

CHAPTER 5

AN AGEING SOCIETY

An ageing, shrinking and increasingly urban population

5.1 Many economists argue Japan's current economic difficulties are demographic at heart. By 2020, one in four Japanese is expected to be over 65. According to the latest census, 17.7 per cent of Japanese—22.3 out of 126.3 million people—are over 65, while only 14.5 per cent—18.5 million—are under 15. While Italy and Sweden have slightly older populations, both have higher birth rates and more immigration. Funding the swelling ranks of the elderly with a shrinking worker base is a pressing issue. In fiscal year 2000, social welfare programs amounted to 78 trillion yen (\$A1.2 trillion). Over the next 25 years, the government estimates that will grow to 207 trillion yen. Medical spending rose nearly 4 per cent in 2000 to a record 30.93 trillion yen, and it is one of the few growing sectors in Japan's economy. People 70 or older spent 12.09 trillion yen, 39 per cent of the total medical spending; people 65 or older accounted for 50 per cent. Individual spending by those 70 or older reached 850,000 yen; for those 69 and younger, it was 167,500 yen.¹

5.2 The Ministry of Health and Welfare announced in June 2000 that the number of babies born in 1999 (1,177,663) was the lowest since figures were first recorded in 1898: this brought the fertility rate down to 1.34, compared to 2.0 in the US, 1.8 in Australia and 1.7 in the United Kingdom. This development, coupled with a rise in life expectancy, has meant that the average age of the population is rising rapidly. While this trend is evident in many OECD countries, it is happening at a faster rate in Japan. From 1970 to 1997, for example, the percentage of Japanese over 65 rose from 7.1 to 15.7, a rate of change which took around 100 years in Western Europe.

5.3 This development has important economic implications. Since the size of the labour force will decline after 2000 and the ranks of the retired will grow, government payments for pensions, health care and welfare will rise. The strain on the social fabric this will cause is being exacerbated by a breakdown in the pattern of the extended family, which in the past could be relied on to provide much of the care of the aged. The government estimates that social security outlays (including pensions) as a proportion of GDP will rise from 18.4 per cent in 1994/95 to more than 20 per cent by 2000 and to around

1 Andrew Cornell, 'Japan's aged adding up to a big economic problem', *The Australian Financial Review*, 9 July 2001; 'Population increases despite record-low births', *The Japan Times*, 11 August 2001

30 per cent by 2025, even on the optimistic assumption that fertility rises to 1.8.²

5.4 The issue of the ageing population has been under extensive discussion in Japan.³ As a result, a number of policy options are being considered, including ways of adapting employment patterns to reduce the costs of bringing up children, encouraging more employment opportunities for older people and reforming the public pension system. Major efforts have also been made to improve support for the care of elderly people, although the responsibility for these roles continues to fall disproportionately on women.⁴

5.5 The issue of ageing is clearly not one that can be easily addressed. In other industrialised countries, the pattern of falling birth rates which often follow urbanisation and rising living standards has been accompanied by immigration of new and younger people, who can be accepted as new citizens. In Japan, however, the highly homogeneous nature of society has hitherto ruled out this policy option. For example, Japan has not welcomed as citizens the Korean community (numbering nearly a million), most of whom are descendants of workers brought to Japan during the time of colonial rule. Japan's Korean minority do not have the right to vote and must carry identity cards which are not required for ordinary Japanese. Japan's homogeneity—which has often been seen as a source of strength in the past—may now be another constraint on the capacity of its society and economy to adapt and change.⁵

5.6 Japan's demographic profile is distinguished by two interrelated factors: the Japanese have the greatest life expectancy and the lowest birth rates in the world.⁶ The Japanese population is ageing at a very fast rate: in 1961, just over 6 per cent were over 65; by 1990, this had risen to 12 per cent, and by 2040 it is expected to be 31 per cent.⁷ According to the Ministry of Health and Welfare, estimates as of January 1997 showed that Japan's population would peak in 2007 at 127.78 million (from 125.57 million in 1997) and thereafter decline to 100.50 million by 2050. By 1997, the population of ages of 65 and

2 Economist Intelligence Unit, Country Profile 1998/99, p. 27

3 Naohiro Yashiro, 'Japan's Declining and Ageing Population', *Japan Review of International Affairs*, 14, 2, Summer 2000, pp. 144-158

