increased to the point that their privileged status could no longer be guaranteed. Consequently, even though Japan displayed better results than other countries in some inequality studies, it is obvious that the idea of homogeneous society should be subject to serious reservations. Below I discuss the effect of aging on inequality in two other areas of Japanese life: employment and regional disparities.

3. Aging diminishes employment

Employment dualism and unemployment are regarded as top reasons for Japan's rising inequality by many researchers (Tachibanaki 1998; Weathers 2009). In this section I consider how aging reshapes the Japanese labor market by decreasing the relative numbers of young workers. How does labor market respond to decreased numbers of new recruits? Common sense suggests that decrease in supply of young workers will decrease unemployment. However, the example of Japan as well as many European countries shows otherwise. The answer may partly lie in Japanese corporate culture, in particular – the age-seniority system. Not long ago, skeptics argued huge labor shortages were coming, while optimists hoped the unemployment problem would be finally solved. Paul S. Hewitt (2002) was one of them:

"Problems of unemployment that dominated social thinking in the twentieth century will soon give way to the social crisis of labor shortages."

Similar opinions were expressed even earlier by Richman (1990) among other scholars and journalists. But today Japan does not seem to have a labor shortage (except in very particular fields like health-care and farming). The job-offers-to-seekers ratio ("kyujinbairitsu") continues to fall, and many employees are continuously laid-off. As discussed below, rising labor costs forced enterprises to consider several ways of reducing these costs. Individuals who were fired or forced into irregular employment are not the only ones who suffered. It is more and more difficult to get promotions and make ends meet for regular workers as well. However, because irregular employees are best examples of the "working poor" and because it is easier to trace the effect of aging on irregular employment and unemployment, I will focus on these issues.

3.1 Age seniority system – a pyramid scheme?

The age seniority system was based on the principle of paying relatively low wages to new comers. In exchange, workers were guaranteed promotion and salary increases with time. If a worker changed jobs, he had to restart at a low level. Thus loyal workers, who dedicated their lives to the company, were most rewarded, often ending up in management or top-management positions after 20-40 years of service. In postwar Japan the system allowed enterprises to grow fast by hiring large cohorts of young workers (Ogoshi 2006). During the rapid economic growth period, more and more young cheap workers were hired every year. This permitted higher salaries for older workers, who supervised the

new-comers. Japan's population pyramid in 1950-1960 almost perfectly fit the hierarchy pyramid of enterprises, which provided life-time employment (Figure 4). With certain reservations, it can be argued that the age-seniority system is a pyramid scheme highly dependent on cheap new labor.

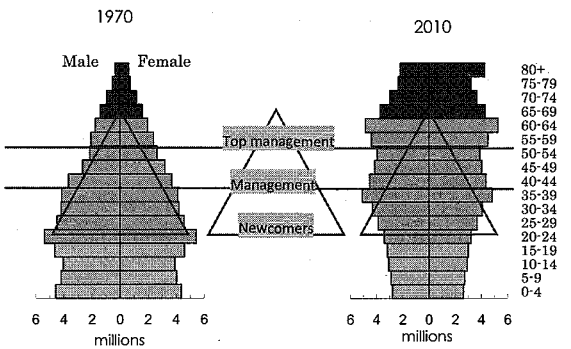

Figure 4: Population pyramids of 1950 and 2010 and social hierarchy pyramid.
Source: NIPSSR. 2010. Population Statistics of Japan

3.2 Changing age structure

What is happening to this age-seniority pyramid, as the demographic structure of the population changes? The major concern with aging is the retirement of baby-boomers, – people born right after the war, in years 1946-1947. Problems caused by aging are often described in terms of growing burdens on pension and health insurance systems. But it won't be until the year 2012 that baby-boomers will reach age of 65 and retire en masse, creating additional burden on pension and insurance systems. Meanwhile, it is interesting to look at workplaces. As mentioned above, the 1950 population pyramid fitted almost exactly the hierarchy pyramid of most public and private enterprises. Under the age seniority principle, newcomers could expect to be promoted almost automatically as they reached appropriate age (Ogoshi 2006; Rebick 2005).

