



**AGING SOCIETY  
IMPACT TO THE INDUSTRY  
SECTOR OF JAPAN**

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# Presentation Outline

SLIDES 001

- 01 Background
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“ Japan is experiencing a significant demographic shift, with a low birth rate contributing to an aging society. In Japan, the average marriage age for men and women is rising, and the high cost of living, employment insecurity, and the cost of raising children make it difficult for young couples to have kids.

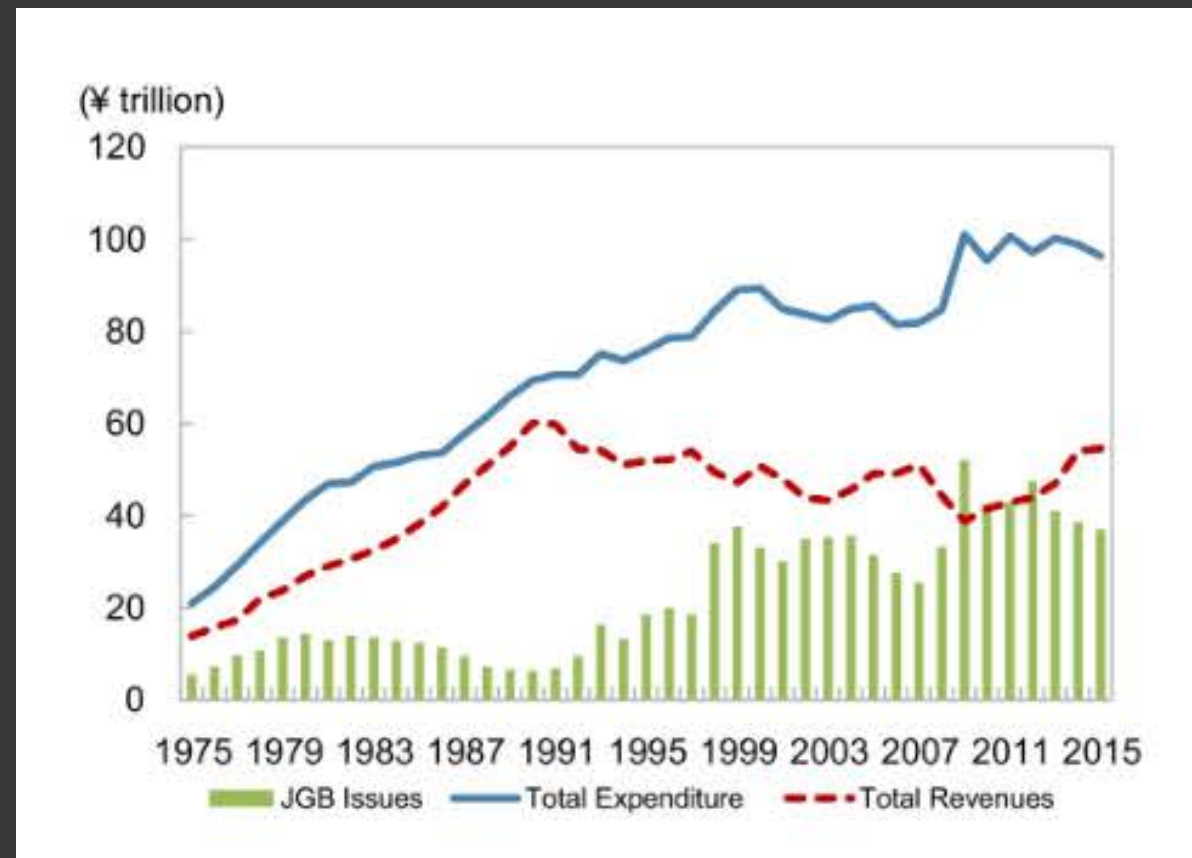


**BACKGROUND**

# THE IMPACT TOWARD ECONOMY

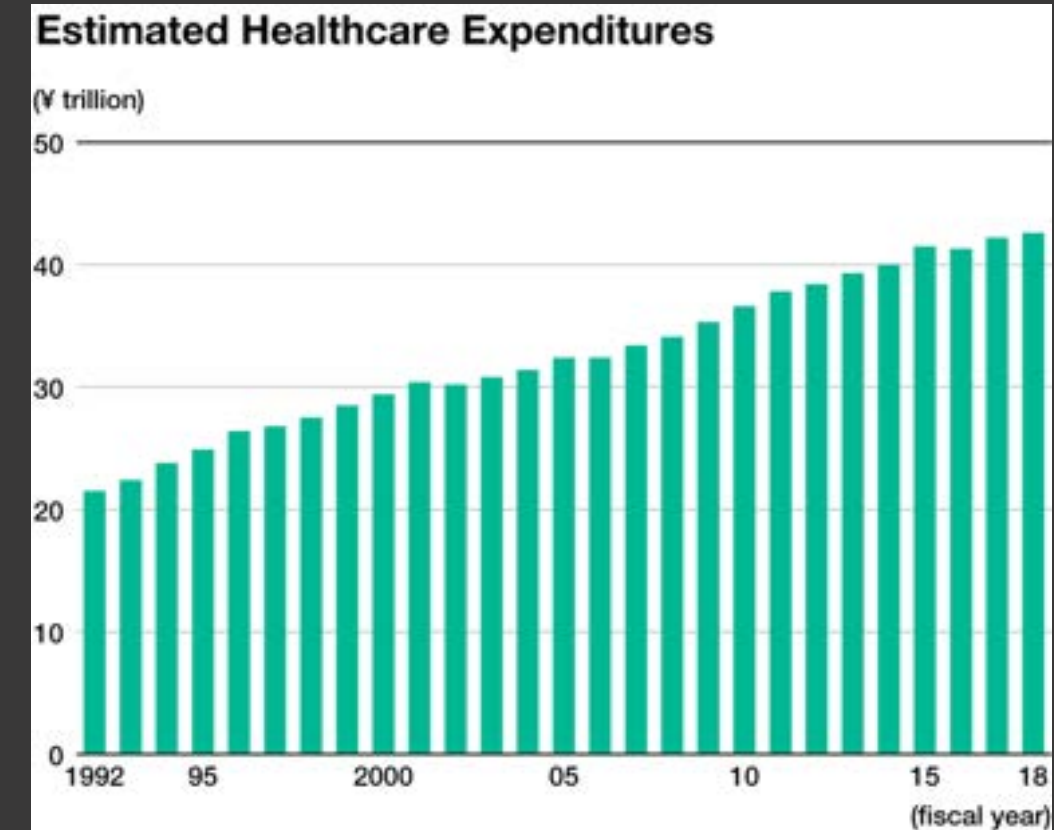
The consequences of population aging are severe and extensive. For an economy like Japan, the arrival is long overdue, as indicated by a decreasing fiscal balance, changing saving and investing patterns, and a labor supply crisis that resulted in lower productivity and slower economic development.

## IMPACT TOWARD ECONOMY



Population aging reduces long-term output and consumption as total labor supply declines. Retirees receive pension benefits financed by taxes on workers and government bonds. With a fixed amount of benefits per retiree, aging raises taxes on workers, reducing their consumption through a negative wealth effect.

