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**Workforce Decrease as a Solution for the Elderly, Women,
and Immigrant in Japan's Labor Market**

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Abstract

This study examines the Japanese workforce problems from the labor market and economic perspectives. It also looks at how the changing economy and demography, including the decreasing workforce and the rapid aging of the population, has affected the labor market. Aging is an immediate personal issue and a salient factor in crucial public policies, such as pensions, health, and long-term care. Japan has recorded an increase in its elderly population but a decrease in the working population. Thus, Japan's economy will be greatly affected in the shortest amount of time due to this large increase in the elderly population and a decrease in the working population, along with a longer life expectancy. To overcome these problems, Japan must hire immigrants, but the number of immigrants is extremely low and has the lowest immigration rate. This rapid depletion of the working population in Japan has the least potential to support its older adults and contribute financial burden to the government. However, this study examines the implications of the Japanese government policies vis-à-vis the adoption of the elderly, women workforce, and immigrants in the labor market.

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Key Word: Elderly, Immigration, Women, Labor Market

1. Introduction

Japan, the third-largest economy in the world, has been experiencing problems of workforce reduction; the population declines due to fertility factors and an increasing aging population. At present, Japan is considered a “super-aged” nation, where more than 28% of the population is over 65 years with women forming the majority. The birth rate has reached a record low at 1.3 in 2020. The Ministry of Health, Labor and Welfare (MHLW) in Japan projected that by 2060, the country’s population is expected to plummet by more than 40 million, that is, from 127 million in 2010 to 86.74 million people in 2060. Moreover, the number of workers is projected to decline to 56 million in 2030 from 68 million in 2020 (MHLW, 2020). An increasing aging population and a shrinking labor force are hampering economic growth. According to the Japan Institute for Labor Policy and Training, to solve a labor-shortage problem, the country should create more innovative and contrite policies to pull elderly workers, women, and immigrants into the workforce and participate in the labor market.

The government also introduced plans and policies to increase their participation. The participation of women in the workplace would not only improve the economy but also make Japan a more egalitarian society. Additionally, reforming immigration policy by the government has had much less effect; increasing the number of immigrants, although an unpopular option, is necessary. Although policymakers also adopt the elderly population, the country seeks to expand the working population to cover the declining workforce in the labor market. For the country’s economy and financial solvency, the government tries increasing employment opportunities for elderly people; however, it is not considering raising the starting age for receiving a pension to 65 years.

This study also explores the issues of the aging population in Japan, the Japanese government's steps to solve that problem, and the possible legal courses of action the Japanese government could use in the future to mitigate this issue of aging population.

The remainder of this paper is organized as follows. Section 2 presents the current trend of workforce in Japan. Section 3 discusses the effect of the declining workforce on the economy. Section 4 explains adoption of elderly, women and immigrants to the labor market. Finally, Section 5 concludes the paper.

2. Present Trend of Workforce in Japan

This section reviews prior literature related to the employment system and elderly workers in Japan. This country has faced low birth rates along with higher rates of the elderly population, leading to a diminishing population growth rate and rapidly changing age compositions. As Keynes (1937) predicted, decreasing population growth negatively affects aggregate demand and output growth. Moreover, an increasing elderly population affects the structure of industrialized economies through its impacts on labor markets, demand, savings rate, and capital accumulation (Hagemann & Nicoletti, 1989). The pace of Japanese aging is extremely high. Moreover, the extended life expectancies have created an aging problem for Japan, where the amount of elderly is substantial. In other words, the working-age share will fall as the birth rates decline and the elderly population increases. The change in demographic structure significantly affects labor market and economic growth.

