

Reconsideration of Japan's Working-age Population

The total population of Japan announced by the Ministry of Internal Affairs and Communications was 123.79 million as of October 1, 2024 (provisional estimate), a decline of 0.45% (0.56 million) from October the previous year (confirmed figure). The main cause of the decline was the decrease in the number of births among Japanese people, and there has been no end to the decrease following the Covid-19 pandemic. If the present trend continues, the number of births in 2024 will likely drop below 700,000. In that case, the number of births will have declined by as much as around 30% in eight years since falling below one million in 2016. The total fertility rate (the estimated number of children a woman will bear during her lifetime), which declined to 1.20 in 2023, is expected to decline further.

The projection based on the medium-fertility scenario of the National Institute of Population and Social Security Research's April 2023 *Population Projections for Japan* projected a total fertility rate for 2023 of 1.23, which itself is nearly the same as the actual figure, but this projection made the unrealistic assumption that the rate will rise to 1.32 in 2030. Meanwhile, under the low-fertility scenario, the total fertility rate is projected to decline to 1.12 in 2024 and subsequently remain between 1.10 and 1.15. Even considering that declining birthrate countermeasures of a different dimension are being implemented, looking at the present situation, it is more appropriate to adopt the projection based on the low-fertility scenario rather than the medium-fertility scenario as an assumption for future economic activities.

Looking at the projection based on the low-fertility, medium-mortality scenario (see Table), the decline of the total population will accelerate from now and the population will decrease to 80.24 million in 2070, which is less than two-thirds of the present figure (35.87 million in 2120). Looking at the composition by

age, the percentage of the population age 14 and younger is projected to decline from 11.2% to 7.1% while the percentage of the population age 75 and older is projected to increase from 16.8% to 27.2%. Moreover, the percentage of the working-age population (age 15–64) is projected to decrease from 59.5% to 50.9%. It is often said that this is a structure whereby the number of workers declines while the segment that receives benefits such as pensions, nursing care, and medical care balloons, but perhaps this perspective should be slightly reconsidered.

Specifically, it may be appropriate to reexamine the positioning of persons age 65 and older. As of 2023, the employment rate reached 52% for those age 65–69, 34% for those age 70–74, and 11% for those age 75 and older. Consequently, excluding all of these segments from the working-age population does not reflect the actual situation. If half of those age 65–59, one-third of those age 70–74, and 10% of those age 75 and older are added to the working-age population, after revision, the percentage of the working age-population would be 66.4% at present and 59.8% in 2070, which is at the same level as the present percentage of 59.5% (see Table). Even if the definition is not officially revised, by highlighting employment in segments 65 and older, it may be possible to devise measures to mitigate the decline in human resources accompanying the declining birthrate.

The employment rate of Japanese age 65 and older is high internationally, and some have noted that it may be difficult to increase this still further, but considering that the healthy life expectancy (the average number of years a person can expect to live without restrictions to everyday life) in Japan was 75.38 years for women and 72.68 years for men in 2019, both increasing by around three years from 2001, a corresponding increase in the employment rate can be expected in the

future as well. Also, the fact that the abilities of persons 65 and older who are healthy and desire to work are not being fully utilized has also been noted as indicating room for growth. For example, there are cases where the treatment of employees is revised at age 60 and their employment format is changed from regular employees to non-regular employees with annual contract renewals or their salaries are uniformly reduced even if there are no big changes in their work contents. In fact, the percentage of regular employees age 65 and older is just 23%, excluding officers.

Only around 30% of companies have implemented measures based on the government's request (obligation to make efforts) to guarantee employment through age 70. For persons 65 and older to be fully engaged,

the first steps are to rectify this and to revise the pension system for elderly employees, which is said to inhibit pension recipients from working because their pension amounts decline when they earn wages beyond a certain amount. And the most important thing is to change the generalization that all people who reach a certain age are "elderly." Developing an environment where persons 65 and older can flexibly choose various workplaces and workstyles depending on their situation will be the touchstone for workstyle reform under the labor shortage. If the workstyle of those 65 and older can be greatly changed, the systems response of increasing the year from which pensions are paid, which would contribute to advancing inter-generational equity, may also come into view.

Table: Trend in Population of Japan by Age Group under the Projection Based on Low-fertility Scenario (Percentage of the Total Population)

(Unit : %)

	2024 provisional estimate	2024 estimate	2030 estimate	2040 estimate	2050 estimate	2060 estimate	2070 estimate
Total population (million persons)	123.79	123.52	119.18	110.68	101.21	91.12	80.24
0-14	11.2	11.0	9.6	8.7	8.4	7.6	7.1
15-64 (working -age population)	59.5	59.5	59.4	55.8	53.1	52.4	50.9
65-69	5.9	5.9	6.3	8.3	6.9	6.6	7.4
70-74	6.6	6.7	5.7	7.1	7.5	6.6	7.4
75 and older	16.8	17.0	19.0	20.1	24.0	26.7	27.2
Working-age population after revision	66.4	66.3	66.3	64.3	61.5	60.6	59.8

Note: Data as of October 1 each year.

The working-age population after revision adds half of persons age 65-59, one-third of those age 70-74, and 10% of those age 75 and older.

Source: *Population Projections for Japan* by the National Institute of Population and Social Security Research, *Population Estimates* and *Labour Force Survey* by Ministry of Internal Affairs and Communication