Demographic Challenges Facing Japan: Is the Solution Immigration or Family Incentives?

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Demographic challenges facing Japan:
Is the solution immigration or family incentives?

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A thesis submitted in partial fulfillment of the requirements for the
degree of Bachelors of Arts from Rockefeller College of Public Affairs
and Policy with Honors in Public Policy

Research advisor faculty: Professor Jeffrey D. Straussman

May 2016
Executive summary.

Japan, a super-aging country. It has the highest percentage of elderly population in the world of 26% as in 2014. The decline of the birth rate and subsequent population drop result from the imbalance between the younger generation and the older generation. It is facing a demographic crisis with high potential of the economic threat. The demographic change resulting a reduction in overall consumption power in Japan and left Japan will lower revenue to support their society. This paper examines the possible contributing factors, which discover the equal access of education opportunity post World War, increasingly expensive education costs and the challenge faced by contemporary parents to raise children would be the reasons for the decline of the child births. Also, provide two alternative policies that would be useful for the Japanese government, the immigration reform and the family incentives policies. Due to historical and cultural constraints, Japan is unable to import a significant number of immigrants into the countries. So far, the family's incentive policies are not effective to achieve the mission of encouraging more birth, but instead created some barrier for women to raise a child. In order to be more effective alleviate the issue, the combination of the two policy tools is essential and also make the certain change of the two policies.

The Significance and Impact of Japan’s Demographic Shift

As early as the 1970s, Japan started to experience sub-replacement fertility rates. This means that, due to declines in the overall birth rate among Japanese women, the current generation is less populous than the previous generation. The number of children born per woman has declined steadily over the last four decades and reached a new low of one point twenty six (1.26) births in 2005. While that number has inched up slowly (In 2013, the latest year for which full data is available it was one point forty three) (1.43) it is currently well below
the two point one (2.1) births per woman required to maintain current population levels. (World Bank, 2016) At the same time, Japan has started to experience a sharp decline in adult mortality rates. The older generation has been growing in number since new medical technologies have improved the overall health, longevity and life expectancy of its current population (World Health Organization, 2011).

The decline of the birth rate and subsequent population drop, along with decreases in mortality rates among the elderly population, has combined to create a society that is aging at unprecedented speed. Now, Japan is considered a super aging society. It has the highest percentage of elderly population in the world, 23% in 2009, which continues to grow (Statistics Bureau, 2010). The development of this demographic shift directly impacts every aspect of Japanese society. As the cost of social support and benefits for these elders is increasing, the workforce is shrinking. That means that there is an imbalance between the younger generation (who can help provide support) and the older generation (who need support). The Japanese government must shoulder the increasing financial burden of these trends and create new strategies to deal with this critical issue. They understand that the demographic changes and resulting reduction in overall consumption power in Japan will mean decreased revenue to provide essential support systems for an aging society.

This paper focuses on the change in Japan’s demographic patterns post Second World War to present day. It provides a closer look at past, current and future trends in the total population of Japan and for each age group. The demographic change is of great importance to Japan because healthy population growth may determine the strength of the country’s economic foundation and has a direct impact on the country’s potential for economic propensity in the near future. Population decline is a serious issue for many developed countries including Japan. The
demographic shift in the age of its populace is also a central issue. The government will have to deal with the impact of these demographic shifts on a national scale. However, in order to alleviate the issue, it is crucial to understand the contributing factors that triggered the decline of the birth rate after the Second World War and led to the aging of the population. The Japanese government also needs to understand the negative and positive economic consequences that the country will face if the demographic trends continue to move in this direction.

Once the contributing factors to the change in the Japanese demographic structure are identified, and their economic consequences both for the present and the future are understood, it may then be possible to identify effective policy alternatives that the Japanese government can use to remedy the situation. Two potential policy alternatives that have been used in many countries to address declining populations are immigration reform and pro-family or family incentive policies. Immigration policy has been used as a tool by many Western countries, such as the United States, Canada, and Australia, to address labor shortages. However, immigration reform has not been a popular strategy in Japan. Japan is one of the most homogenous, least ethnically diverse countries in the developed world and only a very small percentage of its current population is foreign born. To date, Japan has favored longer term family incentive policies, which aim to encourage Japanese couples to raise more children by providing various family care incentives. Rather than relying on immigrants to boost the fertility rate, they want to encourage young Japanese couples to have more than one child.

The History of the Demographical Shift

From 1945, the year the Second World War formally ended after the Empire of Japan unconditionally surrendered to the allied troops, to the present day, Japan has experienced two short baby booms. Japanese researchers Minoru Tachi and Yoichi Okazaki have stated that
between the years of 1947 to 1949, when Japan was in its post-war recovery period and soldiers
were returning home and fathering children, Japan experienced its first short baby boom. The
researchers estimate that the annual birth count exceeded two point six (2.6) million in each of
these two years (1969, 170). The second baby boom happened in 1971 once the children from
that first baby boom of 1947-1949 reached adulthood, but the number of births per woman did
not increase (Muramatsu and Akiyanma, 2011).

The birth rate continued to decline for several reasons. First the Japanese government
tried to control any potential overpopulation by encouraging family planning and birth control
and by relaxing abortion laws. Secondly, Japan experienced a significant economic
transformation from 1945-1951 when General Douglas MacArthur, who oversaw the occupation
of Japan, created sweeping changes in the nation. As Japan became less of an agricultural society
and more an industrialized nation, the perceived value of children changed. In an agricultural
economy, children bring greater economic benefits to a family since they provide free labor to
work the land. In essence, children were assets and the more children people had, the better off
they were. However, in a highly-industrialized world this principle no longer holds true. Children
have less economic value. Indeed children become “cost-centers” rather than assets because
parents need to financially invest in their children to secure their future. Children are expensive
commodities in that they have to be fed, clothed nurtured and sent to school so they might get a
decent job. With more children parents face heavier cost burdens and many parents do not have
the means to make multiple investments in human capital (Boling, 1997, 194).