Japan has a population of about 125 million people in 2020, and the number has been steadily declining since the early 2000s. According to the Health, Labor and Welfare Ministry, the total 68.6 million people were employed in 2021, that accounts 54% of the population works. Despite the country's aging population, the labor force increased by more than half a million people between

2000 and 2020. The workforce increasing behind three important causes, first increase the female employment, the 68.7 million labor force in 2020, 30.4 million were women and 38.2 million were men which accounted 46.2% in 2021; second Japan introduced a law allowing for more foreign workers in 2019, and by late 2020, foreign employees 1.72 million foreign workers, 2.5% of Japan's total working population; third the retirement age for state workers from 60 to 65 and boost the public pension for those that opt to defer drawing from it. Japan is already leading the world by retaining so many older workers; its rate of around 25% after retirement. These older employees are more likely to be full time, part-time, seasonal, or contract-based.

1) Demographics Changes

Demographic change can significantly affect the size and shape of the workforce. The elderly population progressed the most in Japan because of a long-term decline in fertility rates and increased life expectancy, which are the two factors of demographic changes. Low fertility rates and rising life expectancy are causing the ratio of workforces to reduce. In contrast, Japan, which has been aging faster, has seen less growth in the working-age population. The influence of the elderly puts downward pressure on population growth and the size of a country's labor market.

(1) Low Fertility Rate

The total fertility rate (TFR) dropped to 1.57 in 1989, which marked the lowest since Japan began counting in 1899, and shocked the nation as the rate was even lower than 1.58 in 1966. During the 1960s, the sudden drop-in fertility rates was attributed to the government's policy in connection with birth control and reduced infant mortality rate after the war. TFR has continued to decline, even reaching 1.53 in 1990 (MHLW, 2020). For the demographic aspect, marriage, birth, and change in marriage behavior affect the change in TFR. The

number of late marriages or unmarried has increased in the past four decades, resulting in a TFR decline. The marital status has also drastically changed—the ratio of married women aged 25-29 years was 24.0% in 1980 compared with 61.3% in 2015. In 2015, the proportion of people aged 50 who had never married was at a record high of 23.4% for men and 14.1% for women. The high economic costs of children (e.g., childcare and education fees) have been increasing as an important factor affecting both marriage and childbearing behavior of young person (Kato, 2020).

However, Japan has already introduced a series of measures that focus on these challenges over the years. For instance, the Japanese government has adopted several measures to boost the birth rate and introduced the Angel Plan, a five-year plan in 1994, to assist couples in raising children. The New Angel Plan⁽¹⁾ (1999), the Plus One Policy⁽²⁾ (2009), and the Gold Plan⁽³⁾, for instance, are designed to make having children easier through initiatives, such as allocating funds to new childcare facilities, reducing educational costs and prenatal checkup costs, and improving family housing (Centre for Public Impact, 2017). The measures were not as effective as expected. Economic concerns are one of the most frequent reasons for young people to get married late or remain single and have no children.

However, the recent COVID-19 pandemic has added to this trend. In the three

(1) The New Angel Plan (NAP) was enacted between 2005 and 2009. The NAP proposed parental leave benefits increase of up to 40 percent of the wages and extend parental leave up to three years for government employees; in addition, child allowance would be available for children up to six years old versus three years in the previous policy (MHLW, website)

(2) The Plus One initiative supported child-raising and workplace life and community-based childcare. The Plus One initiative called for a revision in corporate policies and the working styles of men and women to bridge the gender gap.

(3) The Gold Plan would operate in conjunction with companies and institutions, specifically municipalities, almost simultaneously, with the Angel Plan, which had taken fruition long before the official recognition of fertility decline.

months to July 2020, the number of notified pregnancies decreased to 11.4% from a year earlier, whereas the number of marriages dropped by 36.9% (European Parliamentary Research Service [EPRS], 2020). Under these considerations, the factor of low fertility rate impacts the labor market and economy in Japan.

(2) Factors of High Life Expectancy

High life expectancy is contributing to the aging society in Japan, the world's longest-living populaces. Japan is also the most aged society, with the highest percentage of older people worldwide, also called super-aging society. The first baby boomers, born in the early 1950s, began joining the elderly population and declined to the replacement level. Moreover, the life expectancy of the Japanese population has increased steadily over the past few decades; it was 87.45 years for women and 81.41 for men in 2019. The following factors have combined to contribute 'super-aging' society as follows.

