

Paper

## The Potential of Japan's Hyper-aged Society

Jerre BUSH

### Abstract

Japan's present demographic trend may be described by some as a crisis, and by others as an opportunity. The challenges of low fertility and population aging are undeniable such as how the nation will support the growing percentage of frail elderly whose families cannot be the primary caretaker. Care of the elderly has traditionally been the responsibility of the family rather than the state. But considering the growing elderly ratio and the shrinking younger population, and that more women are entering paid work, the family-based care model cannot sufficiently meet this demand. However, the positive potential of a hyper-aged society should also be considered, such as how demand for elderly care may drive research and development and job creation, and lead to new fields of industry that may be shared with other aging societies.

### Key words and phrases

hyper-aged/aging society, working population, retirees, retirement age, baby boomers, positive potential, frail elderly, Long-term Care Insurance (LTCI)

(received 10 July 2013; online release 16 December 2013)

### Introduction

Consumption by the Elderly

Employment for the Elderly

Global leadership

Domestic Benefits of the Long-term Care Insurance System

Conclusion

### Introduction

As the Japanese working-age population declines and the percentage of elderly people increases, the working-age population will be increasingly burdened with more social responsibility, such as higher tax rates and insurance premiums, to support the growing number of seniors. While some commentators see Japan's aging trend as a demographic crisis that will pull the nation into financial ruin, optimists point to the positive potential that the aging challenges may offer. This paper aims to highlight possible opportunities which may arise from the growing elderly population and investigate how the nation might somehow benefit from what many see as socioeconomic crisis.

In light of the good health and vitality that many elderly sustain beyond retirement, the greatest potential possessed by the elderly are the many productive years after retirement to either continue working, or pursue recreational interests. A project launched in 1987 to study the aging patterns of approximately 6,000 elderly people, revealed that 70% of men began to notice deterioration in their self-sustainability at the age of about 75, and 10% maintained self-sustainability into their 80s and 90s (Akiyama 2010). The potential of Japanese seniors to continue leading an active life after retirement holds significant implications for their potential to help stimulate and expand the economy

in unprecedented ways as the retirement of the baby boomers represents the first time a substantial cohort of a nation is growing old en masse. This is the generation credited with the hard work and ingenuity that generated Japan's high-growth period and many are remaining active as both worker and consumer. It is important to consider that the elderly can be a rich human resource of teachers and mentors for youth and young adults who might benefit from their knowledge, experience and counsel (Colby 2004). Considering the longevity and good health of the Japanese population; that many of them want to remain active beyond retirement age; and that many current seniors are relatively well-off financially, society has an opportunity to capitalize on the labor potential and buying power of this massive consumer group.

As labor shortages increase it will be important for the government, private businesses, and organizations to continue to provide opportunities for retirees to stay employed in whatever capacity possible. Japan has addressed this issue in the past in anticipation of dealing with its aging society by pursuing a policy of job maintenance and creation for older people. The Ministry of Health, Labor and Welfare has initiated a number of programs in this area such as exhortation to raise the retirement age and subsidies for employers to retrain, keep, or rehire older workers and to restructure jobs (Campbell 1992). Continuing to pursue issues of elderly employment will be more important than ever before. In 2010, Japan had 5.85 million workers aged 65 and over – 8.9% of the total workforce—and in 2008, 29.7 % of elderly worked, considerably more than France, Italy and Germany, which are below 10%, and the U.S., which is around 20% (Schreiber 2011). Though the official retirement age is still 60, many institutions are finding new ways to allow retirees to extend or renew contracts, or to re-enter under different terms. It will also be necessary for more women to enter full-time employment, and for more men to carry a fairer share of domestic responsibilities. To create opportunities to keep more elderly employed, to draw more women into full-time work, and to (re)train and (re)employ *fri-ta-s*, may help lessen the severity of the projected labor shortage.

