



The 21st Century Public Policy Institute Research Project

Effective Measures to Halt Birthrate Decline — Responding to the declining birthrate and aging society is Japan’s mission in world history —

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The future is filled with uncertainty and yet, amid this uncertainty, there is quite a high level of certainty regarding the population outlook. In this sense, the population can be said to represent a “certain future.”

Any attempt to forecast the future of Japan’s society and economy through its population raises many serious issues, including “constraints on economic growth,” the “social security crisis” and “regional depopulation,” so much so that these issues can be collectively referred to as the “population crisis.” This population crisis is the “certain crisis” in the certain future.

The causes of the certain crisis include the aging of the population and the decrease in the working-age population, but the real root of the problem lies in the declining birthrate. However, currently, despite government efforts to implement measure against birthrate decline, the downward trend continues unhalting. At the moment, the “persistence of birthrate decline” has also turned into a future certainty.

In a nutshell, though the government has understood the occurrence and the causes of the crisis, it has not taken effective countermeasures. Future generations will no doubt point the finger and ask “why didn’t previous generations seriously tackle the problem of birthrate decline?” And when they do, the excuse “we didn’t know” won’t wash.

A global comparison of demographic changes in the years ahead reveals that Japan is ahead of the rest of the world in its need to deal with birthrate decline and aging. This means that Japan is an “advanced country” in terms of the demographic challenges it faces, and the countries that face these challenges after Japan will respond to demographic change by observing Japan. Identifying effective solutions to the various problems brought on by demographic change can perhaps be described as Japan’s mission in world history.



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Japan’s dangerously low birthrate and the lack of a sense of crisis

An effective response to the population crisis requires, first and foremost, an accurate understanding of the facts of the crisis. The more I think about it, the more I realize the seriousness of the birthrate



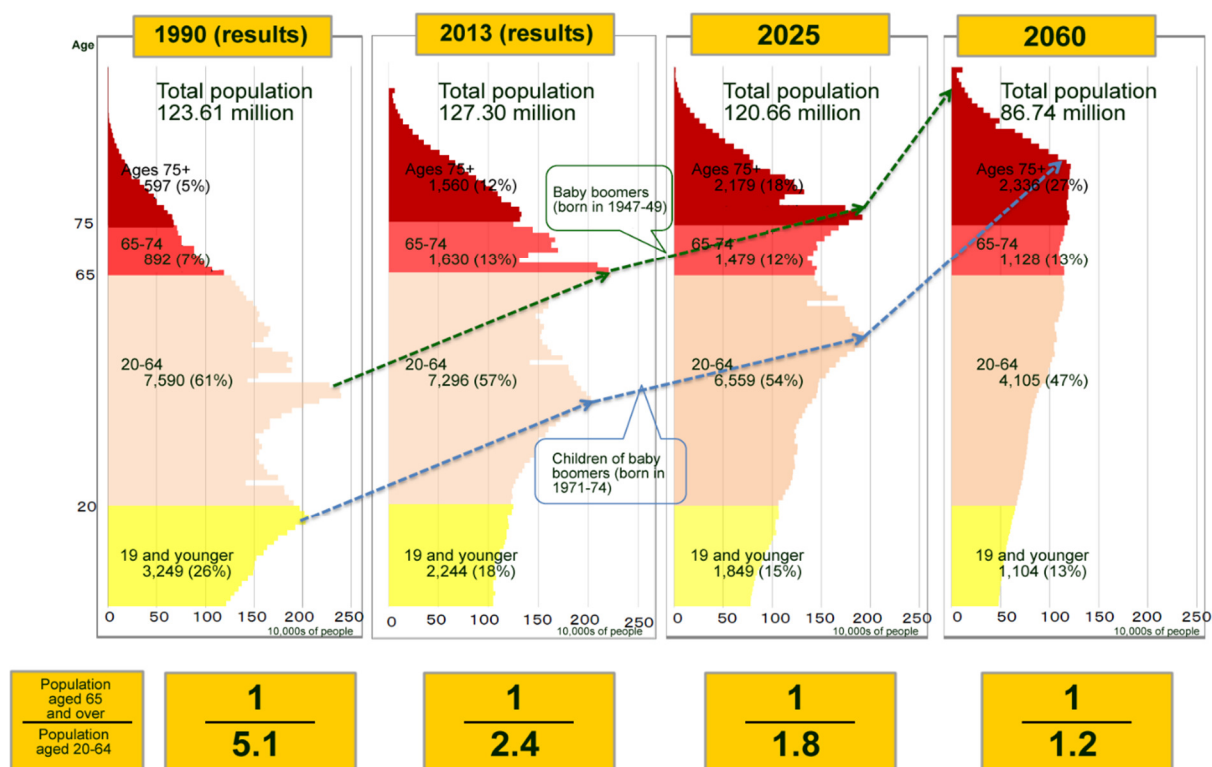
decline currently faced by Japan. Nonetheless, the sense of crisis does not appear to be that strong. Under such conditions, effective measures to tackle the crisis are unlikely to be produced.

(1) Japan presents one of the most striking examples of demographic change in the world

Japan's population will change dramatically. This change needs to be examined both in terms of "absolute numbers" and "proportion." Fig. 1-1 shows the long-term population forecast, and tells us information such as the following.

Firstly, in absolute terms, "the total population will decrease (population decline)"; "the absolute number of elderly people will increase and, in particular, the increase in latter-stage elderly will continue in the long term (increase of serious social security problems)"; "the working age population will decrease (emergence of labor shortage)," and "women of childbearing age will decrease (decline in reproductivity)."

Fig. 1-1 Change in the Population Pyramid



Note: According to the website of Ministry of Health, Labour and Welfare

Sources: Ministry of Internal Affairs and Communications, *Population Census* and *Population Estimates*; National Institute of Population and Social Security Research, *Population Projections for Japan* (January 2012), based on medium-variant fertility and mortality assumptions" (population as of October 1 for each year)

Secondly, in proportional terms, "the proportion of elderly people will increase (aging)," "the proportion of the working-age population will decrease (population onus explained later)," and "the proportion of the youth population will decrease (birthrate decline)."