- (a) *Improved health and longer longevity.* Since 1970, life expectancy at age 60 has risen to 87 years for women and 82 years for men.
- (b) *Increased educational attainment.* The number of male workers with university degrees, who accounted for only 7% of the male labor force in the 55-64 age group in 1975, surpassed the number of men without university degrees in 1990. Employment rates rise with education in advanced countries (Grigoli *et al.*, 2018).
- (c) *Transition toward less physically demanding jobs* (Oshio *et al.*, 2018).
- (d) *Policy reforms encouraging older persons to continue working.* In 1995, the government introduced a subsidy equivalent to 15% of the wage to workers between ages 60 and 64 years. Additionally, pension reform has played an important role (OECD, 2019).

Under these circumstances, the rapid aging of the population is a major challenge to the Japanese labor market and economy, negatively impacting

savings and investment.

2) Decrease of Workforce

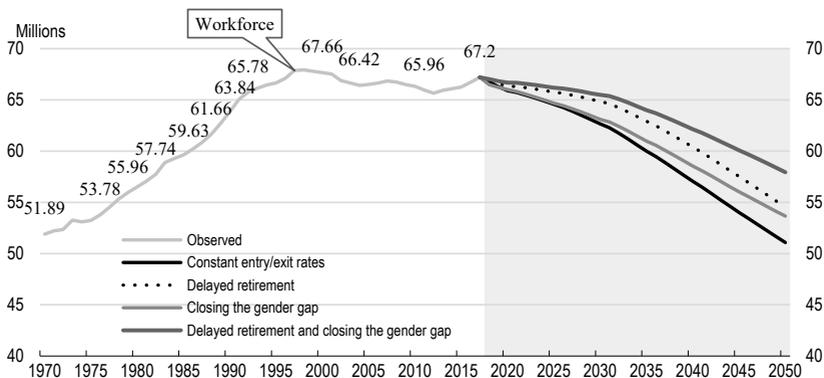
The labor shortage has an adverse effect on Japan's economy. The root cause of Japan's labor shortage is the aging population and the decreasing number of young people. The young generation is more likely to be single and has even fewer children due to the expensive costs of childcare, education, and others, thereby decreasing the workforce and hampering economic growth.

The Japanese government assumes that the workforce will shrink to 44 million by 2060, which is about half of its highest level in the 1990s (Cabinet Office, 2020). In 2020, the elderly population over 65 years old was 36.19 million, accounting for 28.8% of the total 126.17 million population. In 2015, the percentage of the population aged 65 years old and over in Japan was 26.6%, exceeding the USA (14.6%), France (18.9%), Sweden (19.6%), Germany (21.2%), and Italy 21.9% (Cabinet Office, 2020). Figure 1 shows that the population is shrinking and aging. Japan's famed longevity coupled with the low birth rate will leave the country with a much smaller working-age population just as the elderly population peaks. The consequences of the country's aging and shrinking population include low economic growth rate, budgetary challenges, pressure on labor markets, and depopulation of rural areas. In 2018, the International Monetary Fund (IMF) had estimated that Japan's GDP would decline by 0.8% on average each year over the next 40 years due to demographic changes (EPRS, 2020).

3 . Effect of Decreased Workforce on the Economy

Declining fertility combined with increasing longevity causes the Japanese population to age rapidly. The direct and indirect effects of aging are leaving their mark on the macroeconomy, especially the labor market and capital

Figure 1. Decreasing Workforce in Japan



Source: OECD, 2019, 6.

accumulation. Due to the nation's aging and shrinking population, the labor demand has increased. Businesspersons worry about the loss of customers and labor shortages, and working adults worry about the availability of support for the elderly (Ogawa, 2003). This widespread concern in Japan about population aging is a prudent response to a demographic inevitability. Major challenges further increased in achieving its living standards and ensuring the financial sustainability of public social expenditures. The economy has long been pronounced, as reflected in the forms of deteriorating fiscal balance and changes in savings and investment patterns. Another issue includes the shortage of labor in manufacturing and therefore a drop-in manufacturing products to exports, as a share of global exports. In the fields of construction, transportation, and nursing care, open positions already outnumber applicants by more than three to one (Nikkei Asia, 2017). With fewer workers paying taxes to support a growing elderly population in need of pensions and healthcare services, Japan's economy is facing an unprecedented challenge.