The 2010 population pyramid no longer corresponds to the hierarchical structure of enterprises. The middle layers of the triangle are no longer able to accommodate all the workers who reached "appropriate" age for promotion. What happens to those outside the red full-time employment triangle? All the workers who cannot be supported in a traditional full-time employment age-seniority system are hired or re-hired on contractual basis or are let go. Older workers, who are rehired on contracts when they reach age 50-55, make up for lower numbers of new recruits and provide cheap, experienced labor. In factories where emphasis is put on physical endurance, the preference is given to young. In the very end there are employees who are able to maintain their positions, employees who are hired on contracts and those who are let go (Lonien 2003). The above pyramids are not an exact representation of absolute figures in full time and part-time employment, but are rather an illustration of trends in Japan's labor market.

Note also that the enterprise hierarchy pyramid has changed in its shape as well. The enterprises have stopped promoting everyone according to age and significantly reduced the number of managerial positions (Sako and Sato 1997; Hassard and Morris 2008). The enterprise hierarchy pyramid has become

narrower, especially at the top.

3.3 Reaction of the corporations

Neither the aging of the Japanese work force nor the increasing longevity of workers has led corporations to adjust their thinking about how old is too old. In the seniority-based wage system, an aging workforce equates to a wage increases. Japanese enterprises are seeking to cut labor costs, and so cease hiring young people and take any opportunity to cut expensive older personnel. Companies offer money as an incentive, often sweetening or accelerating benefits, to usher employees into retirement. What caused enterprises to be so preoccupied by labor costs? While collapse of the bubble economy as well as recent economic recessions and low consumption played vital roles, demographic factors are also very important. Seniority-based life-time employment system with high salaries for older workers increases labor costs dramatically as the proportion of older workers increases. In spite of attempts to introduce performance-based promotion systems, age-seniority remains largely intact in many enterprises. Under that system, a person is rewarded based on age and years of employment. The problem is that as the number of older workers within a company grows, this age-seniority system becomes more and more difficult to maintain (Boscaro, Gatti, Raveri 1991; Conrad 2009). The life of the regular employees changes as well. It became more difficult for regular workers to walk up the career ladder and get promotions and regular salary increases. However, it is undeniable that regular workers are better-off then irregular workers, who are the best illustrations of working poor in Japan. That is why I will focus on how aging increases irregular labor, and therefore widens the gap between regular and irregular workers.

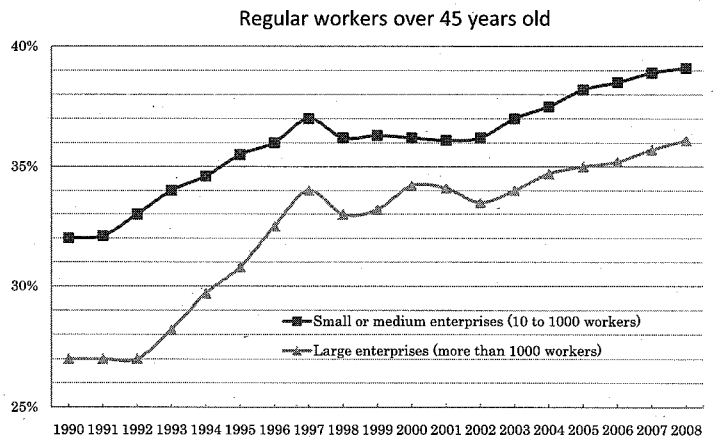

Figure 5:Percentage of regular workers over 45 years old in enterprises
Source: Ministry of Health, Labor and Welfare. *Basic statistic survey on wages*. (2008)

In response to labor force aging acommpained by swelling labor costs, enterprises took steps to reduce expenses. In particular many had their personnel expenses fixed. To stay within the fixed amount of personnel expenses the companies 1) ceased hiring or hire fewer young workers, 2) switched (partly) from age-seniority to performance based principle 3) hired easily dismissible non-regular workers (hiseiki) who are not subject to the age-seniority principle 4) tried to force as many older workers as possible into retirement and possibly rehire them as contractual or part-time workers. All of the four policies of

the enterprises directed to cut the labor costs lead either to unemployment or increased ratio of irregular jobs.

Figure 5 above shows that the intensity in older workers increase continued strongly until 1997 but diminished thereafter. This trend cannot be explained by an increased proportion of young workers because of aging and decreasing labor demand. The only explanation is that older workers were removed from their jobs. Policies undertaken by enterprises such as fixing labor budgets and removing older employees, increased unemployment and labor-market-dualism, a situation where full-time and contractual workers receive significantly different treatment and salaries while often doing basically the same job. Two studies (Genda and Kondo 2003; Genda 2005) show that enterprises with more middle-aged and older workers tend to limit labor demand for youth. Consequently, aging within such enterprises progresses further. In this sense, aging in Japan's specific environment has a negative influence on labor demand, expecially for young workers.