As the Supreme Commander of Allied Power (SCAP), General Douglas MacArthur was
charged with helping the Japanese government rebuild the country after the war. His priorities
during the occupation of Japan were to decentralize the militarization in the Japanese
government, create free markets and promote Western ideas. MacArthur prohibited former military officers from participating in any form of governmental decision-making process (U.S Department of State, Office of the Historian Milestones: 1945-1952). He also sought to facilitate economic demilitarization by banning the production of military weapons. The new constitution for postwar Japan of 1949 stated that Japan must never create a military force and must rely on its allies to protect the country from outside threats.

The exclusion of national military forces in Japan, allowed the country to reserve the defense spending to invest in economic development (Takada, 1999, 6-7). General MacArthur introduced economic reforms that benefitted numerous tenant farmers and broke apart big business to transform the economy into a free market capitalist system. Also MacArthur promoted the Western idea of gender equality and greater freedoms for women (U.S Department of State, Office of the Historian Milestones: 1945-1952). This helped support the new free market economy, because it encouraged more women to enter the Japanese workforce and this helped meet labor demands. With less military spending, more economic development and a labor force known for its incredible work ethic, Japan was able to boost its economy shortly after the war. As Japan grown from a devastated country after Second World War and became second largest economy after the 1960s.

As illustrated in Table 1, the gross domestic product (GDP) per capita of Japan dramatically increased. In 1975, Japan’s GPD per capita was only about 4,600 dollars, but only ten years later it had almost tripled to 11,000 dollars. The GDP per capita was to keep rising, becoming an average of 40,000 dollars after 1995 (World Bank). However, as the economy grew, and incomes began to rise, Japan began to experience a decrease in its population. The chart shows this negative correlation.
Table 1

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP per Capita ($)</th>
<th>Total Population (1,000)</th>
<th>Rate of Population Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>4,600</td>
<td>111,940</td>
<td>1.35</td>
</tr>
<tr>
<td>1980</td>
<td>9,300</td>
<td>117,060</td>
<td>0.9</td>
</tr>
<tr>
<td>1985</td>
<td>11,000</td>
<td>121,049</td>
<td>0.67</td>
</tr>
<tr>
<td>1990</td>
<td>25,000</td>
<td>123,611</td>
<td>0.42</td>
</tr>
<tr>
<td>1995</td>
<td>43,000</td>
<td>125,570</td>
<td>0.31</td>
</tr>
<tr>
<td>2000</td>
<td>37,000</td>
<td>126,926</td>
<td>0.21</td>
</tr>
<tr>
<td>2005</td>
<td>36,000</td>
<td>127,768</td>
<td>0.13</td>
</tr>
<tr>
<td>2010</td>
<td>43,000</td>
<td>128,057</td>
<td>0.05</td>
</tr>
<tr>
<td>2014</td>
<td>36,000</td>
<td>127,083</td>
<td>-0.17</td>
</tr>
</tbody>
</table>

Sources: the GDP per capita is from the World Bank, and the total population and Rate of Population change are taking from Japanese Statistic Bureau, MIC; Ministry of Health, Laborer and Welfare; Ministry of Land, Infrastructure, Transport and Tourism as included in the Japan Statistics Handbook of 2015.

The growth charted in Table 1 led to the changes charted in Figure 1, where we see the population ratio at each age level. Figure 1 illustrates a clearer picture of demographic trends in three age groups. The makeup of the population in 1950 was in the shape of a pyramid, where the child age group from zero to fourteen (0-14) year old is at the base with the largest percentage share, followed by people aged from 15-64 and with the elderly population representing the smallest percentage. The population ratio changes quite a bit in 2014, when the child age population shrinks from 35.4% to 12.8%. The elderly population grows from four point nine percent (4.9%) in 1950 to 26% in 2014 (Statistical Handbook of Japan 2015, chapter 2 Population).

According to the most recent projections, the percentage ratio will continue to shift. It will become more of a top down pyramid in 2050. The elderly population, at 38.8% will become the second largest population and children will only represent about nine point sixth percent (9.6%) of the total population. To put this into perspective, when we compare Japan to other countries, we can more see the singularity and significance of such change. “In 2010, the
percentage of the population 65 and older in Japan was 23.0%, exceeding the U.S. (13.1%), France (16.8%), Sweden (18.2%), and Italy (20.4%), indicating that the aging society in Japan is progressing rapidly as compared to the U.S. and European countries” (Statistical Handbook of Japan 2015, chapter 2 Population).

In 2010, Japan had one of the lowest numbers in terms of its child population of 13.2%. Among these countries, the age of its working-age group is average. However, Japan has the largest elderly population of 23% of all the other developed counties. In the population projections of 2050, the child population is down to nine point seven percent (9.7%). The main workforce age group 15-64 will also decline from 61.3% to 51.5%, and elderly population will be the highest at 38.8% (Statistical Handbook of Japan 2015, chapter 2 Population).

Figure 1

Changes in the Population Pyramid

The Japanese New Cabinet was formed under the auspices of the Allied Powers in 1945. Under this new cabinet, a new constitution was drafted with provisions for equal rights for
women. These provisions would not only ensure that both genders shared an equal playing field in society, but would also promote and increase a new source of human capital. As Japan was transformed to an industrialized country and experienced rapid expansion in its production and development, the country needed more workers in order to meet the growing demand for labor. The new constitution included an extension of universal voting rights, allowing Japanese women who were at least 20 years old, to vote for the very first time. At the same time, an act known as the Guideline for the Renovation of Woman’s Education stated that there must be equal educational opportunities for women. In the prewar years, women simply aspired to become good wives and mothers. Education was not considered relevant in those roles. A woman’s access to education was therefore limited and any education she might receive was often of poor quality. The new constitution delivered not only equal access to education and to educational quality, it also stipulated that there should be mutual respect between men and women who wanted to pursue higher education (Saito, 2014, 8-9).