(1) Reduced Number of Taxpayers

The aging population can pose a serious structural challenge to fiscal

sustainability. We refer to the following two main channels: (1) shrinking working population who are taxpayers and (2) increasing government expenditure for aged-related programs, particularly healthcare expenditure. The squeeze working force and increasing number of nonworking elderlies reduce tax payees and economic expansion, and challenge the pension system. The fiscal balance relies heavily on the ability of the government to collect tax. Generally, income taxes are the most considerable proportion of government revenue.

Increasing the elderly population and decreasing the number of workers, who are taxpayers, diminish tax revenue collected by the government. Additionally, for the pension scheme, retirees receive pension benefits financed by taxes and contributions imposed on active workers and issuance of government bonds. Japanese government debt stands at more than 240% of GDP in 2019. This debt mountain is the inevitable result of the large fiscal deficits that Japan has run since 1990 (Economic Times, 2020, June 10). Given a fixed amount of pension benefits per retiree, the overall burden per worker is substantially raised with a decreasing working population.

(2) Burden of Public Pensions

In Japan, all citizens are mandated to be members of the National Pension or basic pension. Moreover, employees can also be a member of employee's pension to acquire more pensions after retirement. The public pension and health insurance schemes were established in 1961, and a system of free medical care services for older people was introduced in 1973. In 1985, Japan created a modern social security and pension system, consisting of three pillars: (1) National Pension Insurance (*Kokumin Nenkin*) for self-employed workers and non-employed people, which is a mandatory pension for all residents between 20 and 59 years of age; (2) Employees' Pension Insurance (*Kosei Nenkin*), which is for both private company workers and public officers; and (3) Mutual Aid Insurance (*Kyosai Nenkin*) for those employed in the public sector and private schools. Furthermore,

a disability pension and widow's (orphans) pensions also exist.

The pension amount for the National Pension (*Kokumin Nenkin*) (with 40 years of contribution and the retirement age of 65 years) is 788,900 JPY 13 per year (in 2011), which corresponds to 15% of the average wage in the country. This pillar is based on the current benefits or pay-as-you-go principle (defined benefit scheme); the benefit level is a universal flat-rate, not depending on personal earnings (MHLW, 2020).

Employees' Pension Insurance (*Kosei Nenkin*) is an additional occupational mandatory pension, the level of which depends on the person's salary (the social insurance contributions have a maximum level). Participation in this pension system is mandatory for employees (*Kosei Nenkin Hoken*) and civil servants (*Kyosei Nenkin*). Moreover, the disability pension (three disability levels) and widow's (orphan's) pensions are covered by this pension scheme.

In Japan, the financial resources for the National Pension come from premiums collected equally from insured persons and government subsidies. The principle of the system is pay-as-you-go, which means the working generation pays for older people. Currently, the National Pension receives substantial subsidies of 50% of payments from the Japanese government.

The Mutual Aid Insurance (*Kyosai Nenkin*) consists of funded private pension plans. Many large companies (with more than 30 employees) have one or more additional pension plans. The pension level depends on the amount of contributions paid, the period, and return on investment. Benefits from private pension plans could be received in a lump-sum or annuity. The employer pays contributions for private employee's pension, and the maximum contribution amount is ¥36,000 per month.