According to a Ministry of Health, Labor and Welfare survey of enterprises (MHLW 2006a), reducing labor costs is the most important reason why enterprises hire non-regular workers (71% of respondents). This number was higher in 2006 than in a similar 2001 survey, suggesting that the corporations were even more committed to labor cost cutting in 2006 than during the 2001 downturn.

Jones (2008) also shows that there is a strong negative correlation between the rise in part-time employment and wage growth by industry. Retail sales, restaurants and hotels, medical and nursing care and other services which are the four service industries with the largest increases in part-timers – also experienced the largest wage declines.

3.4 New class division

When resources available for distribution are limited, there are two options: 1) decrease everyone's share, so that the amount distributed equals to the amount of resources available, or 2) differentiate levels of benefits. It seems that Japan is pursuing the second path. Higher labor costs, associated with aging, forced the companies to let go some workers and keep some others on the life-time career track. Are there limits to cost cutting? Obviously there are. In order to maintain know-how, sustain the image of the enterprise and so on, companies must have permanent workers. The division of population into regular workers and part-timers is a contemporary variant of class division. The division is mostly forced and artificial, but to justify it, the former ruling Liberal Democratic Party used the neoliberal "Get what you deserve" or "Everyone who makes effort is rewarded" ideological base. The reality, however, is that no matter how hard one works, a place in full-time employment is no longer guaranteed, as there are simply not enough "chairs to sit on for everyone" (Genda 2005). The new government formed by the Democratic Party of Japan proposes a bill that will make dispatched workers illegal in manufacturing. This seems to be a good place to start, but whether policies to reduce labor market dualism will be effective is still a question as long as aging and associated increases in

labor costs progress.

Labor market dualism in Japan divides workers into groups, making it difficult for them to act uniformly to protect their interests. Non-regular employees seldom have protection from labor unions, while full-time workers are always told they should be happy with what they have. The difference between permanent and non-regular workers is one of the features that constitute classes in modern Japan. Being members of different classes, the workers do not consider themselves to be in the same boat.

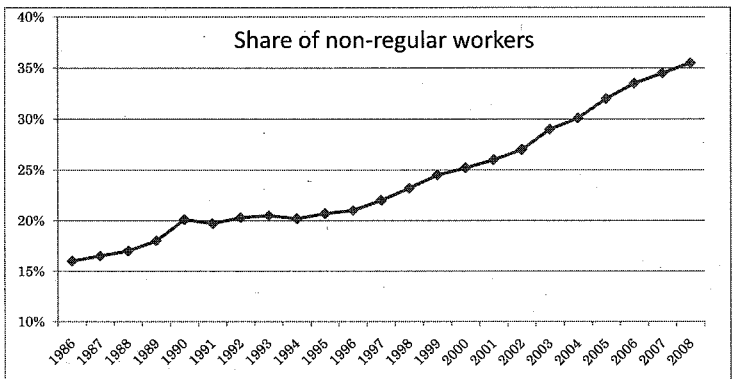

Figure 6: Share of non-regular workers
Source: Ministry of Internal Affairs and Communications Statistics Bureau, *The Special Survey of the Labour Force Survey* (February from 1985 to 2001), and *Labour Force Survey* (from 2002 to 2008)

Note : Non-regular employees include part-time workers, albeit's temporary workers, dispatched workers, contract workers, entrusted workers and other non-regular workers.

3.5 Will inequality between regular and non-regular workers progress?

What is interesting to note is that between 1990-2008, the ratio of older workers in enterprises was highly correlated (R=0.8) with the increase in the share of irregular workers. It may be argued that other factors like economic crises and recession might have influenced the labor market; but even when controlling for GDP and GDP growth, high correlation (R=0.8) is observed. This leads to the conclusion that labor market deregulation laws are an inevitable arrangement to allow business to shed the workforce that does not fit in the shrinking triangle of corporate hierarchy. Japanese enterprises, represented by Japan Business Federation (Keidanren) have put pressure on government to relax labor regulations and introduce flexible-employment. The "Tripartite Agreement on Employment issues" (Keidanren, 2002) emphasized the necessity of cutting labor costs and pressures labor to adopt "more diverse employment patterns", "using private job placement agencies" (haken), and "actively promoting trial employment and tailor-made vocational training." This agreement eventually developed into further deregulation of labor laws in 2004. "New Directions for the Japanese-Style Employment System" (Keidanren 2007) emphasizes the aging population problem and concludes that because of aging "people desire various types of employment and more flexible options." The foreword of the document says:

"To respond to this changing business environment, elements of the Japanese-style management and the employment system behind it that must be preserved should be retained, but at the same time there should be awareness that the necessary changes must be made."