In order to successfully implement equal access to education, the Japanese government eliminated the regulatory barriers that prevented a woman from pursuing higher education. Women’s universities and coeducational universities were established along with all-girl high schools. Educational standards at middle schools for girls were brought up to the level of those for boys. Faculty positions in universities were opened to qualifying women. In order for the ideal of equal education to be realized, the Japanese government took practical and necessary steps to ensure that women were prepared to succeed in school from the earliest ages. They overhauled the kindergarten and early education systems and adopted the principle of coeducation at all school levels (Saito, 2014, 9).
As this “Renovation” was enforced, the percentage of female students in high school increased significantly. In the early 1950’s, 48% of boys and 36.7% of girls advanced from middle school to high school. By 1958, the gender gap had closed significantly with 56.2% of boys and 51.1% of girls entering high schools. Then in 1969, the advancement rates for women surpassed boys, as 79.2% of boys and 79.5% of girls continued their studies in high school (Saito, 2014, 10). By the late 1990s, almost all women who completed a middle school education would advance to high school (Shirahase, 2000, 49).

The new system for higher education began in 1949 with the basic mandate that there should be at least one coeducational university in each prefecture. Of course, the number of coeducation universities would increase in later years. A junior college system was established with a greater emphasis on general education. In the early years of education reform, many women preferred the shorter two-year commitment of a junior college since they thought it would be easier and certainly much more cost-effective than a university education. Indeed the female student percentage in junior colleges expanded rapidly from 67.5% in 1960 to 78.8% in 1970 and to 89% in 1980, eventually reaching 91.5% in 1990. Female enrollment in universities also increased, but at a relatively slow rate compared to junior college. Percentages grew from 12.4% enrollment in 1955 to around 20-25% from 1975 to 1980 (Saito, 2014, 10). However, by 1996 those trends had shifted. In 1997, women's university enrollment reached 26% compared to 23% enrollment in junior college (Shirahase, 2000, 49). Today women are still more likely to enroll in a university than a junior college and in recent years, the enrollment ratio of female students in university had jumped from 32.3% in 1995 to about 41.1% in 2010 (Saito, 2014, 10-11).
The series of actions that the Japanese government undertook to help women access higher education, move forward in their desired career and enrich their lifestyle, had profound impacts on society as a whole and on families in particular. According to the Becker, (1981) and Willis, (1994) stated now families understood that they were expected to invest in their children and provide them with a quality education (Suzuki, 2006, 6). But over the years, the rising costs of both public and private educational institutions have become a heavy burden for parents to carry. Over the years, as enrollment rates of high school, junior college and universities have risen, so have the costs. A recent educational, financial survey conducted by the educational policy institute based in Washington D.C and Toronto demonstrated that of 15 developed countries they surveyed, Japanese students carry the heaviest university financial burden (Akahata, 2006).

In today’s Japan, national universities charge each student about 820,000 yen (8,200 US dollars) yearly tuition, and private universities on average charge students about 1,310,000 yen ($13,100 US dollars). Since 1970, the cost of university has increased more than 51 times in national universities and about six times in private institutions. About 70 percent of Japanese students are attending private universities because national universities have limited space and accept fewer entrants. Parents and students are responsible for almost all of the educational costs. Scholarships are very limited and even were a student to get a scholarship, he or she would likely have to repay it. In Japan, “scholarships” often charge interest and operate more like U.S. student loans (Akahata, 2006). As a result, Japanese parents face a serious burden when it comes to their children’s educational costs (Suzuki, 2006, 7).

**The Tension between Work and Family**
Young Japanese people having grown up in a period of rapid economic expansion and having been highly educated, they have very high aspirations when it comes to their future lives. They believe that if they work hard, and put in long hours, they can increase their chances of getting a good job with prospects for promotion. However, as the global economy faltered, Japan suffered economic hardships around the 1990s and 2008. The unemployment rate increased from two percent (2%) in 1990 to five percent (5%) in 2003. It declined slightly and jumped again to five percent (5%) from 2008 to 2010. Figure 2 from the Statistical Handbook of Japan 2015 shows unemployment rate pattern from 1986 to 2014. It indicates the ratio of jobs that are open to the number of job seekers and it shows the unemployment rate. As we can see, the number of people who want to work far exceeds the low supply of jobs that are available to the job seekers. (Suzuki, 2006, 7).

Figure 2

The economic downturn has had a significant impact on labor market conditions and has certainly not given Japanese youth the ability to realize many of their career ambitions. Their ability to obtain a stable and secure job dropped from 77.8% in 1988 to 55.8% in 2004, and the number of people in the part time or temporary workforce increased from nine point four percent...
(9.4%) to 24.6% in the same period (Suzuki, 2006, 7). According to Easterlin, 1979 and Yamada, 1999, young workers who are saddled with student debt and who are finding it hard to achieve their expected standard of living will hesitate to get married and start a family (Suzuki, 2006, 7). Therefore, more young people are postponing marriage. As C. Ueno in a 1998 report showed, education reform and the growth of educational opportunities for women also put pressure on the job market because it made it more acceptable for women to work outside of the home, and obtain a professional position (Shirahase, 2000, 48). In the latter part of the 20th century, we saw an increase in women’s economic power as women pursued education, expanded their career opportunities, and held more important positions in the workforce. This also impacted population trends as more women delayed marriage and children to focus on their career. Indeed Japan’s National Institute of the Population and Social Security Research report of 1998 found that women in their twenties who have a higher education tend to shift their focus to career goals rather than pursue marriage. The rise of the working woman in Japan has also had other consequences. When working women do marry, they face higher divorce rates due to conflict over the gender-based division of labor in regard to raising children (Becker, 1991, 135-154). As demonstrated in Figure 3 collected from the Statistical Handbook of Japan 2015, marriage and divorce trends, show significantly different patterns over the decades. In the 1970s, we can see high marriage rates and low divorce rates. Over the years, marriage rates decline sharply while the divorce rate steadily increases.