The Japanese pension system has a budget deficit, ineffective management, and demographic challenges. Since 2002, the deficit in the pension system has been compensated by the reserve fund. This deficit has been increasing significantly since the Japanese economy started growing. Despite the increased

social security contributions and value-added tax (the pension system deficit is financed from this tax), the pension system deficit is projected by 2050. In Japan, the public debt has continued to increase. It was 74% of the GDP in 1993, which was increased for the first time since the second world war. Then, it increased to more than 200% of the GDP in 2011 due to the economic crisis in 2008; debt was 240% of GDP in 2019. In addition, Japan's budget deficit exceeded 8% in 2011 (Doi, 2011). According to the Ministry of Economy, Trade and Industry, the increased social security contributions (in 2017) will lead to the loss of about 1 million jobs. Moreover, unemployment will increase by 1.3%, and the level of consumption will fall (Pacific Economic Council 2010). Note that in 2009, the government already subsidized half of the pension system (first pillar), which means that half of the pension system is financed from general taxes. Another problem of the Japanese social security and pension system is the management efficiency. The complexity of the system is related to the efficiency of management and creation of the central database. In 2002, 8.3 million people had arrears of contributions, and 12 million people did not participate in the pension system. (Chia, 2005). The gradual raise of retirement age from 60 to 65 years old was decided by the low fertility rate in the 1990s, which is scheduled to reach 65 by 2025 for men and 2030 for women.

(3) Increasing Healthcare Expenditures

Japan's health expenditure reached 10.9% of GDP in 2018 and, according to the IMF, it is projected to reach 12.1% by 2030. Japan's estimated expenditure per capita on healthcare totaled 337,000 JPY in 2018. Moreover, spending on people aged under 75 years was 222,000 JPY, whereas for patients aged 75 years and older, it was greater than four times: 939,000 JPY. The social security system is unsustainable. As aforementioned, government debt was 240% of GDP in 2019, and the government reckons that by 2040, social welfare costs will have risen from their current 121 trillion JPY (\$1.06 trillion) to 190 trillion JPY a year

(OECD, 2019). To reduce it and fund social welfare programs, the government increased the sales tax from 8% to 10% in October 2019 (EPRS, 2020).

(4) Nursing Home and Care Services for the Elderly

Social isolation is an issue in urban Japan. Due to the familial care decline in the context of the change in the socioeconomic structure, economic development, and urbanization, the demographic changes decrease the family's capability to care, leading to increased nuclear families and a decrease in joint families.

The number of people in each household in Japan had been approximately 5 persons in 1955 and decreased to 2.4 persons in 2020. In 2019, about 25.6 million households have senior members aged 65 years and older, accounting for more than 49% of the total households. Additionally, 32% of the households with elderly members were familial (Cabinet Office).

The mentality of the elderly is more than the fear of death, is the fear of being a burden on society and family. This idea of *meiwaku* or “being a nuisance” is guilt-laden philosophy. The elderly, “being old” is a condition that cannot be helped. The no-*meiwaku* attitude then becomes a stubborn effort to remain quite independent, both financially and mentally. Therefore, the role of public social services, as nursing home and care services is more responsibility to local and national governments. As result financial burden by both givers and receivers of care and the government.

4 . Adoption of the Elderly, Women, and Immigrant to the Labor Market

In Japan, the overall labor force rate is expected to decrease shortly because of the low birth rate and high life expectancy. By 2025, Japan will have around 14 million fewer workers than it did in 2005, plus an additional 10 million seniors. In contrast, many older people, particularly, have sufficient physical strength to fulfill their job duties and make a social contribution. For these people, a social structure

where elderly people can work should be developed through re-educating the elderly and providing various job types. The promotion of social participation and contribution of the elderly can cause a substantial increase in the labor force. Furthermore, they can contribute to the upturn of national economic activity through an increase in total consumption and a decrease in the number of elderly people who are likely to need care. Even with efforts to hire more women, retirees, and foreign workers to labor pool. According to the World Economic Forum (2019), Japan should increase to 1.63 million elderly, 1.02 million women, and 81,000 foreign nationals to the workforce by 2030. However, recently, various government initiatives, plans, and policies promote the employment of elderly workers. The Japanese labor market is characterized by lifetime employment, seniority-based compensation, and mandatory retirement at an early age. In fact, the working motivation of elderly persons is exceedingly high. More than 90% of elderly persons want to work over 65 years old (MLHW, 2020).