Reading the document, one is fully convinced that "must be retained"

practices include hard work and full devotion to the company, while "changes that must be made" include abolition of industry-based minimum-wage, introduction of flexible employment patterns, deregulation in dispatch labor related laws, and abolition of the age-seniority principle. In simple words, aging was used as an excuse to pass the deregulation laws to allow the enterprises to deal with swelling labor costs.

On another account, the ratio of older workers in big enterprises is negatively correlated with the job-offers-to-seekers ratio (R=-0.5). These findings support the claim that companies with older workforce tend to limit hiring full-time employees (Genda 2003).

Inequality will increase income differences between regular-employed workers, contractual workers, part-timers, and "freeters" at retirement age. People who retire from regular employment usually enjoy: 1) really high salaries just before retirement, 2) high retirement bonuses 3) a high level of savings. Non-regular workers, on the other hand, are usually cut-off much earlier than retirement age, do not get bonuses and often have no savings, as they work for only 40% of regular workers' salary (MHLW 2008a). The practice of hiring part-time workers increased from the 1970s and the numbers of non-regular workers has grown since then (OECD 2008). By the year 2020, when the first wave of workers employed on a non-regular basis will reach retirement age, inequality between the two groups will become even more apparent. The Liberal Democratic Party was criticized by the Democratic Party of Japan for promoting labor market dualism and inequality. Since DPJ took over the power, the situation has not yet shown any sign of improvement. How the new government will deal with rising inequality due to upside-down population pyramid remains to be seen.

4. Regional Differences

The population of 3 big metropolitan areas – Tokyo, Osaka and Nagoya has surpassed 50% of total Japan's population (Nikkei Shinbun 29 october 2007). Since 2005 the population of Japan has decreased, but population decline is happening very unevenly across the regions. Some regions will maintain or even increase population due to migration.

But population loss in rural areas is very serious. One extreme example is Yubari-shi in Hokkaido. A coal mining town, its population grew rapidly, reaching 116,908 in 1960. However, when the mining industry became obsolete in the 1980s, the city faced problems. An attempt was made to convert to tourism. Huge investments were made, but eventually the project failed and the city entered bankruptcy. Young people fled and by 2005 the population declined to roughly a tenth of what it was just 50 years ago. Furthermore, 21 of 27 elementary schools, 7 out of 10 middle-schools and 4 out of 6 high-schools closed. Factors in addition to aging, like mining industry downturn and unwise investments lead to financial crisis. However, this example clearly shows us that we do not know anything about city planning and regional development under conditions of population aging and decline. All the experience in regional and city development is built on the premise of economic and population growth.

As baby-boomers head for retirement and the number of old-elderly (people over 75 years old) grows, more and more municipalities will face Yubari-shi's problems.

Table 1: Ratio of population over 65 by prefecture (%)
2006 figures vs projections for 2035

Rank		2005	2035	Rank		2005	2035	Rank		2005	2035
1	Akita	26.9	41.0	17	Kagawa	23.0	35.9	33	Gunma	20.6	33.9
2	Wakayama	24.1	38.6	18	Kagosima	24.8	35.9	34	Miyagi	20.0	33.8
3	Aomori	22.7	38.2	19	Nagano	23.8	35.6	35	Saitama	16.4	33.8
4	Iwate	24.6	37.5	20	Kumamoto	23.8	35.6	36	Tochigi	19.4	33.6
5	Hokkaido	21.5	37.4	21	Oita	24.3	35.6	37	Gifu	21.0	33.6
6	Yamaguchi	25.0	37.4	22	Fukushima	22.7	35.5	38	Mie	21.5	33.5
7	Kouchi	25.9	37.4	23	Yamanashi	21.9	35.3	39	Okayama	22.5	33.4
8	Nagasaki	23.6	37.4	24	Ibaraki	19.4	35.2	40	Osaka	18.7	33.3
9	Shimane	27.1	37.3	25	Shizuoka	20.6	34.6	41	Fukuoka	19.9	32.6
10	Ehime	24.0	37.0	26	Ishikawa	20.9	34.5	42	Kyoto	20.2	32.3
11	Miyazaki	23.5	36.9	27	Tottori	24.1	34.5	43	Kanagawa	16.9	31.9
12	Nara	20.0	36.8	28	Hiroshima	21.0	34.5	44	Tokyo	18.5	30.7
13	Tokushima	24.4	36.7	29	Hyogo	19.9	34.3	45	Shiga	18.1	29.9
14	Niigata	23.9	36.6	30	Chiba	17.6	34.2	46	Aichi	17.3	29.7
15	Yamagata	25.5	36.3	31	Saga	22.6	34.2	47	Okinawa	16.1	27.7
16	Toyama	23.3	36.0	32	Fukui	22.0	34.0				
Japan overall										20.2%	33.7%