As other nations observe the way Japan manages its hyper-aged society, Japan will have a unique opportunity to be an exemplary model for other aging societies who will also be facing similar demographic challenges. If the Japanese government and private sector are successful in stabilizing its hyper-aged society by meeting the demands of its elderly population with products and services; offering sufficient healthcare through management of the LTCI system and social services; and obtaining the unity and cooperation of the general population toward this endeavor, Japan could lead the world in meeting social aging challenges as well as share this experience and innovation with other nations.

### 1 Consumption by the Elderly

Pessimists tend to associate the increasingly top-heavy demographic model with crisis. They see depopulation, rising dependency ratio, rising taxes, negative growth and a less significant role of Japan in the world (Hewit 2003). Optimists, however, are focused on the retiring baby boomers, a massive consumer group, many of whom will be collecting generous pensions that may be used to stimulate economic growth (Kusaka 2005). The retirement of the large baby boomer cohort from salaried employment may also help reduce unemployment and temporary positions among the younger population. Senior company employees on lifetime employment contracts may be replaced by younger, cheaper workers including many *fri-ta-*, who are awaiting the opportunity for full-time work (Higuchi 2005). Many healthy, active retirees may drive demand for products and services as

they continue to pursue high living standards and this demand may, in turn, lead to new industries and economic growth. More elderly who will be living alone will create demand for products and services which encourage “aging-in-place”—the idea that seniors can continue to live meaningful, active, and independent lives in their communities (Nagano 2010).

In 2002, the baby boomers possessed up to 10.8% of Japan’s individual assets, a large portion of which was personal savings; hence the wealth of the elderly will be invaluable to the economy. The noticeable numbers of present retirees who are so financially well-off has earned them the nickname *rojin kizoku*—the elderly nobility—and this “silver market” has great potential to bring vibrancy to the Japanese economy, encourage research and development, and lead to new areas of industry (Coulmas 2007). There will be a growing market for products and services to support home-based care, robots, barrier-free housing, and preventative medicines. It will be important to understand what products and services the elderly population will demand because supplying their needs for quality of life may ease worries, help unleash their substantial wealth, and encourage them toward consumption, rather than hoarding savings because of anxiety and uncertainty about the future (Nagano 2010).

Four industries that stand out as key consumer markets are travel, housing, cars, and education (Coulmas 2007). Seniors will have more time than ever for shopping and recreation simply because they are healthier and living longer. And because more elderly are living independently there will be fresh demand for products and services which can make life more convenient and help them stay socially connected. Depopulation in rural areas because of more young people moving to urban areas for education and employment opportunities will result in increasing numbers of elderly living alone, making mobility of the elderly a more pressing need.

With roughly 30 million men and women retiring, and living for another 16 and 20 years, respectively, Collinson has compiled a list of hi-tech products and services that are presently being developed. Since those over 75 account for over 25% of traffic deaths, carmakers, for example, expect increased demand for dashboards with larger displays, hand controls for the foot pedals, and swivel seats for ease of getting in and out. Since many of the younger working-age population may be responsible for looking in on elderly parents even though they live separately and may not be the primary care-giver, there may be growing demand for devices which enable people to monitor their parents without being too intrusive. *Zojirushi*, the popular appliance maker, has produced an internet-connected kettle so that when someone boils water, it sends a signal to whoever is monitoring that everything is normal (Collinson 2010). These are just two examples of how industries can adapt to the market and target the elderly as a major consumer group. There may also be a demand for non-high-tech products such as pens, pencils and paint brushes as millions take up hobbies. Continuing education programs may begin to flourish as retirees pursue unrealized academic achievements, which may help supply a university system that is struggling to meet enrolment quotas.

There will be increasing demand for equipment to help people with impaired vision, hearing, dexterity and mobility. Since the Long-term Care Insurance (LTCI) system was launched in 2000, the market for at-home health care and nursing services has been rapidly expanding. Though the government manages the LTCI system, it is intended to work with market forces to provide a variety of choices for users, and for competition to encourage higher quality and more competitive prices. By the end of 2005, close to 3.5 million people were using these services and that number will continue to grow as well as the need for health and social welfare workers to meet this demand

(Coulmas 2007). Need for personnel in this field may boost recruitment rates for university graduates, provide career opportunities for many directionless *fri-ta*-, and encourage women of all ages into the workforce.