(1) Adoption of Elderly Workforce

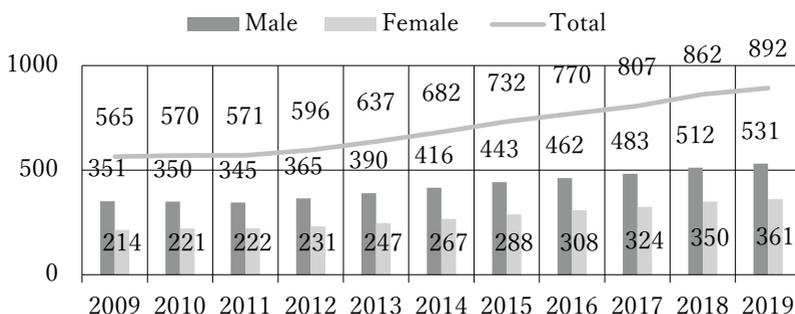
Japan is an aging society with a declining birthrate and decreasing workforce. The labor force participation rate must be raised as this may help solve the Japanese economy's long-term problem, the decline in the labor force caused by the aging population, and the declining birth rate. Elderly labor has been increasing high. Many workers have accumulated skills useful within the firms on the premises that they will be engaged with the company until over 65 years old. In government initiatives to promote the employment of elderly workers over 65 years, an increase in the elderly workers rate is likely. Government initiatives to smoothly transfer labor forces to developing industries are desirable, such as enhancing reeducation and training programs for the unemployed elderly population. In 2017, with financial support from the government, a special program was launched to bring retirees back into the workforce. It trains employers to recruit elderly workers and design the jobs to

meet their abilities (*The Wall Street Journal*, 2019).

The government adopts the “law for the stabilization of the elderly employment” revised twice since the 1990s. The initial amendment, which was approved in 1994 and enforced in 1998, made the compulsory retirement age of 60 years old obligatory for firms. In the second revision, the retirement age was in turn raised to 65 years of age in 2004. Figure 2 shows that recent changes in the Japanese employment system that are characterized by the suspension of wage increases for older workers, particularly in the nonmanufacturing industries, and lifetime employment for highly educated young workers.

The “Amended Act” (Article 10-2 of the Amended Act) was amended to provide various options for securing employment opportunities for individuals up to the age of 70 (Otsuki and Ando, 2021). The amended “Act on Stabilization of Employment of the Elderly Persons” will become effective on April 1, 2021. The Amended Act requires employers to make best efforts to take measures to secure working opportunities for their employees up to the age of 70. Further, before the amendment act required a business operator to either: (i) raise the mandatory retirement age; (ii) introduce a continuous employment

Figure 2: Number of Employed Over 65 Years (10,000 people)



Source: Cabinet Office (2020), website

system (re-employment system, extended employment system, etc.); or (iii) abolish the mandatory retirement age (Article 9, Paragraph 1 of the Act). In practice, most business operators adopted a continuous employment system (ii), under which an employee who reached the mandatory retirement age would be re-employed according to successive renewals of fixed-term employment contracts until the employee reached the age of 65 (Otsuki and Ando, 2021).

The rise of the participation of elderly workers can be attributed to multiple factors. Besides improving health outcomes and increasing life expectancies, it also reflects the following: changes to workplace culture that support elderly workers to remain in the labor force; a shift away from physically demanding employment; and workers' concerns about the inadequacy of pension or retirement savings, especially considering increasing longevity (OECD 2015). Nevertheless, opportunities can be created for elderly labor with the right skills or the capability to acquire new skills. In this respect, companies are ready to increase the possibilities for off-the-job training to older workers. People from different levels of society – including academics, unions, and even some government officials – still favor the lifetime employment system.