The proportions of the working-age population and aged population will change dramatically and Japan will change from a society where 5.1 persons supported 1 elderly person in 1990 to a society where 2.4 persons support 1 elderly person in 2013 and 1.2 workers have to support 1 elderly person



in 2060.

This population change in Japan is one of the most striking examples of demographic change in the world.

In terms of population decline, Japan and Germany are the only major advanced countries faced with the problem of a declining population. Based on total fertility rate (TFR), Germany, Spain and Republic of Korea (ROK) rank slightly lower than Japan, but Japan is in the group with the lowest TFR. In terms of rate of aging, both in 2010 and 2050, Japan was and will be the most rapidly aging country among the world's economically advanced countries.

Looking at the dependency ratio (ratio of working-age to non-working-age population), Japan is expected to have the world's highest dependency ratio in 2050.

Unless Japan forcefully pursues measures against birthrate decline, the outlook as described above will continue to be a "certain future."

(2) The economic sea-change that will be brought on by demographic change

The kind of demographic changes described above will no doubt have a fairly large impact on the Japanese economy as a whole. In terms of the impact on the economy and society, the worsening of the "population onus" is one important aspect. "Population onus" is a word used to denote a period when the proportion of the working-age population (age 15–64) declines. This concept is easier to understand when considered as the antonym of a "population bonus" as shown below.

When the population increases, the population pyramid takes the shape of a regular triangle that is wide at the base. When the birth rate falls and population decline eventually occurs, the pyramid inevitably loses its triangular shape. While the base of the pyramid becomes narrower due to the declining birthrate, the youth population which previously formed the wide base gradually moves into the working-age population, causing the pyramid to bulge in the middle. This is the "population bonus" period, and if we assume that the working-age population are workers, the proportion of the population that is working increases, which has a beneficial effect on the economy. And, indeed, the period of high growth in Japan coincided with this "population bonus" period.

However, if the birthrate continues to decline further, the working-age people in the bulge in the middle gradually move into the aged population (65 and over), which means that the population pyramid turns into an inverted triangle and, this time, the proportion of the working-age population decreases. This is the "demographic onus" phase and, this time, population change has a negative effect on the economy.

As shown in Fig. 1-2, Japan has been in a "population onus" phase since around 1990. The demographic bonus is truly a "bonus" that is enjoyed only once in the transition following birthrate decline, whereas a population onus persists into the future and will continue to drag the Japanese economy down.

Let us briefly check this point.

A country's GDP equals "Total population" x "GDP per capita." This means that the "GDP growth rate" equals "Total population growth" + "GDP per capita growth."

In the future, according to population projections to 2050, Japan's population will decrease at a rate of about 0.5% per year. This alone will continue to put downward pressure on economic growth.

Next, "GDP per capita" mentioned above equals the "labor participation rate (working-age population/total population)" x "labor productivity (GDP/working-age population)." This means that the "rate of change in GDP per capita" equals the "rate of change in labor participation rate" +



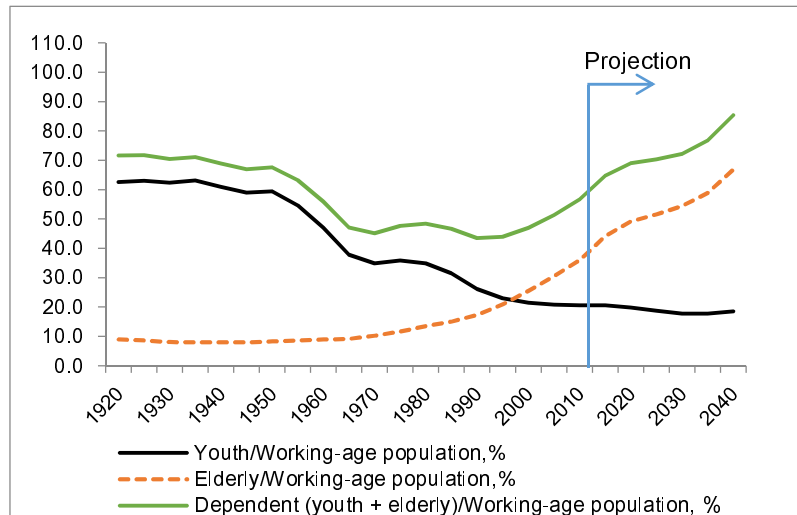
“growth in productivity.” This “rate of change in labor participation rate” is the impact of the “population bonus” or the “population onus.”

In the future, according to projections to 2050, the labor participation rate will decline at a rate of around 0.5% per year. This will also put downward pressure on economic growth. In other words, totally, demographic factors will keep dragging down economic growth at a constant rate of around 1% per year.

However, the population changes are bound to have a far more multi-faceted impact on economic growth. In this regard, the *Global Japan — 2050 Simulations and Strategies* report, published in April 2012 by the Keidanren 21st Century