In 1990, according to Robert D. Retherford, Naohiro Ogawa & Satomi Sakamoto, 1996, presented the average marriage age of a Japanese couple was 28.4 for a man and 25.9 for a woman, only surpassed by Sweden, Switzerland, the Netherlands, and Denmark (Boling, 1998, 174). Table 2, also presented from the Statistical Handbook of Japan 2015, shows the average
age increase of first marriages for Japanese couples over time. From 1950 to 2013, the rates for both men and women have increased steadily. In the early 1970s, men married by the age of 25.9. By 2013, the marriage age had increased to almost 31-year-s old. In women the increase in marriage age is even more profound. In the 1950s women were likely to marry at 23, which is just one point three (1.3) years younger than the age at which a man might marry. In 2013 women are more likely to marry when they are almost 30. As the age rates have increased both for men and women, the gap between the average age of a man and woman remains more consistent. In 2013 it is one point six (1.6) years.

Figure 3

![Changes in Marriage Rate and Divorce Rate](image)


Table 2
With marriage age increasing along with divorce rates the National Institute of Population and Social Security Research shows that throughout the later decades of the 20th century and the beginning of the 21st century, Japan experienced a serious decline in the total births of children. The drop in birth rates started in the early 1950s, continued to the mid-1980s and then accelerated. By the 1970s it had fallen below the population replacement rate of two point one (2.1) children per woman. These figures suggest a negative correlation between the increasing advancement of women admitted into higher education studies and the decrease of the number of children are being born (Shirahase, 2000, 49-50).

The Challenges of Marriage and Childbearing in Contemporary Japan

According to Robert D. Retherford, Naohiro Ogawa & Satomi Sakamoto, 1996 stated most young people in modern societies, are not in a rush to settle down. They want to enjoy their youth and the freedom it brings. They also understand practical realities such as the need to save money in order to afford the expensive down payment on a condominium or house before marriage. It is very costly to begin married life in Japan, especially for women, In Japan the costs can be calculated not just in terms money but also in opportunity. In the current working
environment in Japan, professional women who going to have a child or had a child are more likely to be sidelined at work. They are expected to have the majority role in childrearing and become stay-at-home home moms (Boling, 1998, 174-175). According to a study published by Retherford, Ogawa and Sakamoto in 1996, women not only have to figure out how to juggle work and family, they also have to commit to raising their children almost single-handedly. They will have very little help raising their children as fathers in Japan are often absent when it comes to the practicalities of childcare. Women will therefore be asked to find the time and energy for their jobs and for their families (Boling, 1998, 174-175).

The contemporary urban environment of Japan also presents difficulties that may constrain a young couple’s ability to raise a family. According to Higuchi, Marumoto, Yanson and Domoto (1991), the majority of couples can only afford to live in very small apartments where there is little room to raise children (Boling, 1998, 175). In addition the urban infrastructure is not set up for families. There are a limited number of public parks where children can play, and the ability to find spaces to play with other children is also limited (Boling, 1998, 175).

Another factor that may have a limiting effect on the birth rate is that many people are not in favor of the existing hyper-competitive environment that has been created by the Japanese educational system. The heavy emphasis on educational success in the one-time school entrance examination is unfair in that it dictates a student's success in their future life (Boling, 1998, 179). Students face many examination pressures, because in order to enter a good university they have to reach a certain score in the school entrance examination and that is the only score that matters.

The consequences of MacArthur’s decision to mandate that women have equal access to higher education had both positive and negative consequences for Japan. The positives are that it
established the idea of gender equality, closed the gender gap between men and women and gave women the same freedom as men in many aspects of society, from access to education, to unlimited future career opportunities. The Japanese economy was able to expand as the labor demand was met by working women. There was also one major negative impact of that social revolution. When women are educated and become full participants in the labor force they invariably delay marriage and have fewer children.

The sharp drop in the birth rate in Japan when combined with the aging trend, has had a serious immediate impact on the overall population. Japan’s total fertility rate first hit below two (2) in 1975 and then continued to drop. In 1990 it had dropped to one point fifty seven (1.57), and then to one point forty three (1.43) in 1995, one point thirty nine (1.39) in 1997 and one point thirty four (1.34) in 1999. In 2001, the Japanese newborn population was reduced by 18,822 compared to 2000, and Japan’s fertility rate hit one point thirty three (1.33). Furthermore, the number of newborns in 2002 was just 1,156,000, a decrease of about 150,000 from the previous year (Wang, 2003, 129-130).

**The Current Number of Newborns and Its Impact in the Future**

According to the National Institute of Population and Social Security Research 2012 report, the number of births in Japan will continue its downward trend and only intensify in the future. It is predicted that, in the next 50 years, the annual newborn population in Japan will experience a significant decline from 119 million in 2001 to 67 million in 2050. The Japanese population reached its peak of 127 million in 2006. After that the annual number of deaths began to exceed the number of births. In 2027, it is projected that Japan’s population will decline to 112 million, and in 2040 the number will drop below 110 million. The Figure 1 clearly shown the as to 2014, the elder population is 26% out of the total population. Then, according to projections,
in 2050, the elderly population ratio would reach 38.8%, and the average life expectancy of Japanese men and women will reach 81 and 90 respectively as compared from 70 in 1970. This means that one in every three people will be an elder (Wang, 2013, 130). According to the Japan Statistical handbook of 2015, the social security spending has grown from 14,543 billion Yen in 1995 to 31,530 billion Yen in 2015. The spending is most triple in the last 20 years, which is able equivalent to 33% of the total government expenditures.