2) Encouraging Women Participation in Labor Market

The women population has large potential in Japanese society, which is not yet fully mobilized. The social trends affecting women, including women in poverty, women in the labor force, and elderly women, are all ultimately related to access to health care problems. Growing society needs to create an environment like gender equality where women can participate in the labor market to the fullest extent. However, there is a gap between married and single women. The single women's labor participation contributed largely. Married women are much more likely to work part-time than full time. Women may choose to work part-time to have the flexibility to manage work and household responsibilities or have more time with their children.

In fact, there are many Japanese feel that women should focus on household duties, and this cultural attitude is exacerbated by a sharp gender gap in pay, tax policies that discourage two-income families, and a glass ceiling that limits the number of women in leadership roles. Japan should recognize that gender equality in every aspect of the daily lives of Japanese poses a risk to the economy and the well-being of Japanese society. While more women are in the workforce, there are still a few number women in executive, management, and senior positions in companies and the government (The Metric, 2019). Japan struggles gender equality; it was ranked 114th in gender equality based on the Global Gender Gap Report published by the World Economic Forum in 2017. Japan attempts to improve gender equality by creating policies that bring more women into the workforce.

The government has implementing initiatives in various fields based on the Fifth Basic Plan for Gender Equality. Formal Prime Minister Abe's planned structural reforms are a strategy to persuade more Japanese women to join the workforce, remain in the workforce after they have children, and advance higher on the career ladder. Fully mobilizing its human resources is a national priority. Some economists also argue that greater participation of women in the workforce could actually increase fertility rates in Japan. Some studies have indicated that birth rates are high in countries where female employment is high (Sweden and Denmark) and low where female employment is low (Italy and South Korea) (BBC News, March 21, 2013).

Abe has focused on “womenomics,” or boosting economic growth through reforms and policies to encourage the participation and advancement of women in the Japanese workforce. There are several reasons for “womenomics” policies could have a positive impact on gender equality, women's involvement and leadership one of the key aspects of his policy (Congressional Research Service, 2014). Although womenomics policies, which included significantly expanding the supply of childcare. The work–life balance measures supporting women to take both work and family responsibility became an important part of

the policy. These efforts raised the participation by women with little children from 40% in 2009 to 50% in 2015 (The Wall Street Journal, 2019, January 11). Additionally, Abe pushed “The Act on Promotion of Women’s Participation and Advancement in the Workplace” in 2016 as part of his economic policy reform. As a result, women participation has increased, from 63% in 2012, marginally above the OECD average of 62%. By 2017, it was up to 69%, five points above the OECD average. Since 2012, the participation rate of women aged 55 to 65 has shot from 54% to 63% in 2017 (The Wall Street Journal, 2019, January 11). In fact, the total number of active women was 18.3 million in 1960, and 21.8 million in 1980. It continued to increase to 26.9 million in 1990, 27.5 million in 2000, and further increased to 30.1 million in 2018 after the above policy was implemented (Kinenkai, 2020).

Another program under Abe’s comprehensive economic policy package focuses on technological innovation to raise productivity, reduce caregiver burdens, and minimize healthcare costs. Adaptations to flexible hours, increased possibilities for maternity leave and parental leave, and a transition to the model of family-friendly firms. Although Japan offers parental leave for fathers as well, government statistics show that less than 2% of male workers opt to use the leave (2013 statistics), reinforcing the notion that it is the woman’s role to care for a new baby (Gender Equality Bureau, 2013, website). The government emphasized the significance and importance of considering and reviewing a better balance between work and housework or childcare or caregiving; this special feature will provide materials to consider. Increased investment in children’s education will help magnify their effective numbers at working age and relax Japan’s immigration restrictions, which would augment the size of the workforce.

3) Adoption of Immigrant in Labor Market

Japan has had strict laws regarding the employment of foreigners, although exceptions were made for certain occupational categories. The country has

begun accepting immigrants due to a growing labor shortage, and the increasing elderly population has its tightest in nearly half a century and the government has debated the possibility of accepting foreign workers. Since 1988, the Ministry of Labor has allowed few foreigners with high skills and qualifications. Additionally, the country began encouraging the *nikkeijin* (people of Japanese descent) under a special visa program in the 1990s.