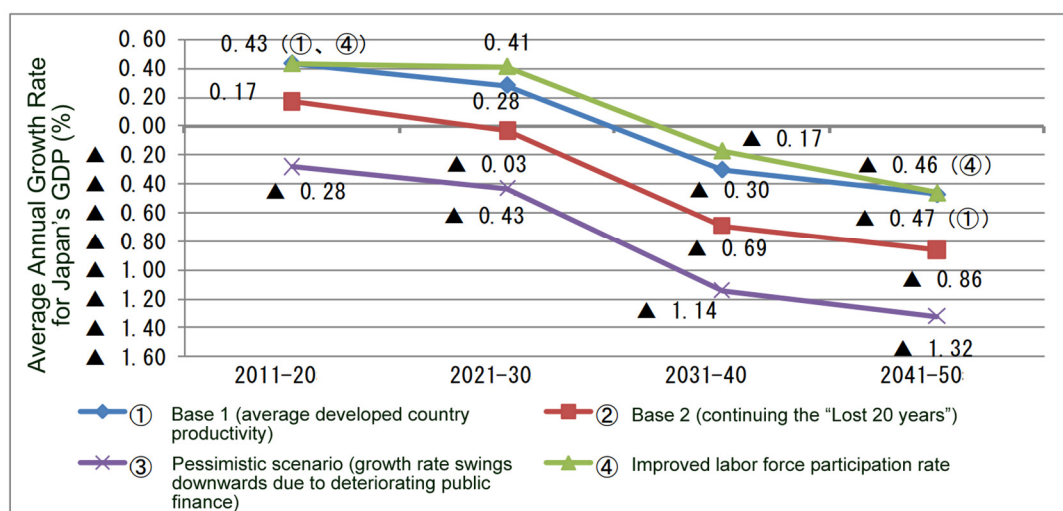
Public Policy Institute, comprehensively examines aspects such as the slowdown in capital accumulation caused when saving decreases as the population ages, and makes projections about the growth rate. According to this report, Japan will be affected by the population decline, with the two elements of labor and capital exerting continuous downward pressure on the growth rate (see Fig.1-3), and, as a result, even if productivity recovers to some extent, the impact of the declining birthrate and aging of society is large, with negative growth expected from the 2030s onwards (see Fig. 1-4).

Fig 1-2 From Population Bonus to Population Onus



Notes: According to National Institute of Population and Social Security Research, *Population Projections for Japan* (March 2013), based on medium-variant fertility and mortality assumptions

Fig. 1-3 Long-term GDP Growth Rate Projections



Source: 21st century Public Policy Institute, *Global Japan* (April 2012)



Fig. 1-4 Decomposition of GDP Growth Rate

		2011-20	2021-30	2031-40	2041-50	(Unit: %) 2011-50
Base 1	Average Annual Growth Rate for Japan's GDP	0.43	0.28	▲ 0.30	▲ 0.47	▲ 0.02
Average developed country productivity	Labor force contribution level	▲ 0.43	▲ 0.51	▲ 0.86	▲ 0.84	▲ 0.66
	Capital contribution level	0.20	0.14	▲ 0.35	▲ 0.57	▲ 0.14
	Productivity contribution level	0.70	0.77	0.80	0.80	0.77
Base 2	Average Annual Growth Rate for Japan's GDP	0.17	▲ 0.03	▲ 0.69	▲ 0.86	▲ 0.35
Continuing the "Lost 20 Years"	Labor force contribution level	▲ 0.43	▲ 0.51	▲ 0.86	▲ 0.84	▲ 0.66
	Capital contribution level	0.20	0.14	▲ 0.43	▲ 0.66	▲ 0.19
	Productivity contribution level	0.33	0.33	0.33	0.33	0.33
Pessimistic scenario	Average Annual Growth Rate for Japan's GDP	▲ 0.28	▲ 0.43	▲ 1.14	▲ 1.32	▲ 0.80
Improved labor force participation rate	Average Annual Growth Rate for Japan's GDP	0.43	0.41	▲ 0.17	▲ 0.46	0.05
Labor force participation rate for Japanese women to increase on a par with that of Sweden	Labor force contribution level	▲ 0.43	▲ 0.33	▲ 0.69	▲ 0.85	▲ 0.58
	Capital contribution level	0.20	0.14	▲ 0.33	▲ 0.55	▲ 0.13
	Productivity contribution level	0.70	0.77	0.80	0.80	0.77

Note : Due to exchange conversion, the total of each element does not correspond with growth rates.

Source : 21st Century Public Policy Institute *Global Japan* (April 2012)

Japan's dependency ratio shown in Fig. 1-2 is expected to be one of the highest in the world by 2050. In short, Japan will have to bear one of the heaviest demographic burdens in the world. It is only natural that Japan should be a country "putting effort into measures against birthrate decline compared to the rest of the world," "building robust social security systems in response to demographic change compared with the rest of the world" and "fully harnessing the capabilities of women and the elderly compared with the rest of the world." However, at the moment, this is not the case and, in actual fact, a sense of crisis about the demographic changes is sadly lacking.

(3) Why is there a lack of a sense of crisis about birthrate decline?

Why is there no heightened sense of crisis in Japan generally, even though the certainty of a population crisis is conveyed by Japan's certain future? There are two possible explanations for this.

Firstly, people are not strongly aware of a population crisis because it does not appear suddenly but rather happens gradually.

A sudden crisis like a major earthquake or the Lehman collapse is also given a great deal of media coverage, and is more likely to be recognized generally as a crisis. However, population change that happens gradually is also given limited media coverage as a crisis and is, therefore, that much less noticeable.

Another reason is that often the crisis is not represented as a "population problem," but often appears under a different guise. When a population crisis becomes apparent in the economy and society, it appears in the form of a "deadlock over social security," "worsening depopulation," a "labor shortage," a "slowdown in domestic demand" or suchlike. This means that social security problems tend to be dealt with as social security problems, and depopulation tends to be dealt with as a regional



problem.

While it is, of course, important to deal with problems in specific areas, fundamentally, all these issues are linked to the problem of birthrate decline and population onus. If action were taken to address birthrate decline, action to address problems in specific areas is sure to be much easier.

Seen in this light, it is fair to say that responding to the population crisis with little more than a mishmash of individual reactions by disparate members of society is not enough and Japan needs to respond to the crisis strategically from a comprehensive perspective.

At this rate, the birthrate will keep on falling

The reason we feel a strong sense of crisis about the population is because there is absolutely no sign whatsoever that the downward trend of the birthrate will be reversed despite repeated policy measures by the government. At this rate, far from being halted, birthrate decline may pick up pace.

(1) Will the birthrate stop falling?

The downward trend of the birthrate is often discussed using the TFR, which is the average number of children that would be born to a woman during her lifetime. However, from the viewpoint of the absolute population size, it is also important to focus on the number of births. Japan's TFR declined consistently after reaching 2.23 in 1967, falling to 1.26 in 2005. It then seemed to bottom out, recovering to 1.41 in 2012. One would hope that, with this, Japan's fertility rate was out of the woods and would gradually start to rise in the future but this looks unlikely.