Source: NIPSSR, *Population projections for Japan (2006b)*, MHLW *National Census (2005)*

Table 1 estimates the uneven distribution of older population across prefectures in 2035. In the 1950s the difference between the regions with most aged population (Shimane 7.6%) and youngest (Tokyo 3.5%) was around only 4%. After 1975 the difference grew to 7%. During the period of high economic growth youth went out to big cities, abandoning rural areas, contributing to aging of population there. Since then, the difference between regions has gradually increased. Migration was also significant in the late 1990s. However, those young urban migrants will soon become part of the aged population themselves. Thus, it appears that during next 10-15 years the aging acceleration might be as significant in big cities as it is in rural areas.

4.1 Differences in birth rates

Two factors contribute to aging in Japan: long lifetime expectancy and decreasing number of births. Japan's total fertility rate (TFR) has fallen as low as 1.26 in 2005. The government efforts to improve the situation do not seem to be very effective so far. This is not the first time Japanese society has faced decline in birth rates. A significant decline took place from 1950 to 1956 when Japan's TFR was more than halved, from 4.54 to 2.04 just like it did after 1973, although at a slower pace. The significant difference is that in 1950-1956 declining birth rates were universal across all prefectures and households. The demographic change we see now differs from region to region (Fig. 7). For instance, TFR is around 1.0 in Tokyo and Hokkaido while other prefectures like Okinawa (1.7), Tottori (1.56) and Shimane (1.50) maintain a TFR significantly higher than average (MHLW 2006b).

Sociologist Yamada Masahiro (2007), a government policy consultant, suggests that falling TFR is a problem requiring urgent and massive government intervention. He too notes that unlike previous birth rate declines, the decline after 1974 is very uneven across the regions of Japan, which suggests that some regions are more suitable for child-rearing than others. Furthermore, this regional gap continues to grow. Atoh Makoto (2000) argues

that there is a positive correlation between fertility and female employment rates. His analysis is based on data from 13 OECD countries. The conclusion thus is that improving gender-equality policies and female employment would lead to increased birth rates. Sociologist Akagawa Manabu (2004) strongly opposes this idea. Akagawa believes that fall in the birth rates is inevitable and no policies can reverse the trend. Akagawa's critism of Atoh is based on the fact that including other countries would make the correlations statistically insignificant. Accordingly, government efforts should be directed to adapting to the new demographic environment rather than changing it (See Fig. 7).

My point of view lies in between. Even if it is be very difficult to boost birth rates above replacement level, it should be possible to create an environment where people's wishes for creating family are not thwarted by economic problems. New laws and regulations will not help resolve the problem of low birth rates unless they are powerful enough to change the reality of Japanese corporate culture. You can increase maternal and paternal leave on paper, but Japanese employees do not take even half of holidays they have under current law (JIL 2002; MHLW 2004). Because traditionally in Japanese families the burden of child rearing falls almost exclusively on women, gender equality and female employment policies alone would not resolve the problem of low birth rates. Even though economic burdens are the top reason for not having children, young people do not use statistics to decide whether to have children or not.