However, until 2018, Japan's immigration legislation grants working residence status only to highly skilled professionals. Executives and managers engaged in commercial activities, full-time scholars associated with research and education institutions. Moreover, professional entertainers, engineers and others specializing in advanced technology, foreign-language teachers, and others with special skills unavailable among Japanese nationals.

The Ministry of Education, Culture, Sports, Science and Technology (MEXT) and five other ministries are jointly promoting a program aimed at increasing the number of foreign students the "Hundred Thousand International Student Plan" in 1983, "Plan to accept 100,000 international students," the next governmental goal is to increase the number of international students studying to 300,000 by 2020 (MEXT, website). The program has been implemented as part of Japan's global strategy and to enhance the nation's international competitiveness in education and research and attract exceptional foreign students to study in Japan. Simultaneously, the government has been seeking to expand employment opportunities, taking steps to create a more accommodative environment in Japan.

Although, government realized that foreign workers will contribute to the labor market. To sustain the Japanese economy and its society, the United Nations (the UN), OECD, and the Japan Business Federation (*Nippon Keidanren*) have suggested that Japan should allow foreign workers to enter Japan. Under these considerations, the government to accept non-specialist workers in industries such as agriculture and forestry, which are expected to suffer labor shortages (The Japan Times, March 4, 2005).

As result, the Immigration Bureau inside the Ministry of Justice reported that only 0.74 million foreign workers in 2002, to total 1.3 million in the end of 2016. Still, this number only rounds up to less than 2% of the total labor force in Japan. The immigrant population is truly diverse, with foreign workers coming from East, Southeast, and South Asia, Latin America, and the Middle East. But it has accepted just 28 refugees from a total of 10,901 applicants, being Japan is the fourth-largest donor to the UN Refugee Agency (UNHCR), in 2016, (CNN, June 15, 2018). In 2018, only 42 out of 10 493 applicants (0.4 % of the total) were granted refugee or special resident status (EPRS, 2020, JIL. Japan Labor Bulletin, June 1, 2003).

The government has further changed legislation passed by Japan's Diet in December 2018 makes possible labor migration for two categories of medium-skilled workers in 14 labor-shortage sectors. The first category or category one is for temporary workers who can remain for a maximum of 5 years. The second category is a more limited category, foreigners with more advanced skills are allowed to bring their families and are permitted to live in the country indefinitely. This marks the first time that Japan has officially accepted blue-collar foreign workers. The government estimated a quota of 345,000 people in 5 years and the scheme entered April 2019 (Cabinet Office 2020, website). There has been strong interest in this new employment pathway, particularly from workers in Vietnam, the Philippines, Cambodia, and Thailand. However, projected 32,800 to 47,500 worker visas were expected to be granted in fiscal year 2019 (April 1, 2019–March 31, 2020), at the end of December 2019, only 1,621 workers had been accepted under the scheme, getting visa 10 months into the fiscal year (Immigration Policy Institute, 2020). This small number undoubtedly reflects the lag required to establish the organizational and procedural infrastructure.

5. Concluding Remarks

This study explores the squeeze workforce and the pressure of the elderly

trends on the pool of available labor. It finds that Japan's GDP growth rate has been too slow. To solve these problems, the government must encourage the elderly above 65 years old both as employee and employer. Moreover, women participation into labor force and immigrant invitation must be encouraged. Still, the government faces difficult situation to implement a better policy to support and encourage more female workers to return to work after childbirth and provide equal opportunity for women to be employed in management positions.

It has been argued that technology may change the nature of work faster than the skills of the workforce change. Japan experiencing aging would do its best to prioritize a policy of adaptation through raised labor force productivity, greater workforce participation, and active investment in technological innovation. The economy can draw on significant strengths to reverse this situation, including technological expertise, a formidable manufacturing base, highly educated and skilled workforce, and a large and affluent consumer market.

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