The TFR is found by simply summing up the age-specific fertility rates at a particular point in time. This means that when the number of children decreases in the early days of the trend towards later motherhood, the TFR declines temporarily, and when children start to be born as a result of this trend towards later motherhood, the fertility rate increases. In other words, the fluctuation in the fertility rate during this period is superficial and is merely a temporary vacillation caused by the trend toward later motherhood. Analysis to determine which age groups are responsible for the recovery in the TFR in recent years reveals a noticeable rise in the 30 plus age group. This suggests that the recovery of the TFR during this period is an effect of the trend toward later motherhood.

In short, the recovery of the fertility rate in recent years does not in any way guarantee recovery of the fertility rate from now on and, unless there is a recovery of the fertility rate in younger age groups, the TFR will eventually stop rising.

How about the number of births? The number of births is determined based on “the number of women who would have children” and “the fertility rate.” However, the number of women who would have children will enter a downward trend from now on since the second baby-boom generation is going past child-bearing age. The number of women of child-bearing age (15–49) was 27.2 million in 2010, but is expected to drop to 20.54 million in 2030 and to 15.67 million in 2050 (National Institute of Population and Social Security Research, the medium-fertility and medium-mortality variant). This means that even if the fertility rate recovers to some extent, the number of births will continue to fall.

To put it another way, the last ten years or so was a period in which there was a glut of women of child-bearing age and since measures against birthrate decline did not prove effective during this time, we missed a golden opportunity to increase the number of births and slow down the pace of population decline.



(2) Why is the birthrate falling?

To recover from this missed opportunity, stepped up measures against birthrate decline are desperately needed, but recovery will require “intensive implementation” (concentration) of “effective policy measures” (selection). These policy measures need to be devised based on an examination of why the birthrate is still declining.

The number one factor that has brought about birthrate decline is that young people have stopped getting married.

Assuming that children are born to married couples (which is more or less the assumption in Japanese society), the fertility rate is determined by “the extent to which women get married (proportion of married women)” and “the average number of children per married woman (marital fertility rate).”

An examination of recent trends reveals that while the proportion of married women continues to fall sharply, the marital fertility rate has not changed much, as shown in Fig. 1-5. In other words, the main factor behind the decline in the fertility rate is the increase in people who do not get married.

Fig. 1-5 Changes in Total Fertility Rate, Proportion of Married Women and Marital Fertility Rate

	1980	1985	1990	1995	2000	2005	2010
Total Fertility Rate (TFR)	1.75	1.76	1.54	1.42	1.36	1.26	1.39
Proportion of Married Women	64.0	62.5	60.4	59.1	58.2	57.6	56.9
Marital Fertility Rate	77.8	73.3	66.0	68.6	76.7	74.9	79.4

Notes: 1. According to the Ministry of Internal Affairs and Communications, *Population Census*; Ministry of Health, Labour and Welfare, *Vital Statistics of Japan*; National Institute of Population and Social Security Research, *Population Statistics*

2. Marital fertility rate is number of births per 1,000 married women

Why have Japanese stopped getting married? There is no easy answer to this question as it involves many factors and is also connected with personal values and privacy, but there must be a great many “people who can’t get married even though they want to” and “people who are prevented from getting married by the economic or social environment in which they live.” In Japanese society at large, an environment that is conducive to marriage and “friendly” to married couples needs to be created.

Another factor is the trend toward late marriage and late motherhood. In recent years, the age both men and women first marry has trended upward and, as a result, the age of mothers at the birth of the first child has also tended to rise. Even if people do get married, when the age at which they get married rises, the chances of childbirth will get slimmer and the number of children inevitably decreases.

Analysis of the age-specific fertility rates of females reveals that, as shown in Fig. 1-6, the fertility rate is falling for each age (downward shift) and the age at which the fertility rate peaks is rising (rightward shift). Since these two trends are happening at the same time, the total decline in the fertility rate (shrinking of area under the fertility rate curve) is proceeding at a rapid pace.

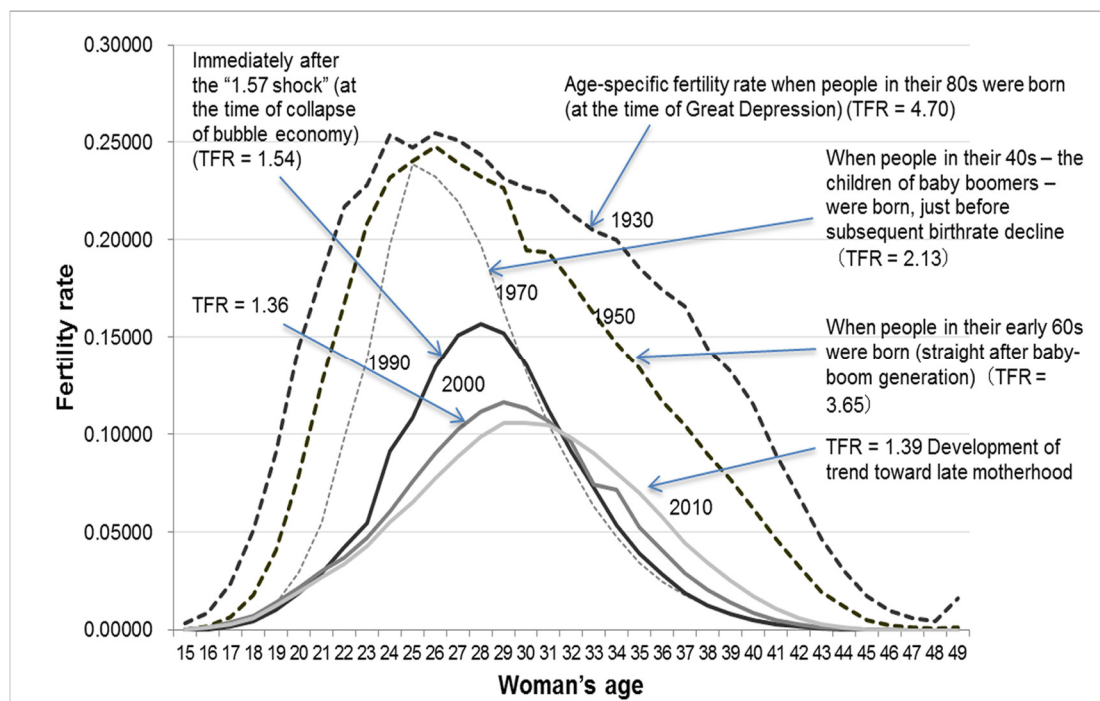
Thirdly, Japan’s peculiar employment situation and employment practices foster birthrate decline.