Correlation analysis of aging, expressed as the ratio of people over 65, and

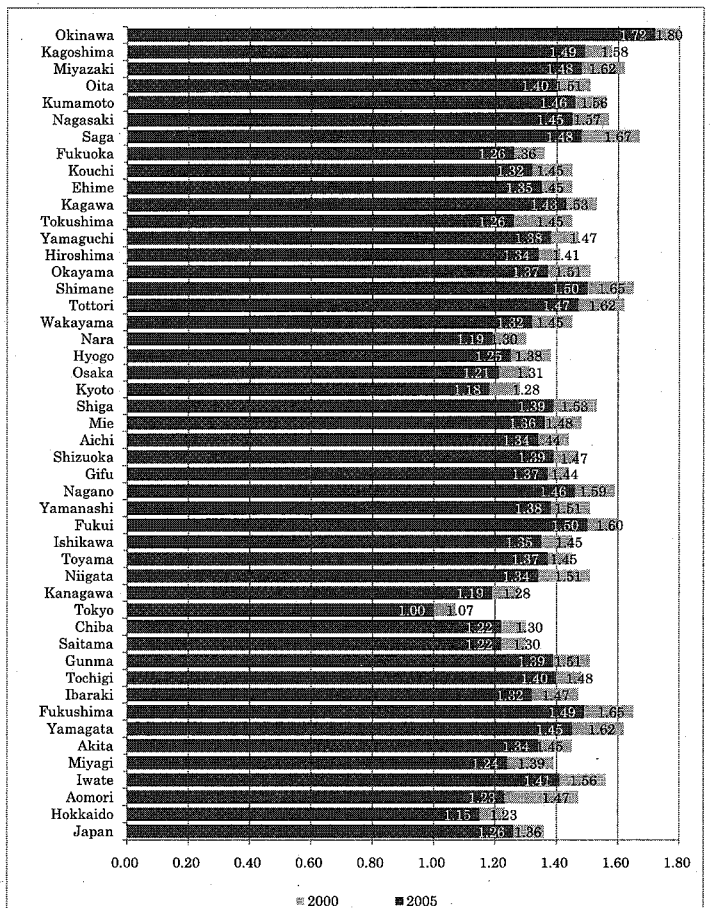

Figure 7: TFR accross Prefectures
Source: Ministry of Health, Labor and Welfare, *Population Survey Report* , 2006b

birth rates (TFR) by region reveals that there is no significant relation between the two variables. Thus, while low birth rates should normally influence the level of aging, it seems that Japanese regional differences in aging are more due to migration than to differences in birth rates.

4.2 Migration – subsidizing Tokyo, Osaka, Nagoya

Aging is strongly correlated with shrinking of the population (Hattori 2009). At first glance, this is too obvious to even mention, because mortality among older people is higher and older people are unlikely to bear children. However, closer analysis shows that it is not that population is shrinking in regions with higher ratio of older people because the mortality is so high and birth rates so low, but because people just move from such regions. Although, the population of Japan started declining in 2005, the population of three metropolitan areas around Osaka, Tokyo, Nagoya is still one the rise due to migration (Fig. 8-9).

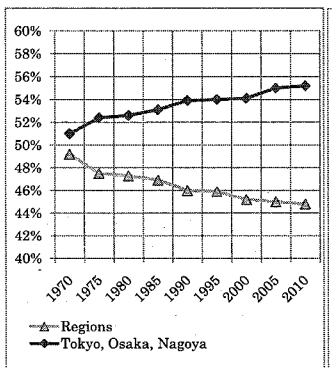

Figure 8: Distribution of Japan's population between 3 metropolitain areas and other regions %
Source: Cabinet Office, *National Census*, 2005

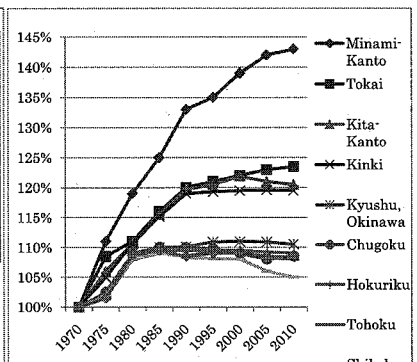

Figure 9: Population growth across regions. 1970 = 100%
Source: Cabinet Office, *National Census*, 2005