## IMPACT TOWARD INDUSTRY

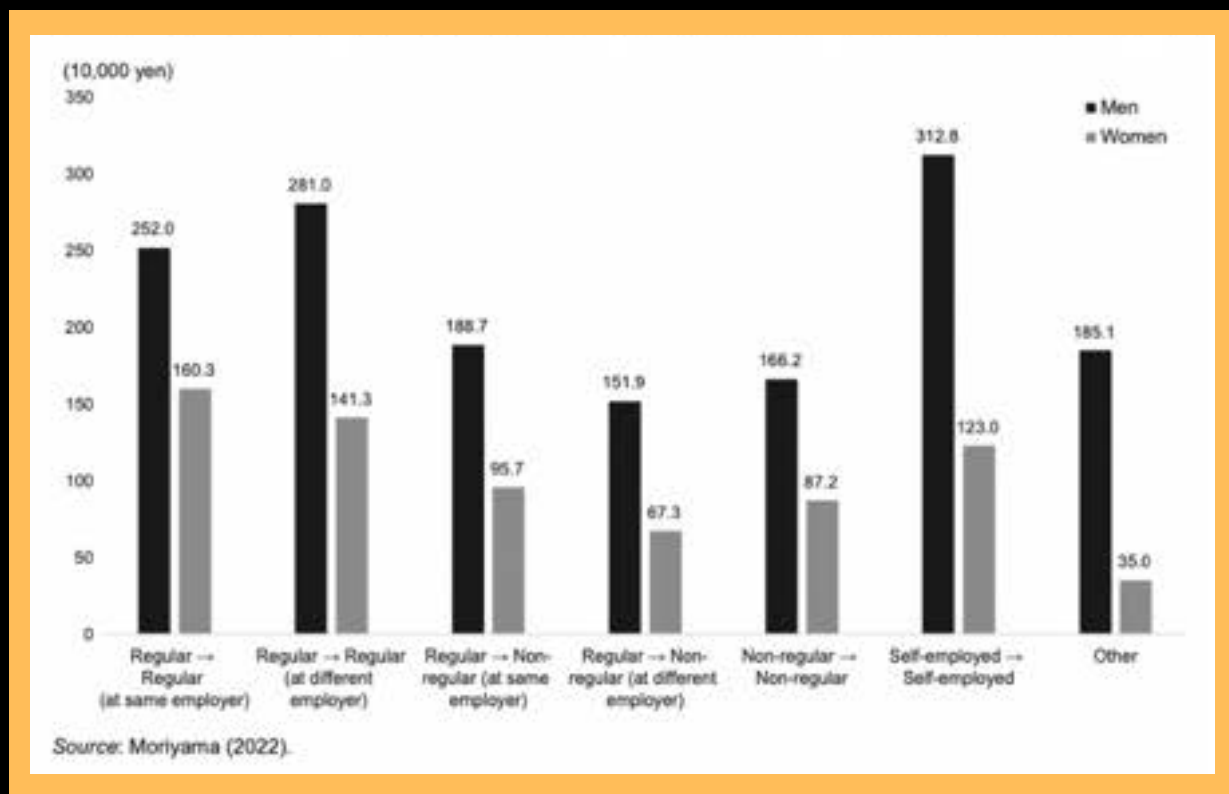


One of the primary industries that is affected by the aging population is healthcare. People are more likely to acquire chronic health problems as they get older, which necessitate ongoing medical care.

# KEY ISSUE

## OLDER WORKERS' ENGAGEMENT IN THE WORKFORCE

Raising of the pensionable age and the amendment of the law on Stabilization of Employment of Elderly Persons, employment and working until age 65 are now socially entrenched and advancing rapidly.



ESTIMATED EARNED INCOME AND GENDER AND CHANGE IN EMPLOYMENT STATUS AROUND AGE 60

### THE ISSUE OF ENTERPRISES' SYSTEMS

Maintain employment for older persons. Japan's employment policy is based on maintaining employment, especially of regular employees.

Another challenge is that of developing an external labor market so as to reduce unemployment and poverty among older workers and enable smooth labor mobility.



# KEY ISSUE

## LEAD TO DECREASING OF OUTPUT

Economists agree that demographic trends will stifle output growth and cap the rise in economic welfare.

Japan's demographics suggest that, compared to a baseline simulation with a steady population according to long-term simulations run by the IMF's world macroeconomic model (MULTIMOD).

