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Volume Title: The Economic Consequences of Demographic Change in East Asia, NBER-EASE Volume 19

Volume Author/Editor: Takatoshi Ito and Andrew Rose, editors

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-38685-6
ISBN13: 978-0-226-38685-0

Volume URL: http://www.nber.org/books/ito_08-2

Conference Date: June 19-21, 2008

Publication Date: August 2010

Chapter Title: Comment on "Japan's Unprecedented Aging and Changing Intergenerational Transfers"

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Chapter URL: http://www.nber.org/chapters/c8161

Chapter pages in book: (160 - 163)

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Comment Worawan Chandoevwit

The main objective of this chapter is to study the impact of population aging on both public and private intergenerational transfers in Japan in the last two decades. The highlights of the chapter are the last two sections relating to: (a) population aging, (b) intergeneration transfers, (c) two demographic dividends and changing pattern of lifecycle deficits, and (d) life cycle reallocations. The result from the last part is quite interesting.

This chapter systematically elaborates the facts about a rapid demographic transition, and changes of social security expenditure and family support. Generally, many of us know that Japan has already moved into aging population, but this chapter shows how it had evolved.

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The declining of total fertility rate (TFR) and mortality rate including a higher life expectancy are factors that resulted in a higher share of elderly and aging society. In the fifty-five-year period of 1950 to 2005, TFR declined from 3.6 to 1.3. Life expectancy at birth for both males and females increased approximately by twenty years. It would have been interesting if the chapter had estimated which factors between declining TFR and mortality rate had a stronger effect on a rapid increasing share of elderly.

It is quite well known that TFR in Japan is currently low—one of the lowest in the world. But, in fact, not many people know that the sharp reduction of TFR occurred between 1947 and 1957 (figure 4.2). In this decade TFR reduced from 4.5 to 2. This chapter should have mentioned what caused these substantial reductions. Was it because of the effectiveness of the abortion law in 1948 that made the number of births reduce by almost 500,000 in 1950? It was shown in a National Institute of Population and Social Security Research (IPSS) study (2006) that about 35 percent of married Japanese women experienced induced abortion in 1967. This chapter should have also mentioned why the TFR reduced from 2.2 to 1.6 in 1966 and then rebounded to 2.3 in 1967. What kind of shock decreased the number of births by 500,000 in only one year?

The first three parts of this chapter are the overview of Japanese demographic transition, public transfers, values of family support, and social security systems and the reforms. The authors generally emphasize the roles of universal pension and health insurance in 1961, Japan's structural reform in 1973, the bubble in mid-1980, and the lost decade in 1990s. These factors are raised to explain age structural shift of Japanese population and changes of family role on supporting elderly. The roles of pension and health insurance may be important, but sometimes are overemphasized. For example, the changes of expectation of Japanese married women to depend on their children for old-age security were remarkable from 1950 to 1960, before Japan had the universal pension (figure 4.5). In that ten-year period, the proportion of Japanese married women expecting to depend on their children for old-age security declined from 65 to 35 percent; or reduced by 30 percentage points. After 1961—or the first year of the universal pension—the proportion declined from 35 to 10 percent in 2005. It took forty-four years for the proportion to decline by 25 percentage points. It may be inaccurate to conclude that the change of expectation was from the public pension.

One of the upsides of this chapter is the use of survey data to explain Japanese behavior and attitude. Such surveys are not easy for nonJapanese to obtain, particularly for the long series of the survey results.

What is so serious for Japan is the population prospect. To prove this we can simply compare the share of elderly in the twenty-year period of 1985 to 2005, and 2005 to 2025. In 1985, the share of those aged above sixty-five was 10.3 and total dependency ratio was 46.7. In 2005, the share of those aged above sixty-five increased by 10 percentage points to 20.2, and total dependency ratio increased by 4 percentage points to 50.6. In 2025, the share

will increase by 11 percentage points to 31.0, and total dependency ratio will increase by 20 percentage points to 70. It will be hard for the working-age group to live in such a burden.

Some countries make policy responses by helping families cope with child care burdens. For example, mothers in France are flexible to work from home so that they can take care of their children while working. No mothers in Japan have such an option. In Japan, about half of employed married women work part-time, and about 75 percent of part-time workers are women. The Child Care and Family Care Leave Law (2005) does not guarantee that these workers will not be terminated from their jobs if they ask for child care leave. There are loopholes in the law that allow employers to do so (Hassett 2008). In addition, in January 2007, Japan's Health, Labor, and Welfare Minister stated that "The number of women aged between fifteen to fifty is fixed. Because the number of birth-giving machines and devices is fixed, all we can do is ask them to do their best per head" (McCurry 2007).

This chapter illustrates the first and second demographic dividends quite well. When fertility and mortality are falling, the changes of population age structure lead to an increase in the working ages relative to nonworking age group(s), and the first demographic dividend. Japan experienced the first demographic dividend in 1945 to mid-1990. When the first demographic dividend was moving close to zero between 1975 and 1980, the second demographic dividend was moving into the positive zone. Figures 4.8 and 4.9 show that the period between 2005 and 2025 is not a good time for Japanese.

Elderly in Japan do accumulate wealth as the source of support for their consumption. Such action could have a positive effect on growth. However, one should also consider the distribution of wealth that has been ignored. This chapter emphasizes the role of second dividend as it states that "A key point is that in countries that rely on transfers, both public and familial, in meeting the retirement needs of the elderly, the second demographic dividend will not emerge. . . . The second dividend is affected not only by the numbers of the elderly persons relative to younger persons, but also by the extent to which consumers and policy makers are forward-looking and respond effectively to the demographic changes that are anticipated in the years ahead" (p. 146). In developing countries where the distribution of wealth and income are unequal, the policy promoting individual wealth accumulation for retirement only may end up with a large pool of poor elderly who were unable to save or accumulate wealth.

Wealth accumulation in the form of real and financial assets cannot be done without risks. Wealth accumulation in the form of land has become less popular among the elderly. It could be because their prices have gone too high. It might be because they know that population is declining, which should not make an upward trend for the demand for land as it has in the past when population was growing. Providing information about financial

market risks and how to manage them may help people to make decisions about their wealth management. Life-time saving just to find that only half is remaining at the retirement age is painful. The chapter also mentions that 71 percent of population aged twenty and over have no knowledge about investment in equities and bonds and 57 percent have no knowledge about financial products.

Contemporary young Japanese are, in general, not happy with being in an aging society. However, the last part of the chapter shows a positive impact of elderly on younger generation. People in early retirement (sixty to seventy-five years old) actually make net intrafamily transfers to other age groups (figure 4.13). Their large portions of consumption are from labor income and income from assets (figure 4.15).

Why do older people decide to make a transfer to their offspring, knowing that pension benefits would fall short of their living expenses from age sixty? It could be altruism or intrafamily old age insurance. Once they retire, they live in a quiet and lonely environment. Any accident could happen easily to an elderly person at home. If they live with their children, those incidents will be mitigated. Should they live alone, they have to make some contribution in exchange of the visits from their children and grandchildren. The visits have some cost. Transfers from the elderly, therefore, could be a reward for their tender-loving care to their parents.

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Comment Alejandro N. Herrin

While providing an interesting account of Japan's experiences in population aging, the chapter also provides insights for analyzing policy issues related to economic-demographic and social changes in developing countries currently undergoing age structure change of varying timing and speed, and at varying stage of socioeconomic development. I focus my comments on these insights for developing countries.

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