Figure 1

The increase in the elderly population of Japan brings with it an increase in the number of elders who are dependent on the rest of the population for support and an increase in the financial burdens on the younger generation. As the population ages, more and more seniors retire from the workforce. They pay less tax and do not create any material wealth. However seniors continue to consume since they must address their daily needs and they require more medical and nursing care, which can be very costly. Retirement pensions, medical costs, health care costs and social welfare costs are escalating rapidly in Japan. The working population must bear a disproportionate share of these costs and the problem is compounded since the growth in
the elderly population is far outpacing the rate at which younger people can contribute to the social security system. According to the projections already cited from the National Institution of Population and Social Security Research, if in 2050, every one of three people is an elder, then the other two Japanese people have to contribute enough to society to take care of this elder. In all likelihood, some of these people will be children, or students, so the actual workforce will carry the heaviest social burden. The continuation of this trend will seriously impact the future of retirement pensions, medical and other social benefit programs in Japan. Therefore, the Japanese quickly need to solve the problem and find a long-term solution that will help them both to fund elder care and to address the declining birth rate (Wang, 2013, 130).

**Immigration policy, Japan VS Australia and Canada**

Given the population shift and decline in Japan, one fundamental economic issue facing the country is the fact that the workforce is shrinking. One obvious strategic response to this would be to reform the country’s immigration policy. If Japan was to welcome new immigrants, those immigrants could help bolster the shrinking workforce and boost the nation’s productivity. Many Western countries like the United States, Canada, and Australia have historically enacted immigration reforms when they need to admit new immigrants and solve labor shortages.

Australia experienced an economic boom in the post-Second World War period, when, in 1945, they welcomed about 6 million immigrants. Due to the continual arrival of new immigrants, the population of Australia has increased from 7 million people to over 20 million. As author Jock Collins stated in 1991, the immigration policy in Australia was used partly to fill labor shortages, and also, to add more people to the overall population. Charles Price, an Australian demographer, characterizes the country as one of the world’s quintessential immigration countries and indicated that the Australia economy acts like a hungry snake or boa
It has a great appetite for immigrants during the economic boom years but slows down its intake of immigrants when faced with a recession. During the post-war period, Australian immigration policy was primarily driven by the labor market, its purpose being to fulfill labor market needs (Collins, 2009, 1).

A second post-war economic boom in Australia, driven primarily by globalization, has led to changes in immigration intakes and given rise to policies that are considered better suited to Australia’s new economic structure and growing labor needs (Collins, 2008, 244–266). The immigration policy initiatives now have four major parts that address both the domestic economy and globalization. The first change was to increase the number of permanent residents admitted to Australia in accordance with the needs of the business cycle. Secondly, the government chose to encourage more skilled and professional immigration rather than family migration (which was prevalent in the 1950s and 1960s). To help solve specific labor shortages it created a list of occupations in demand so that certain professionals and skilled laborers would be given priority in their immigration status. Thirdly, Australia increased the number of temporary migrants to fulfill short-term labor needs. Lastly, the Australian authorities became more aware of the importance of greater security measures in its immigration screenings as a result of the events of 9/11 and other terrorist acts. The government’s crackdown on illegal immigrants has been uncompromising. These four major immigration policy initiatives, which facilitate both permanent and temporary migration, have helped Australia address the labor shortages in the market and successfully participate in the new global economy (Collins, 2009, 2).

Japan is one of several countries that face shortages in the labor market. Canada also faces a similar problem. According to Peter Veress, the president of Vermax Group, a company that recruits temporary foreign workers, the most obvious solution is immigration. Veress, who
served as a former officer of the Department of Immigration, has said that he is thrilled that he is the leader of a corporate immigration and international recruitment strategy company because of the opportunities it brings both for his company, for his clients and for countries who need skilled workers. Veress states that it is a win-win–win solution. He understands the underpinnings of Canada’s labor situation and cites the fact that population growth is negative, and the current population is aging. He also notes the greater demand for skilled and professional workers. Veress says his company effectively solves the labor shortage and skills shortage by recruiting temporary migrant workers (McNaughton, 2013, 1-4). Raj Sharma of Steward Sharma Harsanyi Immigration, Family, and Criminal Law states that to employ a foreign worker, a business needs to show the salary of foreign workers would not create a downward trend in the labor market. The company cannot just hire cheap foreign workers to replace Canadians. Additionally, they have to show that they have tried to recruit for the position and demonstrate that the foreign worker is not likely to take away a job from a qualified Canadian.

Labor shortages can have a critical effect on business growth and development. One can cite the fact that one of the biggest Canadian Oil and Gas Company, in Alberta faces labor shortages that are expected to cost the company more than $33 billion over the next few years. The choice is simple. More foreign workers or the loss of $33 billion in taxable dollars. For most Canadian capitalists, it is a quick, simple choice (McNaughton, 2013, 5-8).

Canada and Australia faced labor shortages just as Japan does today and the experience of both countries suggests that overhauling immigration policies might be a solution to the labor shortage in the Japanese market. However, there is significantly different between Australia, Canada and Japan, in that Australia and Canada have historically been known as countries built on immigration, whereas Japan is not. Immigration reform in these two Western countries was
supported both by the government and its people. Japan has never been thought of as a country that either welcomes or needs immigrant. The issue of immigration has been in the background for decades. Now, however, a combination of economic and demographic changes has brought the immigration issue to the forefront of Japanese policy debate as well as to the public’s attention (Papademetriou and Hamilton, 2000, 9).