For example, regarding labor supply and demand, in Japan, labor retained within enterprises tends to be adjusted by curbing the hiring of new graduates. This is because the practice of lifetime



employment prevents adjustment of the number of regular employees who are already employed. When the hiring of new graduates is curbed, young people who find themselves in the “Employment Ice Age” are unable to find a stable job at entry-level and this may then prevent them from getting married.

Fig. 1-6 Trend toward Late Motherhood



Source: Produced based on National Institute of Population and Security Research, *Population Statistics 2013*. (TFR: Total Fertility Rate)

Also, in accordance with Japanese employment practices, adjustments for busy and slack periods tend to be made through working hours, and so it is often the case that employees are forced to work extremely long hours during busy periods. This may also be linked to the decline in marriage and the falling birthrate as it deprives employees of time for themselves and prevents men from participating in housework and child care.

Furthermore, Japan’s “membership-based employment” may also be inconsistent with the equal participation of men and women. Under the traditional Japanese employment practices, employment tends to be “membership-based” where a worker stays at a specific enterprise and his or her line of work changes, as opposed to “job-based” where a worker stays in the same line of work and develops his or her career (the concepts of job-based and membership-based employment were developed by Hamaguchi Keiichiro of the Japan Institute for Labour Policy and Training).

Under this membership-based employment system, reinstatement is difficult once membership is renounced and so the “opportunity cost” a woman pays to get married and have children is high and this may be an obstacle to marriage and childbirth.

In short, the problem of birthrate decline can be said to be closely connected with Japan’s structural problems. Because the population issue is a complex issue involving many interconnecting



problems, a comprehensive response that goes behind the framework of simple measures against birthrate decline is required.

(3) At this rate, the pace of birthrate decline will quicken

In light of observations like those made above, what comments can be made about the future outlook? Unfortunately, at this rate, the pace of birthrate decline will quicken.

With no sign of any change in the economic and social situation surrounding marriage, the proportion of unmarried people is likely to remain unchanged at best or increase at worst. This means that the trend toward late motherhood and late marriage will no doubt continue.

Hopes are pinned on the strategy of raising the labor force participation rate of women as the population shrinks, but it is feared that if the employment rate of women increases with current employment practices as they are, the fertility rate will end up sinking further.

There are two ways of responding to the population crisis: “curb population decline and eliminate the actual causes of the population crisis” or “take population change as a given and take measures to ensure that, even under this given condition, problems do not occur.” Of course, both approaches are necessary but the greater the progress made with the former, the less pressure there is for the latter. To put it the other way round, the more the demographic structure changes, the more difficult it will be to overcome problems without the former approach and through the latter approach alone. Not surprisingly, it is imperative to halt birthrate decline itself.

Basic direction of policy measures to halt birthrate decline

Measures against birthrate decline need to be implemented intensively to ease the “national crisis” of population decline. However, the government has presumably implemented measures against birthrate decline in the past. So why did past measures prove ineffective? Is it possible to halt birthrate decline in the first place? And if so, what basic approach needs to be adopted? Let us now examine these questions.

(1) Why were previous birthrate decline measures ineffective?

The government has put effort into measures against birthrate decline in the past. In 2003, the Basic Act for Measures to Cope with Society with Declining Birthrate was enacted, and in 2004, the Outline of Measures for Society with Decreasing Birthrate was adopted by the Cabinet pursuant to this law, and measures to support children and childrearing have been approved repeatedly since then. However, as seen already, the basic trend of birthrate decline has not changed. One could, of course, argue that “things would be much worse if no measures had been taken” but, unsurprisingly, the claim that past policy measures were sufficiently effective is difficult to justify judging from their outcome.

Why did previous measures lack effectiveness? Possible explanations for this include the following.

Firstly, the policy measures may not have targeted the root causes of birthrate decline.

For example, previous measures against birthrate decline targeted the stage after marriage and childbirth, as is also clear from the words “support for child rearing.” However, as explained earlier, major causes of birthrate decline occur in the stage before marriage and childbirth, such as the decline of marriage and insecure livelihood of young people. It may have been that the policy measure