It is important to note that social service positions associated with the LTCI system do not necessarily require a medical background. For example, to become a care manager who counsels the elderly user and creates a care plan that prioritizes services by an organization, one does not need to be a specialist in elderly care to qualify (Saito 2010). By 2020, 2.8 million new jobs and a new market worth 45 trillion yen can be created by turning medical, nursing care, and other healthcare industries into growth industries with private-sector involvement. Companies may utilize Japan's strength in information and communication technology to drive innovation and growth in healthcare-related fields, and as more of the large elderly population succumbs to frailty, this too may drive investment and research in medical treatment systems and apparatus among private enterprises, and lead to innovative methods of preventing diseases and increasing longevity.

## 2 Employment for the Elderly

Since the elderly are living longer, and their numbers and proportion of the population are projected to increase, finding ways to keep seniors employed will be as important as their consumption potential. Providing ways for the elderly to stay employed will enhance their independence by helping them to remain self-supporting, and it will help offset the dependency ratio as they continue to support themselves and make public contributions. Employing retirees may also make them feel more significant, which may add years to their life. The elderly are more willing to work than ever and it is crucial that their labor participation rate continue to increase in proportion to their population.

As mentioned above, Japan already has a high elderly employment rate as almost one-third of men 65 and older are in the labor force (Forbes 2010). The starting age for pensions is 65 and pushing this age up is presently being debated. The government has urged companies which retire employees at age 60, to provide ways to secure jobs for employees until 65 (Torigoe 2010). The idea of raising the official corporate retirement age seems a logical proposal since people in their 60s are fitter and healthier than ever, and in some cases they are still in the prime of their career (Sawa 2010). Many companies, however, are opposed to lifting the retirement age because it would hinder their ability to hire younger cheaper workers. It is difficult for companies to lift the retirement age as long as the lifetime employment system is retained. The only way to solve this dilemma is by ending seniority-based pay as a part of the same package (Shimizu 2004). The seniority-based pay system has been eroding for some time and is being replaced by merit-based wages. As pressure increases to lift the retirement age, the tendency toward merit-based pay will also increase. Alternatively, companies are moving toward rehiring elders in part-time or lower-wage positions, which still enables the company to hire young full-time employees. By following this practice, the veteran employees benefit by staying employed, and younger workers benefit from both the full-time wages and the knowledge and experience of their elderly colleagues.

Whether senior employees can extend their retirement age, or are forced to resign, it will be important to enable elderly workers to somehow reset their lives. This may include providing vocational training for seniors, or re-locating workers to other positions where their skills are best utilized (Sawa 2010). Society as a whole will need to remain cognizant of the need for motivated

seniors to be able to network in search of employment in a capacity that suits their interests and abilities. Traditionally, there has been little negative stigma about doing menial labor in most lines of work, a helpful prospect for those formerly high-paid company executives who are willing and able to fill necessary, albeit low-wage, positions in the economy (Pulvers 2007). Companies need to create an environment where rehired staff can feel motivated about their work, make the most of their experience, and serve as mentors for younger employees. And elderly workers, with their lifetime of experience and motivation to continue participating in paid labor, should not be taken for granted as an important human resource (Torigoe 2010; Shimizu 2004).