There is a significant negative correlation between city and level of aging expressed by the ratio of citizens over 65 years old (Fig. 10). What this data means is pretty straight forward – rural areas with above-average birth rates still send their young people to metropolitan areas. Big cities like Tokyo, Nagoya, and Osaka benefit from this inflow. Meanwhile prefectures like Shimane, Fukui, Kagoshima, Fukushima and others that send their youth to big cities continue to age rapidly. The situation is even more serious for prefectures that already have high ratios of older people and low birth rates, such as Tokushima, Akita, Kochi and Hokkaido. The policies to alleviate the situation rarely seek global solutions. Instead they are often focused on things like attracting tourists and migrants to live. Advocates of "natural selection" both in Japan and outside suggest that there is no problem with letting the unattractive regions deteriorate and disappear, because it is natural for strong economies to survive and for weak ones to die out. (Herve le Bras 1998; Akagawa 2004; Wada 2007). However, such ideas do not take into account one very important thing – that "economically healthy" regions draw human resources from "economically ill" and aging regions. If the regions with above average birth-rates are allowed to fail, there will be no migration boost for Tokyo, Saitama and Osaka populations as their TFRs are far below national average – 1.0; 1.22; 1.22 respectively.

Obviously, the differences in old-age dependency ratios will cause

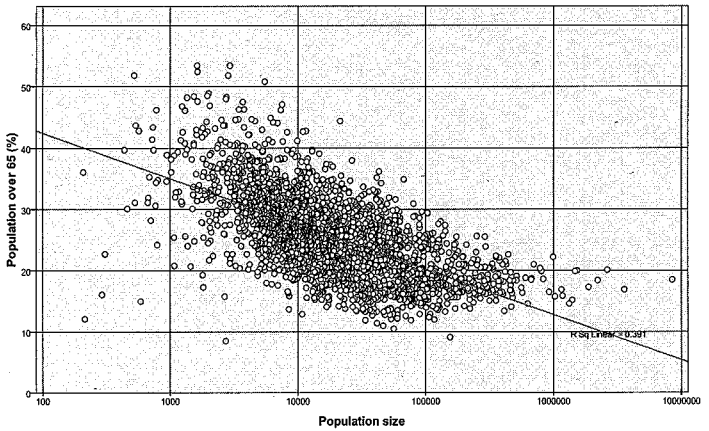

Figure 10: Population size and aging
Source: Cabinet Office, *National Census*, 2005

differences in regional tax rates, number of schools, tax revenue levels, welfare and regional development (NIPSSR 2008). Regions with larger old-age dependency ratio will have to spend more of their smaller budgets on support rather than development. The way to change the situation – government supported incentives and promotion of regions – seems to be a rather difficult issue in Japan. So far, governmental initiatives for offsetting rural-urban differences have not given significant results.

5. Summary

There are at least 3 ways in which aging has changed the patterns of inequality in Japanese society. The most obvious one is that as the ratio of the eldest cohorts increased, inequality levels increased as well, because inequality tends to be higher among older cohorts (Ohtake 2005). However, behind this obvious change there were many changes that are not usually associated with aging population, such as labor market dualism. Aging of the population made the age-seniority system unsustainable and this lead to growing differentiation between full-time and irregular workers. Aging was also significant as an excuse for deregulation of labor laws. Inequality between regular and irregular workers was caused at least as much by aging as by the recession and economic factors. The differences in unemployment and underemployment rates across regions can also be explained by demographics. The oldest regions have higher unemployment rates which forces the youth to move to the metropolitan areas, subsidizing their populations. Growing inequality and irregular employment make it harder for young people to create families and raise children, a situation that leads to an old-age demographic trap.

6. What can be done?

Natural population shrinking is a recent phenomenon. For centuries humanity accumulated experience and knowledge about development and urban planning under the conditions of population growth. It has become a tradition in many cultures for younger generations to care for the old. Temporary population declines due to wars or disease are known, but such events did not turn the population pyramid up-side down. Population decline is very new, and a little is known how it could change living arrangements. Thus, it is important

to monitor the changes and draw from Japanese experience to learn how aging and population shrinking change the society.

First, it is obvious that Japan has to find policies to adequately deal with aging and decreasing population. The current social system is premised on a pyramid that can only be maintained under conditions of economic expansion and population growth. Currently the government is considering partly financing public pensions through taxes, because the pension funds are dwindling. Similar to pensions, health insurance depends on newcomers. It is just a matter of time before aging and shrinking population undermine such systems. Japan has already taken measures to alleviate the situation by gradually increasing pensionable age to 65 and reforming pension and insurance system. However, these are only temporary solutions. Unless population aging stops, other measures will be necessary.