4 Kathryn Tolbert, 'An ageing Japan adapts; programs aim to reconcile tradition, needs of growing elderly population', *The Washington Post*, 3 July 2000

5 Murray Sayle, 'Japanese parable for One Nation', *The Sydney Morning Herald*, 31 December 1998

6 Mark Simkin, 'Japan: Tokyo Woes', *Late Line*, 1 April 1998, p. 2; Mr Graeme Hope, *Committee Hansard*, 21 June 1999, p. xx; Department of Foreign Affairs and Trade, *A New Japan?*, notes that in 1995 life expectancy was at 77 years for men and 83 years for women, p. 28, while the total fertility rate for Japanese women was 1.4 children, p. 30

7 Professor Tessa Morris-Suzuki, submission no. 3, p. 4

older exceeded that of ages under 15 years. Based on January 1997 estimates, the population of ages of 65 and older was:

1995—18.28 million (14.6 per cent);
 2025—33.12 million (27.4 per cent);
 2050—32.45 million (32.3 per cent).

By contrast, the population under 15 years old was:

1995—20.03 million (16.0 per cent);
 2025—15.82 million (13.1 per cent);
 2050—13.14 million (13.1 per cent).⁸

5.7 In comparison, the proportion in Australia of population 65 and over in 1994 was around 12 per cent and was expected to be around 23 per cent by 2051.⁹

5.8 The second issue of interest in Japanese social policy developments is a declining birth rate. In 1947, the fertility rate was about 4.5 per cent; until the mid seventies, it was about two per cent; and by 1998, it was about 1.4 per cent. The live birth rate has continued to show a sharp declining trend. In 1996, it recorded a total fertility rate of 1.43 per cent, a level significantly lower than that required to maintain the present level of population in the future. Factors that influenced this decline included: the breakdown of extended family life;¹⁰ the increasing expense of living and education costs; the hardship of marital life for working women (husbands took little responsibility for housework or childcare); and the lack of external childcare or other support facilities.¹¹ Many Japanese women were not marrying, or marrying later and having fewer or no children.¹² Ms Jill Miller stated in her evidence to the Committee:

Japan now leads the world in terms of longevity. The average life expectancy for Japanese women and men is 83 years and 77 years respectively. The aged, who make up around 14 per cent of the population, account for 35 per cent of medical costs. At the moment, four workers support one aged pensioner but by around 2025 the ratio is expected to stand at about two to one, a result not only of greater longevity, but also of lower birth rates. It would seem that

8 Department of Foreign Affairs and Trade, submission no. 32, pp. 61–3

9 Mr Graeme Hope, *Committee Hansard*, 21 June 1999, p. 745

10 60 per cent of Japanese households are nuclear. Department of Foreign Affairs and Trade, *A New Japan?*, p. 31

11 See *About Japan Series' 1996: Japanese Women Yesterday and Today*, Foreign Press Centre, Japan 1996

12 In 1994 women's average marriage age was 26.1, compared with 23.8 in 1955. The percentage of single women in their thirties doubled between 1975 and 1990, *Japan Swings*, p. 233. Department of Foreign Affairs and Trade, *ibid*, quotes projections that 14 per cent of women born in 1980 will never marry, p. 30

rises in pension premiums and declines in benefits are inevitable. The younger generation feel there will be no pensions for them when they reach retirement, even though they are now having to contribute toward them. The Ministry of Health and Welfare wants to continue the policy of having those who work support the elderly who cannot.¹³

5.9 A decrease in the working age population until the middle of the century means that Japan will face a rate of one elderly person to be supported by 2.5 productive adults,¹⁴ or 43 per cent of the population to support the remaining 57 per cent, the retired and children.¹⁵ In addition, the future ratio of workers to pensioners in Japan will be reduced to approximately half the present level. Currently, each elderly person in Japan is supported by slightly fewer than five working age persons. By the year 2015, Japan will have approximately 2.5 persons to support each elderly person.¹⁶