Historically, Japan has always been a homogenous society with a singular culture and unique traditions. It did not welcome international migration in the post war period and its governmental policies rarely permit foreigners to become Japanese nationals. Due Japan’s 200 years of isolation periods, which not until 1835 when the United State came and connect the Japan with rest of the world (U.S Department of the State, Office Of the Historian Milestones: 1830-1860) Of course, if the Japanese were to rethink these policies it would have a significant impact. Current population trends show an approximately 38% decline in every generation since the 1970s. If this population gap is filled by immigration, the majority of the Japanese population will be foreign born after only two generations (Retherford and Ogawa, 2006, 35). Therefore, the Japanese government has taken both direct and indirect actions to limit and tighten immigration policies while still trying to manage the gaps in their labor force. Primarily policy makers have depended on three strategies that have met with varying degrees of success. First, Japan has systematically pursued foreign investments and relocated a great number of production and assembly jobs overseas, so as to offer some relief from the labor pressure in Japan. Secondly, Japan made extensive amendments to the 1952 immigration laws in order to welcome certain categories of foreign workers into the country. These changes expanded new temporary immigration categories and were designed to encourage foreign workers with in-demand skills to pursue their professions in Japan. Changes in the 1990 immigration law also permitted people of
Japanese descent who are living aboard to immigrate to Japan, and provided additional rights, job-training programs and other benefits to the children and foreign spouses of Japanese citizens. The change of this immigration law has attracted about 300,000 Japanese Diasporas to come to Japan and work and most of them come from South America countries, such as Brazil. (Kingsberg). This tightly controlled and limited expansion of Japan’s immigration system not only helped fill some of the vacancies in the labor market, it also helped fulfill some of Japan’s obligations under the International Trading Regime. Thirdly, the Japanese authorities allowed a significant number of foreigners in the 1990s to work without legal documentation in many of the secondary labor markets and in the underground economy. The Japanese government, however, remains committed to prosecuting illegal immigrants and currently demands that all workers present appropriate documentation of their eligibility to work. Without it they face deportation (Papademetriou and Hamilton, 2000, 2-4).

These three strategies successfully limited the number of immigrants entering Japan while providing some flexibility around foreign labor, however they did not address the central issue of massive labor shortages in a way that made sense for the long term (Papademetriou and Hamilton, 2000, 2-4). Many Asian immigrants consider Japan to be an attractive destination, especially since Japanese wages are often much higher than those in their own countries.

The Organization for Economic Cooperation and Development (OECD) estimates that pension expenses will double from 1995 to 2020. With social costs like these rising, immigration seems to be the only sure way that Japan can stay both internationally competitive and address the domestic costs of population decline. However, the issue is not a simple one. Japan has not been welcoming to immigrants since the Japanese have a deeply rooted sense of social and cultural identity and tend to alienate outsiders. This attitude has influenced and limited
immigration policy (Papademetriou and Hamilton, 2000, 7). While labor shortages have led Japan to reconsider temporary migration, many Japanese remain fundamentally opposed to allowing more permanent immigration (Papademetriou and Hamilton, 2000, 47). This attitude will take time to change. However change is possible. Even though, the overall foreign population is about 1.6% of the total population in Japan, one of the lowest of the industrialized countries, the number of foreigners was increasing up until 2008. Then the global economic crisis and the Earthquake of 2011 lead to a decrease in the number of foreigners. However the number of permanent foreign residents is slowly increasing and in 2011 there were one million foreigners in Japan (National Institute of Population and Society Security Research, 2014, 3).

**Family incentives policies since 1970s**

While Japanese population decline and labor shortages can be addressed by changes in the immigration policy and increased admission of both temporary and permanent residents, the government has also tried to intervene by introducing policies that incentivize Japanese couples to have more children. The following chart (Table 3) illustrates some of the family incentive policies the central government has enacted over the years.

**Table 3**

<table>
<thead>
<tr>
<th>Total Fertility Rate</th>
<th>Year</th>
<th>Government Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.14</td>
<td>1972</td>
<td>Establishment of the Child Allowances</td>
</tr>
<tr>
<td>1.54</td>
<td>1991</td>
<td>Enactment of Children Leave Act</td>
</tr>
<tr>
<td>1.5</td>
<td>1995</td>
<td>Enactment of Childcare and Family Care Leave Act</td>
</tr>
<tr>
<td>1.42</td>
<td>1999</td>
<td>Announcement of New Angel Plan 2000-04</td>
</tr>
<tr>
<td>1.34</td>
<td>2001</td>
<td>Amendment to the Employment Insurance Law</td>
</tr>
<tr>
<td>1.33</td>
<td>2002</td>
<td>Announcement of &quot;Plus One&quot; Plan</td>
</tr>
<tr>
<td>1.29</td>
<td>2003</td>
<td>Child Welfare Law</td>
</tr>
<tr>
<td>1.29</td>
<td>2004</td>
<td>Announcement of New Angel Plan 2005-09</td>
</tr>
<tr>
<td>1.39</td>
<td>2010</td>
<td>Child Allowance</td>
</tr>
</tbody>
</table>
The Japanese government employed family incentive policies as early as 1972, when it established child allowances. At that time, the total fertility rate of two point fourteen (2.14) helped maintain Japan’s population at a time when the economy was still growing. The child allowance was a lifeline for lower-income couples that wanted to raise a third child. The cost of the child allowances was funded by all levels of the government, as well as by employers. This allowance was expanded to cover the second child in 1986, then the first child in 1992. In 1992, the aim of the government was simply to encourage more births in Japan (Retherford and Ogawa, 2005, 26).