### 3 Global leadership

Japan has the potential to become the world's authority on population aging issues. The well-known longevity of the Japanese people and the phenomenal numbers of centenarians has already captured the interest of the world. As Japan continues to meet the needs and demands of its aging population, the global community will be observing its successes and failures. Japan is well positioned to take the lead in discovering how to deal with population aging and show the world its vision for the future, and this may be window of opportunity for the nation to invest heavily in elderly care and share its developments with other nations (Sakanaka 2005). Some support the idea of spending 20% or more of national budget on healthcare because this money, if used properly, could be used to employ many people, and Japan's healthcare demand could drive development of technologies that could be sold throughout the world (Colby 2004). Exporting products which cater to the demands of the elderly and are related to geriatric care and the technology behind this innovation, could benefit Japan's economy. Japan has some of the world's most innovative technology companies, and they will be in prime position to take advantage of this market. The LTCI system is still in its early days and has yet to become fully implemented. However, with this system, Japan has the potential to "make a quantum leap ahead of other industrialized nations in elderly care" (Campbell 2002:9). Other nations will be watching Japan as a leading-edge case to see how efficiently it manages its limited resources to be used for healthcare, and to what extent the private sector can play in meeting the demands for elderly care, and developing of products and services to improve quality of life (Economist 2009). This is a tremendous opportunity for Japan to once again become a leading exporter of products, services, and ingenuity to other nations, many of which will be meeting their own aging challenges.

### 4 Domestic Benefits of the Long-term Care Insurance System

The major policies directed toward healthcare for the elderly in the past, such as free medical care in the 1970s, Health Insurance for the Elderly in the 1980s, and the Gold Plan in the 1990s, seemed, for the most part, to benefit the elderly at a huge expense to the government and taxpayers. However, the LTCI system seems to be more balanced in terms of fairer distribution of the financial responsibility, and a more extensive distribution of the benefits. As mentioned, the program is funded approximately 45% by citizens 40 years old and over, 45% by the state and municipalities, and 10% by the users themselves. By design, the system is intended to strengthen the economy by working with the free market and stimulate competition among businesses and organizations. LTCI also has the potential to deliver greater benefits to the elderly, and offer profound advantages to the *families* of the elderly.

As demand for elderly care increases, the burden of funding this system will also certainly grow, and the working population will be required to pay more public funds to provide for necessary elderly care. Currently the issue of doubling the consumption tax over the next five years is being intensely debated for the specific purpose of funding care systems for the aging population.

To be fair, however, it is appropriate to consider the potential positive impact of this new system on families in light of both the growing number of elderly and the increase of women working outside the home. The benefits of LTCI reach a wider scope of the population than past programs because it has made facilities such as private senior houses and home care programs affordable for more families where these services were not an option for them in the past, at least to the extent that they are now. It is important to acknowledge that, as originally planned, the system has alleviated the burden of care on the middle income class (Ueno 2007). This broader access gives more elderly a sense of independence and higher quality of life, and it eases the burden of care on more families, particularly women. Even though it has become impossible for many families to be the sole caretaker of their elderly members, it is likely that most families want to be somewhat involved in their care. Where care for an elderly parent might be an intensely stressful experience without assistance, the aid of an affordable LTCI sponsored care plan can potentially enrich family involvement by making conditions in the home more bearable for the family members (Auestad 2010). Flexible, affordable, easily accessible, and highly person-specific support by a care professional has the potential to help the elderly member sustain an independent lifestyle in their home community environment, and offer the dynamic of relieving stress on family members who may continue looking after an elderly parent, but without overwhelming stress levels (Ikegami 2010).

#### Conclusion

The possibilities outlined in this article are certainly not without many challenges and obstacles in their own right. Hopefully, however, the positive potential that exists will serve as a starting point from which to seek the best measures by which to deal with the consequences of Japan's rapidly aging society. The nation's record of policy changes to deal with the aging society over the past forty years highlights the importance of closely monitoring and assessing effectiveness of the healthcare systems and social programs, and indicates that, when necessary, the government can reform its policies to cope with the demands, both financial and practical, of caring for the nation's elderly.