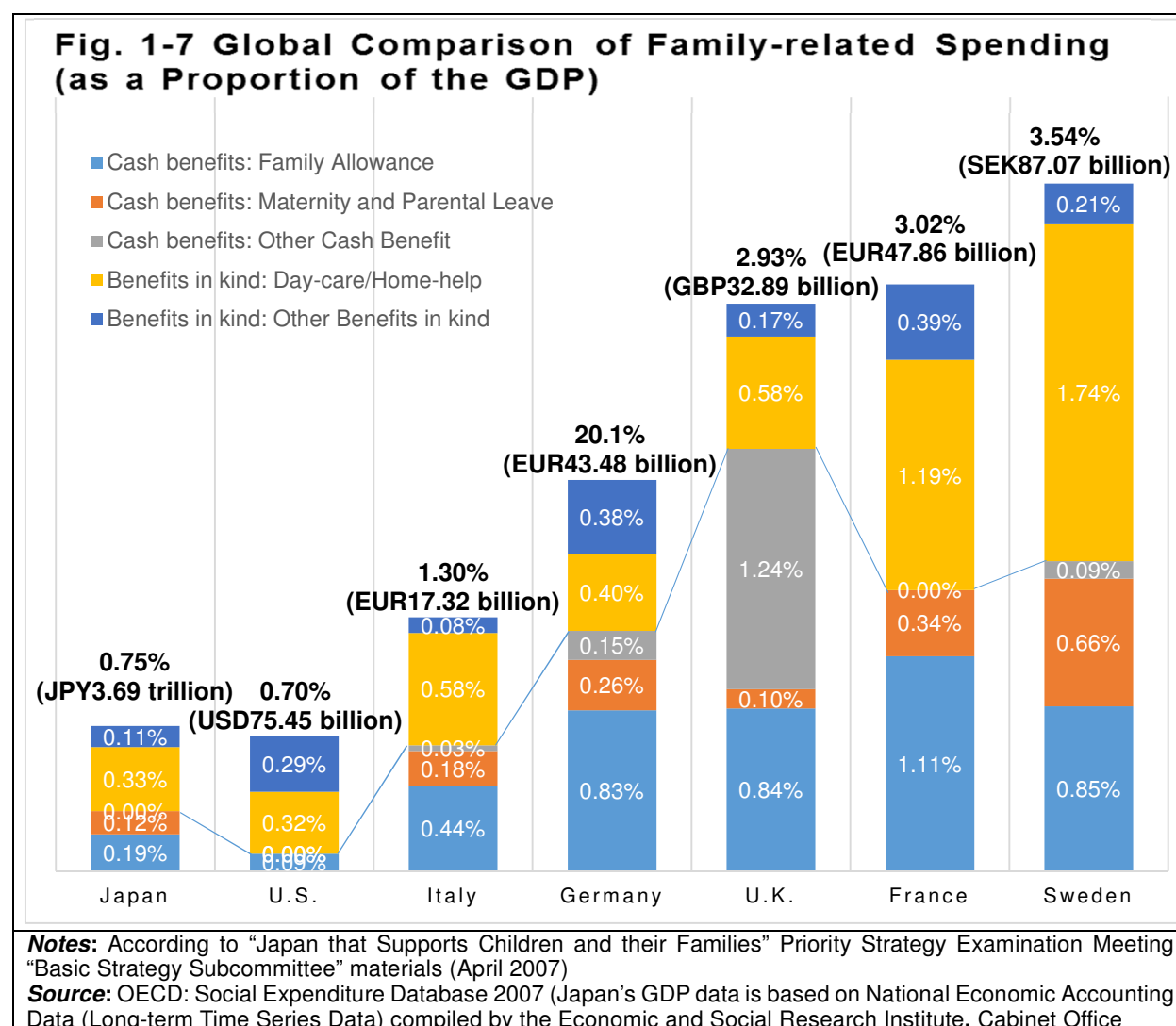
for the stage before marriage was inadequate.

Secondly, it may have been that even though a raft of policy measures was announced, the all-important distribution of policy resources was inadequate.

Fig. 1-7 is a global comparison of family-related spending (childcare, childbirth/childcare leave benefits, family allowance, etc.) as a proportion of the GDP, and the level of spending in Japan is quite low. To put it another way, Japan's social security is biased toward the elderly including pensions, medical care and nursing care, and there was relatively little support for working-age people, which also constitutes measures against birthrate decline.

Thirdly, it appears that cooperation with surrounding areas was insufficient.

As explained previously, birthrate decline is strongly linked with many factors including working styles (Japanese employment practices), family values and marital values (social values), and the economic situation (poverty among young people). It is, therefore, difficult for measures against birth decline alone to have an effect, without cooperation with other areas including employment policy measures and economic policy measures. Comprehensive measures in cooperation with areas surrounding marriage, childbirth and child rearing are required.





(2) Can birthrate decline be halted?

And so, is it really possible to halt birthrate decline? The answer is “Yes, it is” and the reason for this is because “it has actually been done.”

For example, Shimojo village in Nagano Prefecture put effort into support for child rearing, including furnishing housing for households bringing up children, and as a result, the number of people bringing up children increased and the fertility rate temporarily increased to more than 2. Of course, this was achieved through a combination of various factors including the long-term leadership of the Mayor Ito Kihei, awareness raising among staff at the village office, priority budget allocation following the rebuilding of public finance, and the cooperation of the local residents who themselves undertook responsibility for public projects, and this does not mean that this success could be easily replicated anywhere. However, it shows that, even in Japan, if awareness is raised and policy resources are allocated strategically, the fertility rate will rise considerably.

The cases of France and the U.K. in Europe also serve as a reference.

Moreover, in Asia, ROK has begun tackling the problem of birthrate decline like a bull at a gate. In ROK, where the birthrate is declining faster than in Japan, the government is implementing a raft of ambitious policy measures, including setting itself a fertility target (1.6 by 2020), massively increasing public spending on childcare, introducing free childcare, making it obligatory for business operators to have childcare facilities, and introducing childcare electronic vouchers.

(3) Is it possible to increase marriage?

As mentioned earlier, one factor that plays a key role in birthrate decline and has virtually been bypassed by policy measures in the past is “marriage.” When it comes to marriage, it is important not only to increase the number of marriages i.e. improvement in terms of quantity, but also to ensure more “early marriages”; that is, improvement in terms of quality.

Hypothetical calculations based on the assumption that the trend toward non-marriage did not worsen from 1990 onwards show that the TFR as of 2010 would have been 1.80 and the number of births would have been 1.41 million (see Fig. 1-8). Since the fertility rate was actually 1.39 and the number of births was 1.07 million, according to this calculation, if the trend toward non-marriage had not worsened, the fertility rate would have been 0.41 percentage points higher and the number of births would have been 340,000 higher.

However, is it possible to increase the quantity and quality of marriages? It goes without saying that this would be difficult to achieve through policy measures. Marriage is linked with personal values and it would not be right for national government to directly encourage the act of marriage.