In 1990, the Japanese government established the inter-ministry committee of “Creating a Sound Environment for Bearing and Rearing Children” to concentrate on improving the lives and circumstances of couples who wanted to have children. Under this committee, the Childcare Leave Act was enacted on April 1st, 1992. The law stated that either the mother or father of a newborn infant could take up to one year of unpaid leave, if they qualified as a full-time employee. Temporary workers and part-time workers were not included in the law. The goal of this law was to make child rearing easier for working women who had to juggle responsibilities for their children and their careers. The law directly affected companies and organizations that had more than 30 employees. Companies and organizations with less than 30 employees were able to opt out of the law until 1995. However, the law did not establish any consequences for noncompliance. As a result it did not have a significant impact on increasing births as shown in the total fertility rate of one point five (1.5) (Retherford and Ogawa, 2005, 27-28).
In 1994, the Ministry of Health and Welfare introduced an emergency five-year proposal to improve daycare services. One year later, in 1995 the plan was expanded to a ten-year plan with an assist from the Labor, Construction and Education Ministries. The plan was officially known as the plan on “Basic Direction for Future Childrearing Support Measures, but it also came to be known as the ‘Angel Plan’ (Retherford and Ogawa, 2005, 29). The plan was conceived to create support measures that would help women balance their work and home lives, it provided governmental support to help families raise children and offered inexpensive housing to some families with children. The plan was intended to create a child-friendly environment in Japan and to relieve some of the financial burdens associated with child rearing (National Institute of Population and Social Security Research, Child Related Polices in Japan, 14). It sought to expand day care service centers and reduce work hours for parents. The number of day care centers that offered infant services was increased by a third, with centers offering longer hours. Centers that offered temporary or drop-in care were expanded seven fold. There was also an increase in the number of centers that cared for sick infants, a doubling of the number of after-school, day care centers, and increases in the number of regional centers offering child-raising support (Boling, 1998, 5). These newly established daycare centers were funded by the local government and with appropriations from the national government and the annual budget of the Ministry of Health and Welfare (Retherford and Ogawa, 2005, 29). The fee for these centers varied by location and the services they offered were extensive. Some centers provided pick up services from parents’ homes or local schools; others provided medical care for sick children in the event that a parent could not pick up their child immediately (Retherford and Ogawa, 2005, 29).
As in the child allowance model, the Angel Plan’s services were income-based. Couples who earned more paid more. The eligibility criteria also varied by region and by demand. In rural areas, where demand for the services was low, the eligibility requirements were more relaxed as local governments attempted to attract more couples to use the services. In some urban areas, where demand was high, supply was low and there were long waiting lists for every day care spot, many couples with higher incomes simply did not qualify for services (Retherford and Ogawa, 2005, 29). Lastly, Japan provided free counseling and back up child care support to first-time parents, especially to couples who were living far away from their families (Boling, 1998, 5). As the result of the Angel Plan, the capacity of daycare centers for children zero to two jumped to 564,000 in 1999 from 451,000 in 1994 (Retherford and Ogawa, 2005, 28).

The Childcare and Family Care Leave Act of 1995 replaced the 1991 Childcare Leave Act. Under this new act, full-time workers were granted up to a year of leave for either childcare or to take care of sick family members. Additionally, employees were able to receive 25% of their regular salary. These benefits would be provided by the National Employment Insurance Scheme which had first been created by the central government for the purpose of paying unemployment benefits. (Retherford and Ogawa, 2005, 29).

The ‘few children’ crisis was broadly debated in the public; however, the issue was not receiving the same level of responsiveness and attention as that given to the aging of Japanese society. The Angel Plan and the Parental Leave Act had great aims, but the government did not provide sufficient funding to assure the success of the policies and they also did not create appropriate mechanisms to outlaw discrimination against women with children or pregnant employees (Boling, 1998, 184). Some believed that there was simply not enough money to support both elder care and childcare adequately (Boling, 1998, 178). By late 1996, officials
began to realize that the Angel Plan was unable to fulfill its mission, since local governments could not provide the proper amount of funding to support the plan. In October 1996, The Ministry of Health and Welfare declared that the day care center expansion program would be curtailed and services would be cut, in certain cases by half (Boling, 1998, 177).

In 1999, a new version of the Angel Plan, the New Angel Plan of 2000 to 2004, officially known as the “Basic Principle to Cope with the Fewer Number of Children” was introduced. It addressed more specific intentions and goals in the areas of employment, childcare, health education and housing with eight listed measures. These included: more easily accessible daycare centers and childcare services; more child-friendly work environments; a proposal to address changing the traditional view of gender roles and “work first” attitudes in the workplace; an improvement in maternal and child health services; a proposal to improve local educational environments and reduce the financial burden on families created by the education of children, and lastly an emphasis on creating child-friendly housing and public facilities for children to play (National Institute of Population and Social Security Research, Child Related Policies in Japan, 15). It further expanded the number of daycare centers and the capacity of the centers for zero to two year-old children. The number of day care centers increased from 456,000 in 1990 to 664,000 in 2002. After-school sport and other activities also expanded nationwide with 671,000 children enrolled in 2003. Moreover, it led to the expansion of family supports centers from 82 in 2000 to 286 in 2002. By 2003, about 307 cities and towns received government funding to support the improvement of babysitting services (Retherford and Ogawa, 2005, 29).

A new amendment was adopted to the Employment Insurance Law. It again sought to make it easier for employees to take family leave in order to care for their children or family members. Under this insurance law, full-time employees were eligible to receive up to 40% of
their salary rather than 25%. The benefit was still provided under the National Employment Insurance Scheme. However, this law effectively began to discourage employers from hiring women as full-time, employees. The statistics show that between the years of 2000 to 2004, the number of married women, under age 50 who were employed as full-time employees dropped significantly and the number of part-time workers increased. This trend suggested that married women would have a harder time securing full-time employment in the future (Retherford and Ogawa, 2005, 31). It can be safe to assume that such employment trends might have further discouraged women from getting married and raising children in their 20s, further delaying the marriage age. The benefit also created a situation where women who did want to have children would be more likely to have to find part time rather than full time work (Retherford and Ogawa, 2005, 31). In one way, the purpose of government, which was to help working women be able to take child leave backfired. The government actually created a system that discouraged employers from hiring women, especially potential mothers, as full time employees.

In 2003, the Child Welfare Law was amended. The new law was designed to address the welfare of all children, not just children whose parents needed access to affordable childcare. Under the law, local governments were asked to support childcare activities and provide services such as counseling for parents, day care centers and childminders (National Institute of Population and Social Security Research, Child Related Policies in Japan, 17).