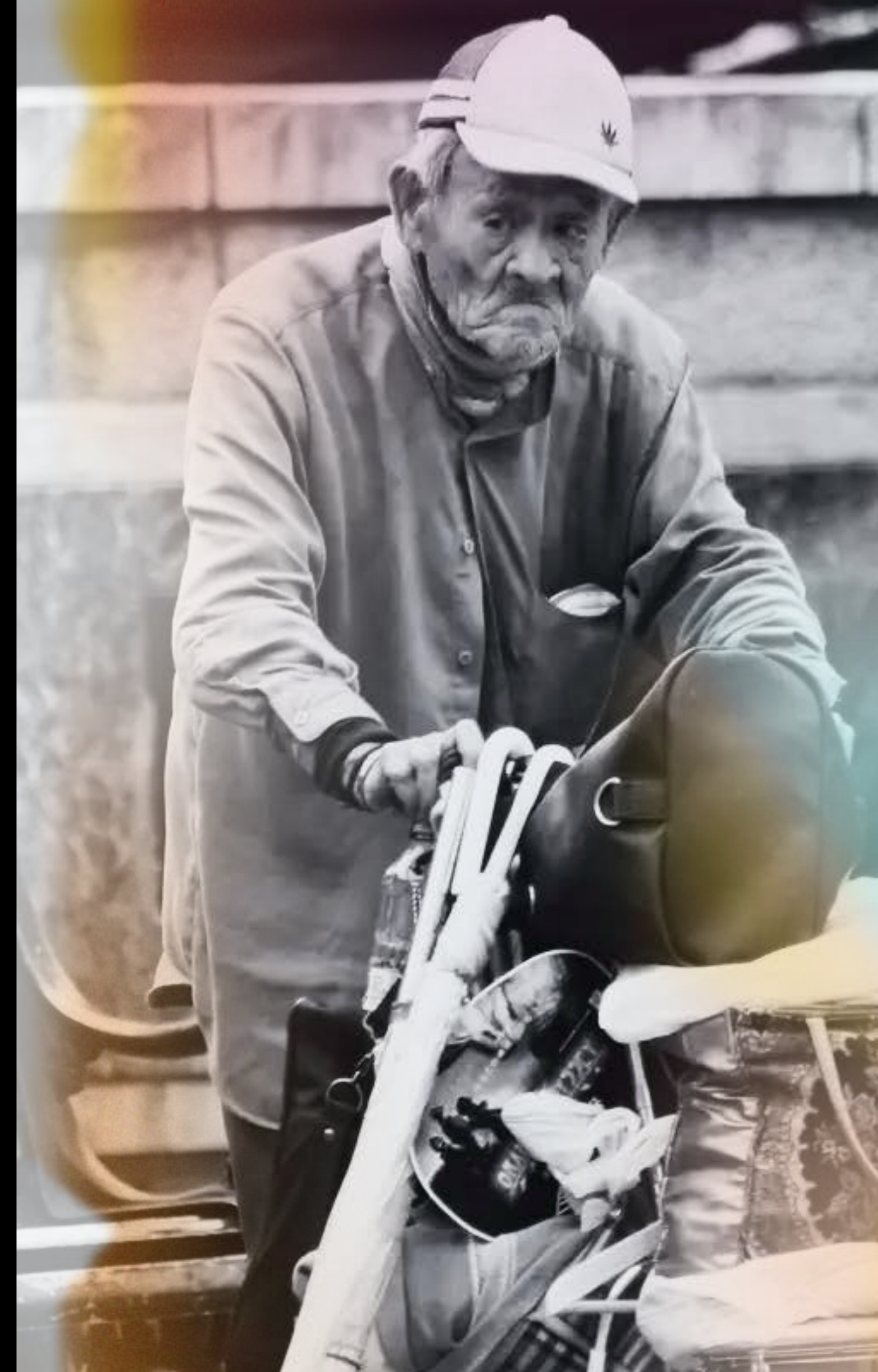
Real GDP will decline by a total

# 20%

over the next century

The decline in investment is due to a desire to reduce capital due to the economy's diminishing labor and production; yet, the rate of investment as a percentage of GDP has remained largely stable.

Although there are more old people, who tend to save less, the fall in the number of young individuals, who tend to consume more, and the lengthening of planning horizons due to increased lifespan all work to improve private saving rates.



# KEY ISSUE PENSION ISSUE IN JAPAN

The Total Fertility Rate (TFR)

1.26

In 2005 and there is little sign that it will stabilize or return to a higher level.

The number of the elderly  
(65 years and above)

25.8  
million

This will increase sharply, remaining around 36-39 million thereafter until around 2060.

Consequently the proportion of the elderly will go up very rapidly from 20.2 per cent in 2005 to 30 per cent by 2023, rising further to more than 40 percent by 2052.

In Japan, most of the social security benefits are currently distributed to the elderly. Along with the ailing domestic economy, the rapid population aging will certainly put increased stresses on the financing of social security.

In terms of the Ministry of Health, Labor and Welfare published the latest estimates of the cost of social security just after the health care reform.

According to these estimates, the aggregate cost of social security was 17.5 per cent of GDP in 2006 , expected to steadily increase to 19.0 per cent by 2025.



# GOVERNMENT POLICIES

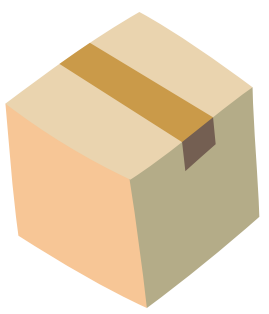
## Older workers' engagement in the workforce policy:

Japanese government has put in place rules to combat age discrimination and encourage older workers to stay in the workforce. Employees who attain the required retirement age of 60 must be offered reemployment chances under the legislation.



## Lead to decreasing of output policy:

A decreasing nation's output is one of the economic effects of an aging society. The labor force declines as the population ages, which can lead to a drop in the production of products and services.



## Pension issue in Japan Policy:

The Japanese government has put numerous policies in place to deal with this problem. Raising the retirement age from 60 years to 65 years is one such strategy that encourages older workers to continue working and contributing to the pension system.



## RECOMMEND ON POLICIES AND LEGISLATION

To overcome the labor gap, the government should encourage immigration.  
To assist immigrants in assimilating into Japanese society.



Government can offer financial incentives for births and lower living costs, particularly in areas.



(such as housing , healthcare , and education)

# CONCLUSION



Japan's aging society has had impact on its declining industry labor force, reduced productivity, and increased government spending



Not caused solely by the aging population, but also by social tensions in the country which have resulted in fewer people wanting to marry since they believe it is not essential to their well-being



To address the aging population , The Japanese have enacted numerous strategies including more immigration, raising the retirement age, and enhancing aged health care.

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THANK YOU

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