#### Bibliography

- Akiyama, Hiroko (2010). "Conceptualizing Science and Society in the age of Longevity", *Science Journal Kagaku*, Vol. 80 No.1, January 2010, Iwanami Shoten.
- Auestad, Reiko Abe & Saito, Yayoi (2010). "Introduction" (2010) *Meeting the Challenges of Elder Care, Japan and Norway*. Editors: Saito, Yayoi, Reiko Abe Auestad, and Wærness, Kari. Kyoto University Press.
- Campbell, John C. (1992). *How Policies Change*. Princeton University Press.
- Campbell, John C. (2002). *Japanese Social Policy in Comparative Perspective*. World Bank Institute Working Papers, World Bank Institute.
- Colby, Mark A., (2004). *The Japan Healthcare Debate: Diverse Perspectives*. Ziolkowski, S. (Editor) Global Oriental.
- Collinson, Patrick (2010). "Solving Japan's age-old problem." *The Guardian*. [www.guardian.co.uk](http://www.guardian.co.uk)
- Coulmas, Florian (2007). *Population Decline and Ageing in Japan- The Social Consequences*. (Routledge

- Contemporary Japan Series). Routledge.
- Economist, The (2009). "A new ranking of the world's most innovative countries." Sponsored by Cisco, *Economist Intelligence Unit*.
- Forbes (2010). "Japan's Population Problem." *Forbes Magazine*. www.forbes.com
- Hewit, Paul (2003). "The gray roots of Japan's crisis." *Woodrow Wilson International Center for Scholars, Asia Program Special Report No. 107:4-9*.
- Higuchi, Yoshio (2005). "Dankai teinen ga tō shokuba kaikaku" ("Baby boomer retirement raises questions about work place reform"). *Nihon Keizai Shimbun*, 24 July 2005, morning edition:21.
- Ikegami, Naoki (2010). (*Be-sshiku*) *Iryō mondai, dai 4 ban* (Basic Medical Problems, 4<sup>th</sup> Ed.) Nihon Keizai Shinbun Shuppan Sha.
- Kusaka, Kimindo (2005). "*Jinkō genshō' de Nihon ha hanei suru*" ("Depopulation" will make Japan prosper). Tokyo: Shōdensha.
- Nagano, Amie and Mori, Takato (2010). "From Silver to Gold, The implications of Japan's aging population." *The Economist Intelligence Unit*. English edited by West, Laurel.
- Pulvers, Roger (2007). "Forsake not the elderly, for they bear a great bounty." The Japan Times Online. Sunday, August 12, 2007. www.japantimes.co.jp
- Saito, Yayoi (2010). "Development of Home Help in Japan: A Comparison with Norway." (Translated by Beverley Anne Yamamoto). (2010) *Meeting the Challenges of Elder Care, Japan and Norway*. Editors: Saito, Yayoi, Reiko Abe Auestad, and Wærness, Kari. Kyoto University Press.
- Sakanaka, Hidenori (2005). "The Future of Japan's Immigration Policy: a battle diary." Japan Focus. www.japanfocus.org. English translation by Taylor, Andrew J.I.
- Sawa, Takamitsu (2010). "Let 'elderly' get new start as firms force retirement." The Japan Times Online. Monday, May 10, 2010. www.japantimes.co.jp
- Schreiber, Mark (2011). "Penny-pinching on pensions threatens to raid retirees' nest eggs." The Japan Times. November 6, 2011.
- Shimizu, Kaho (2004). "Raising retirement age eases, adds strains." The Japan Times Online. Wednesday, January 7, 2004. www.japantimes.co.jp
- Torigoe, Kyo (2010). "Communication key for rehired staff." Daily Yomiuri Online. December 6, 2010. www.yomiuri.co.jp
- Ueno, Chizuko (2007). "Chihō jichi, enu pi ō, josei" (Local autonomy, NPO, and women). Mariko Adachi, Kumiko Ida, Ryōko Kimura, and Kimie Kumayasu, *Feminisuto poritikusu no shintenka: rōdō, kea, gurōbarizashon* (A new development in feminist politics: labour, care and globalization), Akashi shoten, pp. 177-97.