Another plan known as “Plus One” officially known as the “Measure to Cope with a Fewer Number of Children Plus One” was announced in 2002. The government believed that one of the major factors contributing to the low birth rate was the fact that fathers were essentially nonparticipants when it came to the issue of child rearing. The plus one suggested that women would need help in addition to any that might be given by their husbands, and the plan
was also designed to encourage men to play a bigger role in the process of raising children. The plan set out provisions that men could take at least five days of paternal leave from work when their wife gave birth. It also intended to encourage all full-time employees, not just women to take childcare leave. The hope was that the plan could encourage parents, especially men to reduce their work hours so that they might bear more responsibility for child rearing. The New Angel Plan of 2005 to 2009 wanted to increase the amount of time men spent on their children and on housework by at least 2 hours and to reduce the amount of overtime worked by men in their 30s by 25% in the week. Additionally, the plan expanded the number of family day care centers from 358 in 2005 to 710 in 2010 (Retherford and Ogawa, 2005, 33-34). Additionally, the plan stated that at least 25% of the eligible men and women who have pre-school age children should be granted more flexible working schedules and shorter hours. The Plus One was announced in 2002 and two laws that supported the plan goals were put in place in 2003. One was the Law for Measures to Support the Development of the Next Generation and two was the Law for Basic Measures to Cope with a Declining Fertility Society (Retherford and Ogawa, 2005, 32).

The New Generation law targeted large companies with more than 300 workers, no matter if they are full-time, part-time or contract workers. Any employee who had been working for the company for more than a year was protected under this law. The law called for companies to submit a plan to create a family-friendly workplace and to help raise fertility levels and encourage more births among their employees. The plan was to be submitted to local government by the time the law was put into effect in 2005. Though no penalties for noncompliance were stated, companies were urged to submit proposals and address the issue within the next two to five years. When the action plan was approved the employer would
receive a government logo that could be used in advertising campaigns. The process of the plan was to be evaluated by the Labor Bureau in local government and receive direction from the Ministry of Health in central government. The target of the law was to increase the percentage to 25% of both men and women who take childcare leave. By doing this the government was hoping to change the workaholic atmosphere of the workplace and allow employees to feel more comfortable in taking time off for childcare leave. The Basic Measure Law did not indicate an action to be taken, but rather set the stage for a future act of the government with the goal of creating more child-friendly environment both inside and outside of the workplace (Retherford and Ogawa, 2005, 33-34).

Since 2010, the Japanese government has worked to create a universal child allowance regardless of income to encourage young couples to raise the child. The child allowances are designed to provide direct monetary child support for families with children 15 and younger. With this goal in mind, various kinds of child allowances have been established over the years. The child allowance that provides monetary support for families with children 15 and younger has increased from 5000 Yen to 15000 Yen (100 Yen is relatively equal to 1 US dollar). There is also an allowance for single-parent household and parents of children with disabilities. Each child allowance has different requirement for eligibilities (National Institution for Population and Social Security Research, Social Security in 2014).

Conclusion

Japan has attempted to address the issue of its declining birth rates and super aging society by making changes to its immigration policy and to its family incentive policies. Going forward, both policies have their advantages and weaknesses. The advantage of future reforms to the immigration policy is that if Japan were to open its doors to more immigrants, it would
immediately solve the problem of the country’s shrinking of working workforce. However, the disadvantage is Japan would need to accept about 600,000 immigrants per year, which currently is not feasible both politically and culturally. However, one alternative would be to increase the number of international students allowed into Japan and extend the visas of students who pursue a professional degree in Japan. Additionally, it could relax the restrictions currently on these students allowing them both to live and work in Japan permanently. The college student population would be the ideal immigration population of Japan because this demographic has specialty and professional skills that are currently in demand in the Japanese workforce. Second, they are eager to learn and be part of the Japanese culture. The international students are majority come other Asian countries like China, Vietnam, Korea, Nepal and Taiwan. (Independent Administrative Institution of International student in Japan 2015) Most of the international students who study in Japan are interested in learning more about Japanese ways and are open to adopting Japanese culture (Wang, 2013, 134).

Family incentive policies are designed to encourage domestic young couples to have more children and to elevate the birth rate in Japan. Unfortunately, various family incentive policies that have been put in place in Japan have not been effective. The total fertility rate has remained low for decades. The problem with Japan’s approach to its family incentive programs is that it was a very fragmented approach with different policies designed to attack different problems and different stages (Demeny, 1972, 147–161). For example, the enactment of the Childcare and Family Leave Act, which allowed full-time employees to take up to a year’s leave to take care of a child or family member and which promised 25% to 50% of the salary back during the period, backfired. Employers found the policy expensive and this created more gender discrimination toward young women interested in taking full-time positions. Also, the
essential goal of the overall Angel Plan was to expand the number of day care centers. The expansion of the day care centers, however only solved certain pressures for working women with children. It did not encourage couples that do not have children to decide to have a child. The ambitious goal to expand access to day centers was also compromised by the fact that the government lacked adequate funding to reach its goal. This did not inspire confidence in the policy. Overall, the most effective policy was that which awarded child allowances to young couples and helped people who thought they could not afford to have children start families. However, the initial child allowance was set at around 5000 yen per month. Given the extremely high costs of education 5000 yen is not a very strong incentive. The current child allowance, which increased to about 15,000 yen per month in 2012, is a more credible reflection of the average monthly childcare expenses (Aoki, 2012, 9).

The best solution for the Japanese government if it wishes to alleviate the population crisis and change the demographic shift is to take advantages of both immigration policies and family incentive policies. On the one hand, Japan can increase the number of international students they accept and relax immigration restrictions for workers who have professional skills, such as nursing, medical, etc. that are in high demand. On the other hand, the Japanese government must still place a huge emphasis on encouraging more births through family incentive policies, such as the Child Allowance. Only by employing aggressive interventions will the Japanese government be able to change its demographic trends, control immigration, assure an adequate workforce and increase the number of Japanese births.
References