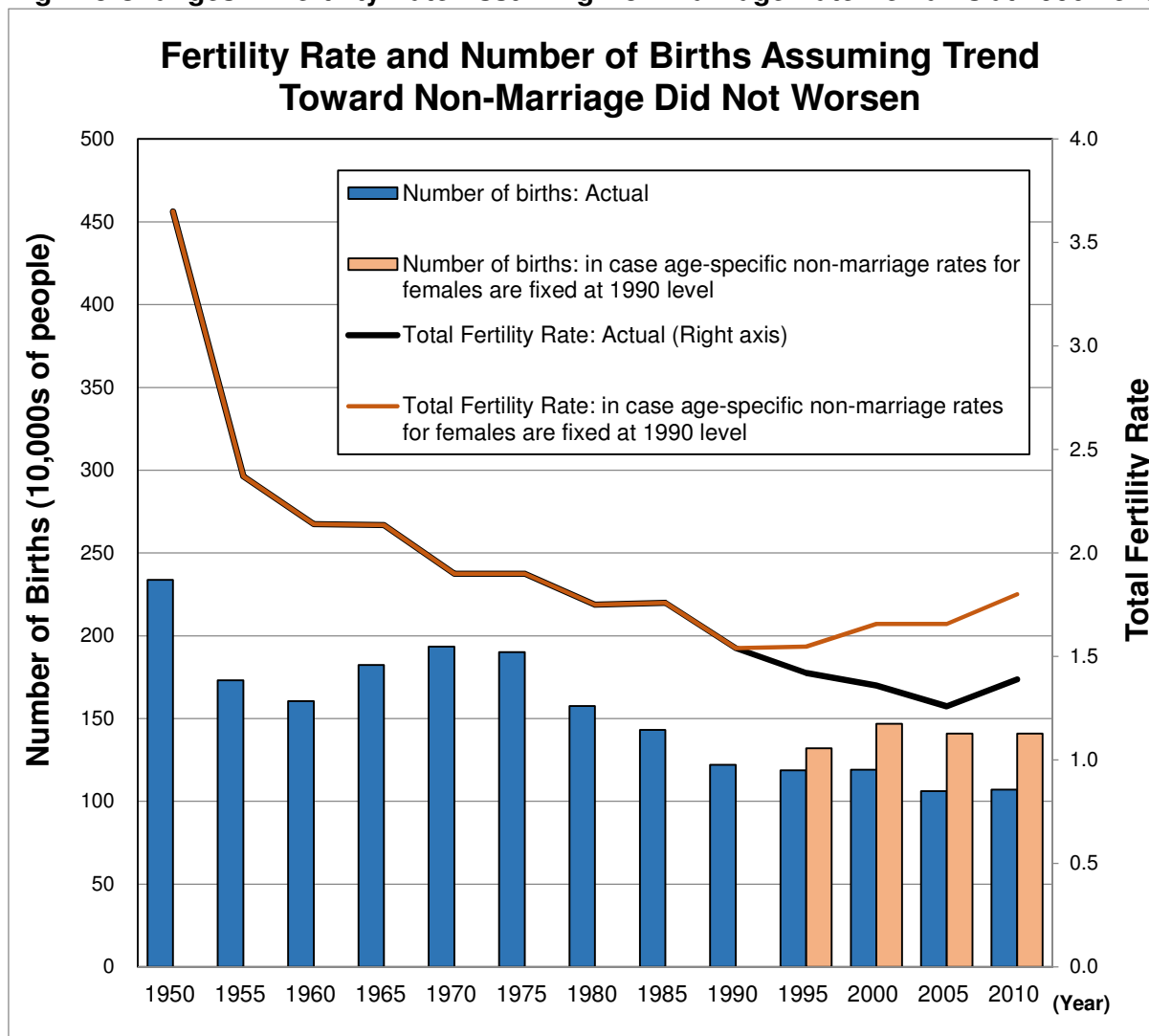
But the answer to the question “Is it impossible to increase marriage?” is “No, it is not.”

Firstly, though it is difficult to interfere with marriage itself, it is possible to work on the environment surrounding marriage.

In particular, labor market conditions have a bearing on marriage and it has been empirically shown that a high youth unemployment rate, irregular employment and a rigid labor market have a negative effect on marriage. In particular, it has been shown that, in Japan, recession at the time of graduation has lingering impact on subsequent job hunting and wage conditions, and there is also empirical research showing that “if unemployment rate is high at graduation, the timing of marriage tends to be delayed” and “marriage and childbirth among young people who were not taken on as regular employees at graduation is delayed.”



Fig. 1-8 Changes in Fertility Rate Assuming Non-marriage Rate Remains at 1990 Level



Notes: Based on estimates by Oishi Akiko, professor at Chiba University

As the pattern where the woman continues to work after marriage and the man and the woman both support the family becomes more commonplace, if an environment were put in place so that single men and women felt that they could have a family while both working, it must at least be possible to reduce the number of people who say they would like to get married but that their financial situation prevents them from doing so.

Secondly, it is not the case that the stage before marriage and the stage after marriage are separate stages, rather the two stages impact on each other. If sufficient support for childrearing was provided to make it easier for parents to both work and bring up children in the stage after marriage, this would affect future expectations in the stage before marriage and would probably lead to the creation of an environment conducive to marriage.

In short, society at large must develop a marriage-friendly environment.



(4) A review of working styles is vital

One area that is important when it comes to birthrate decline is the realm of work. A review of conventional working styles and alteration of the conditions that tend to lead to birthrate decline would significantly reduce the pressure on measures against birthrate decline.

One fundamental way of revising working styles is to shorten working hours. It is imperative to shorten working hours further, allow workers more time for themselves, and create an environment that makes it easy for men to participate in housework and childrearing.

Also in the long term, Japan should aim to switch from a “membership-based” employment system to a “job-based” employment system. If job-based employment practices became more widespread, this would have the effect of powerfully supporting measures against birthrate decline, as it would make it easier for women to enter and leave the labor market and the opportunity cost paid by women as a result of marriage and childbirth would presumably be less.

This is structural reform in the area of employment. As part of its growth strategy, the Abe administration aims to “move labor without creating unemployment” and “create a societal structure that will support flexible ways of working.” The government should implement reforms in this direction and aim for an employment system that facilitates job-based career development.

(5) The direction in which the economy and society want to move is the same

Aiming for a society in which it is easy to have and raise children is virtually synonymous with building a desirable economy and society. Provided Japan aims to move in a direction that is desirable for society at large, Japanese society will surely turn into a society where it is enjoyable to have and raise children. If awareness of the enjoyment of parenting increased, then the desire to marry would no doubt also grow stronger.