Unfortunately, many government policies as remedies for aging population burden the most vulnerable members of society. Recent examples are: 1) New "Medical care system for the elderly" (MHLW 2008b), which means less medical care for more money for persons aged over 75 years old; 2) Postponing retirement age (Takayama 2004); and 3) possibly increasing the consumption tax.

Finally, perhaps the most important issue is stratification of Japanese society. Both, the pressure to conserve and the pressure to change the age-seniority and life-time employment principle were so strong that enterprises conserved it for some people and changed it for many others. This created 2 separate classes – regular and irregular workers. This stratification deepened as many new types of irregular workers (arubaito, contract-workers, part-timers, dispatched workers etc.) were invented. Breaking the working class into smaller classes suppresses class consciousness and makes it much more difficult for people to stand for their rights. It is perhaps fair to say that aging was used by the state and enterprises as a convenient excuse to do what they wanted to do – reduce labor costs and justify shrinking the welfare state.

The key to reducing inequality caused by aging population is to treat it as a problem rather than as an excuse to sacrifice the welfare state and social justice. Instead of dividing society into winners and losers (read regular and irregular workers) and designating a part of society as shock absorbers, it is necessary to create an environment where anyone willing to work could exercise his or her potential. A possible solution to increasing labor dualism and inequality is to grant the same social security protection (including minimal wage, health insurance, maternal/paternal leave, and holidays) to every employee regardless status. Similar policies were implemented in Netherlands that granted all workers same social security rights as full-time workers. At the same time, full-time working hours were made more flexible, which narrowed the gap between full and part time workers (Bleijenbergh, Bruijn, Bussemaker 2004). The results were reduced unemployment and increasing birth rates.

As for pensions, one option to consider is financing the system through taxes. The new government and Prime Minister Yukio Hatoyama has promised to keep the consumption tax rate at current level, for at least 4 years. But the

questions of pension reform and health insurance remain.

Japan still has a long way to go in improving childcare services and work-life balance – the most important issues related to low birth rates. It is necessary to draw attention to people's feelings and aspiration for life. People do not make their life choices based on statistics, but in comparison with others around them. If one sees people having a hard time raising children and working, one is less likely to have children. On the other hand, if one sees other happy families with children, who are able to balance work and childcare regardless of their status, then it is very possible that many people who wish to have children will do so.

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Age-based Norms, Population Aging and Inequality in Japan

ANDRIY, Naumov

Abstract:

This paper analyzes challenges Japanese society faces due to population aging, especially the links between aging and rising inequality. Recently increased inequality between age cohorts can be explained by increased numbers in older cohorts. From this basic demographic fact, the paper traces how the effects of aging on inequality extend through household patterns, employment patterns, and regional differences. Analysis of Ministry of Health, Labor and Welfare surveys shows links between the increased ratio of older workers and increased inequality due to use of irregular labor. The job-offers-to-seekers ratio (kyuujinbairitsu) was found to be negatively correlated with older population ratio. This suggests that regions with older populations tend to have less employment opportunities for the young, forcing them to migrate. Census data confirm that population of metropolitan areas continues to grow, even though Japan's total population has been declining since 2005. But even metropolitan areas with their below-average birth rates will experience very rapid aging within next two decades. The paper concludes by considering how differences in old-age dependency ratios will affect tax rates, education, tax revenues, welfare, and regional development.

Key words : aging, population, inequality, labor dualism, regional

日本における高齢化と社会格差

〈要旨〉

本研究では、高齢化に直面している日本社会が直面する課題、その中でも（＊）特に高齢化と格差拡大の関連について議論を行った。近年の格差の拡大は、高齢世代の割合が増加したことによって説明することが可能である。この基本的な事実に基づいて、本研究では世帯所得パターン、雇用パターン、地域格差に着目して高齢化の影響を考察した。厚生労働省の調査データの分析から、高齢層の労働人口割合の増加と非正規雇用の増加に伴う格差の関連について明らかにした。求人倍率と高齢人口比率との間に逆相関が見いだされ、高齢世帯割合の高い地域では若者が就職機会が少なく、都市圏への人口移動の原因であることが示唆された。2005年から日本の人口が減少しているにもかかわらず、三大都市圏の人口は増加し続けている。しかし、出生率が非常に低いために、三大都市圏でも今後年間にわたって急激に高齢化が進むと考えられる。以上をふまえ、最後に、高齢依存比率によって税制、福祉、地域発達が与える影響について論じ、議論を締めくくりたい。

キーワード

高齢化、格差、人口、二極化、地域