Creating an open and efficient economy and society, creating an economy and society where each individual member of society can live with the highest standards of welfare possible, eliminating the employment mismatch and creating an environment where it is easy for women and young people to work. Pursuing these natural goals of an orthodox economy and society ultimately means moving along the same vector as measures against birthrate decline.

The action required of national government, enterprises and individuals to halt birthrate decline

Among the problems facing Japan today, the falling birthrate and the accompanying population decline is an important issue that will clearly pose difficulties in the long run. Not only that, it is also an extremely difficult issue. National government, local governments, enterprises and individuals need to combine forces to tackle this issue.

(1) Matters to be considered by national and local government

Population policy measures are basically the part to be played by national government. Even if local governments implement measures against birthrate decline and these measures prove effective, in some cases local residents may move to urban areas when they go to university or look for work and in such cases the policy measures of local government end up being in vain. National government should position population measures at the heart of long-term policy measures and should seek to enhance measures quantitatively and qualitatively, while bearing the following points in mind.



1. Establishment of strong governance over policy measures

Firstly, it is necessary to fully incorporate measures to deal with birthrate decline into the political decision-making process. From the outset, under Japan's Silver Democracy, where the percentage of elderly voters is rising, consideration for the elderly tends to take precedence over consideration for working-age people.

To prevent this, politicians need to make a conscious effort to allocate more policy resources to support working-age people. It is big progress that there has been a minister of state for measures against birthrate decline since 2007. However, in the six-and-a-half years from 2007 to the present (end of January 2014), there have been more than thirteen such ministers. Their average term in office is around six months. Since measures against birthrate decline are measures that work on people's long-term decision-making, they need to be implemented with continuity from a long-term perspective. Initiatives with a solid political stance are required.

There also needs to be a PDCA cycle based on clear numerical targets to ensure that the measures are effective. As part of this, it is necessary to clarify numerical targets for the fertility rate, absolute population size and suchlike.

2. Increase in allocation of resources to family policy measures

Under Japan's social security system, the budget allocation for family policy measures is small and the allocation for the elderly is large. However, in the interests of Japan's future, it is necessary to be more generous with the allocation of policy resources to the age groups on whose shoulders the future of Japan rests. This is not to say that policy measures will be more effective as long as the budget allocation is increased, but it will be difficult to increase the effectiveness of policy measures without increasing the budget allocation.

There are many areas that require more intensive investment of policy resources including the provision of high quality child care, measures to support young people seeking employment, education and training for non-regular workers, correction of child poverty, support for reproductive health, education concerning reproductive health, and dissemination of accurate information about pregnancy and childbirth.

3. Formation of a marriage and childrearing friendly environment through systems based on economic concepts

A shortcut to getting the economy and society moving in the desired direction is to come up with systems incorporating incentives so that it is more beneficial for people to move in the desired direction.

Options include, for example, raising the overtime premium pay rate to correct long working hours, getting rid of the "1.03 million yen and 1.3 million yen ceilings" which are an obstacle to women's participation in the workforce, and reforming taxation and pension plans that give preferential treatment to full-time housewives.

To be effective, measures against birthrate decline must be based on economic concepts, taking into consideration people's reactions to system change. For example, economics shows us that while an increase in child allowance will have the effect of increasing income and thereby also increasing the number of children, in view of the fact that it will have an adverse impact on women's employment (because there is no need to work), to raise the fertility rate without hindering women's



participation in the workforce, it is better to focus on improving childcare services than on cash benefits such as child allowance.

(2) Matters to be considered by enterprises

It is also important for enterprises to channel energy into measures against birthrate decline.

As the population onus worsens, enterprises will need to make better use of women and the elderly. However, as things stand, a rise in women's labor force participation rate alone will result in a further rise in the non-marriage rate and further decline in the fertility rate, and in the long run will bring ruin on the enterprises themselves.

Moreover, enterprises are the most influential players in Japan's economy and society and the actions of enterprises in the years ahead will significantly affect the marriage and childrearing environment. As members of society, enterprises also need to tackle birthrate decline, which is an important issue for society at large.

For this to happen, first, the senior management of enterprises must understand the importance of creating a marriage and childrearing friendly environment through involvement in measures against birthrate decline, the correction of long working hours and suchlike, and must take the lead in setting forth basic policies. Also, in recent years, an increasing number of enterprises actively disclose information about their CSR initiatives and their approach toward equal participation of men and women. In my opinion, it would be a good idea for enterprises to start disclosing information about men's participation in child care, the marriage rate and enterprise-specific TFRs in the same way.

(3) Matters to be considered by individuals and families

A change of attitude on the part of every single individual and every single household is also necessary. In particular, men need to change their attitudes toward childbirth and childcare. In this regard, it is an established fact that involvement of fathers in childcare lessens the burden of childcare on mothers and makes mothers more willing to have another child.

It would be wrong of me to point people toward a specific direction because marriage and parenting choices are related to personal values. However, deciding whether to get married, when to have a child and whether to balance work with a family is an important part of the whole life-planning process for men and women alike. Therefore, regardless of which path they take, they need to be fully informed about life choices such as marriage, childbirth and work before deciding their future course. This is one reason why schools and universities need to deliver "life design education" to teach students the facts about work and life and to inform them about pregnancy and childbirth.

All entities, including public bodies, educational institutions and enterprises, need to work to disseminate accurate information and, at the same time, every single individual needs to make an effort to be properly informed.

Note: This article is a translation of the General Remarks of the research project of the 21st Century Public Policy Institute ("21PPI") entitled *"Jikkosei no aru Shoshika Taisaku no Arikata – Shoshi-Koreika eno Taio wa Nihon ni ataerareta Sekaishi-tekina Yakuwari – (Effective Measures to Halt Birthrate Decline – Responding to the declining birthrate and aging society is Japan's mission in world history –)"*, translated from the original Japanese with the 21PPI's permission. [May 2014]



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