5.10 The total fertility rate had fallen to 1.34 children per woman by 1999, breaking the record low of 1.38 set in 1998, according to the Health and Welfare Ministry. Subtracting the number of deaths from births, Japan experienced its lowest recorded natural increase in population in 1999.¹⁷ Among the reasons for this was concentration of the population in urban areas, where real estate was limited and expensive. A three-bedroom detached or even semi-detached house was not within the reach of an average middle-class Tokyo family. Despite the crash in real estate prices in the early 1990s, families generally lived in small rented apartments, or they owned small condominiums. The rate of owner-occupier houses in 1988 on a national level was 61 per cent, and this dropped to 59 per cent in 1993; in the urban areas—such as Tokyo, Osaka and Nagoya—it was only 51 per cent.¹⁸ A high percentage of the older generation did own their houses but the oncoming generations would have a lower level of home ownership, because they had lived through periods when it had been much more expensive to buy homes.¹⁹ One solution to this was two-generation mortgages, to be passed on from parents to their children to pay off.²⁰

13 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 587

14 Dr Yasuo Takao, submission no. 28A, pp. 6–7

15 Department of Foreign Affairs and Trade, *A New Japan?*, p. 29

16 Mr Graeme Hope, *Committee Hansard*, 21 June 1999, p. 245

17 Health and Welfare Ministry data, quoted in 'Birthrate drops to record low', *The Japan Times*, 30 June 2000

18 Dr Carolyn Stevens, *Committee Hansard*, 17 May 1999, p. 571

19 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 590

20 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 592

5.11 Another reason for fewer children was the high cost of education at the primary, secondary and extracurricular levels, caused by competition to enter the best universities.²¹ The cost of educating a child was prohibitively expensive and most parents felt they could bring up no more than one child. The younger generation faced the dilemma of having children from a one child family marrying children from another one child family, who would then have two sets of parents and four sets of grandparents to look after.²² This had ramifications for the way in which parents and grandparents were cared for as they aged.

5.12 In 1994, the Ministry of Health and Welfare established a plan in reaction to the dropping fertility rate, the Angel Prelude Plan. Women who had more than one child were offered compensation, such as monthly cash payments. The plan was not successful in reversing the trend to fewer children.²³

5.13 In January 2001, Prime Minister Yoshiro Mori announced the setting up of a panel to look at ways to support child-rearing by working women in a bid to arrest the declining birthrate. He instructed officials to start considering the creation of the panel under the Council for Gender Equality, which was to be created within the Cabinet Office and charged with drawing up basic policies to promote social equality for women. ‘The drop in the number of children is a concern for Japan’s future’, Mori told a news conference marking New Year’s Day. ‘We plan to compile and carry out measures at an early date to support people who work and rear children’. The Prime Minister directed the panel to consider matters including childbirth allowances and longer maternity leave in an effort to create an environment in which working women could marry and have babies without financial and career problems.²⁴

5.14 As a consequence of its shrinking workforce, it is feared Japan will not have the tax base to support an increasing social security burden, so prompting the government to consider controversial private insurance measures.²⁵ Dr Stevens told the Committee: ‘Japanese officials fear that the shrinking economy will result in fewer workers paying fewer taxes to support its ageing population’.²⁶

21 Dr Carolyn Stevens, *Committee Hansard*, 17 May 1999, p. 571

22 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 580

23 Dr Carolyn Stevens, *Committee Hansard*, 17 May 1999, p. 571

24 ‘New panel to consider ways to foster child-rearing by women who work’, *The Japan Times*, 4 January 2001

25 See Tatsuya Anzai, ‘For and Against Public Care Insurance for the Elderly’ in *What is Needed for a Rapidly Aging Society*, Foreign Press Centre, Japan, 1997, pp. 7–18

26 Dr Carolyn Stevens, *Committee Hansard*, 17 May 1999, p. 571

5.15 The large number of older people is predicted to force a change in Japanese employment practices.²⁷ At the same time, the social skewing of Japanese society by the elderly will likely make it more conservative and so less susceptible to change.²⁸ Awareness of ageing, coupled with greater insecurity caused by the current recession has already, for example, played a role in restraining Japanese consumption; ensuring saving levels are high.²⁹ High savings will be needed to help society cope with the number of aged; on the other, it will prevent the Japanese economy from growing if consumption reduces with the population.³⁰ Professor Goto told the Committee:

A rapidly ageing population reduces the number in the work force and probably will reduce the savings ratio. Two fundamental factors of production, labour and capital, will decrease or increase at a slower rate. This means a slower rate of increase of GDP or a lower potential rate of economic growth. In the years 2000–2025, the number of work force would be smaller by six million compared to the current level. The savings ratio is also expected to go down with the ageing population. These predictions mean a slower rate of economic growth or GDP, or a lower potential rate of economic growth, if productivity does not increase faster.³¹

5.16 A related demographic feature is the increasing urbanisation of young Japanese, with the majority of those under 30 living in urban environments.³² This factor is of significance for future development. Japan's influential farm sector is ageing, with half Japanese farmers being over 60 years of age. The younger generation now move to cities and to professional occupations, with only 1600 entering full-time employment on farms in 1994. The agriculture sector, and farmers' power, is thus predicted to decline over the next few decades.³³ Mr Bazley, of the Ricegrowers Cooperative Ltd, stated:

the farming population is ageing quite rapidly. I believe that the average age is over at least 65 and heading towards 70 now. Ultimately, there will come a crunch time and there will be a need for radical change within the rice growing industry within Japan.³⁴

27 Dr Yasuo Takao, submission no. 28A, p. 3

28 Dr Yasuo Takao, submission no. 28A, p. 3; Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 596

29 'Japan: Tokyo Woes', *Lateline*, 1 April 1998, passim

30 Dr Arun Krishnan, *Committee Hansard*, 24 February 1999, p. 89

31 Professor Akira Goto, *Committee Hansard*, 23 August 1999, p. 777

32 Department of Foreign Affairs and Trade, *A New Japan?*, p. 28

33 Queensland Government, submission no. 18, p. 18

34 Mr Milton Bazley, *Committee Hansard*, 17 May 1999, p. 539

5.17 Dr Aurelia George Mulgan said that the ageing of the population in rural areas was progressing much faster than in urban areas. In 2010, almost one third of Japan's rural population will be 65 years or older. The number of persons engaged in farming as an exclusive or principal occupation in 1998 was about one quarter of what it was more than three decades previously, falling from 12.7 million in 1960 to 5.1 million in 1980 and 3.3 million in 1995.³⁵ As a proportion of the total workforce, those employed in agriculture have fallen from 28.7 per cent of the total in 1960 to 9.1 per cent in 1980 and 5.1 per cent in 1995. If all part-time farmers, including those who are mainly employed in non-agricultural occupations are included in the figures, the agricultural workforce roughly doubles, and while the dominant trend is still one of decline, the rate of change is slower. The number of persons engaged in farming either full-time or part-time fell from 17.7 million in 1960 to 12.5 million in 1980 and 7.1 million in 1996.³⁶ If current trends continue, Japan's farming population will be halved in 15 years.³⁷

5.18 The desertion of rural and regional areas by the young has promoted the prevalence of the nuclear family. With older people staying on and a new urban preference for independence, 60 per cent of Japanese households are now bi-generational.³⁸ The incidence of single parent families is also growing, up 50 per cent since 1970. Japan's divorce rate is now roughly half the Australian rate at 1.7 divorces per 1000 people.³⁹ Although the traditional family unit has not broken down to the extent that it has in Western society, there are obvious trends. The rate of divorce is at a record high, partly exacerbated by the trend towards urban living. In the larger cities, such as Tokyo and Osaka, it is difficult to afford a dwelling that is big enough to accommodate an extended family. A recently emerging trend has been a reluctance amongst younger Japanese to get married at all.⁴⁰ The government is not so much concerned about the extended family as the declining birth rate, but attempts to encourage

35 These figures are based on the Labour Force Survey done by the Statistics Bureau of the MCA (Management and Coordination Agency of the Prime Minister's Office). Given the prevalence of part-time farming in Japan (and particularly of part-time farm households where the bulk of income is earned off the land), these labour surveys tend to undervalue the importance of farming as an occupational category. When a person has two or more occupations, only the occupation in which he/she spends the greater number of hours is taken into account. (Dr Aurelia George Mulgan, submission no. 20, p. 66)

36 This is the official category of 'persons engaged in own-farming' (*jiei nogyo jujisha*), which refers to farm household members over 16 years of age who are engaged in their own household's agricultural production activities, no matter how limited that engagement is. The 1996 figure covers only those employed, either full- or part-time, in 'commercial farm households'. From 1991 onwards, the MAFF farm household employment census only covered commercial farm households (Dr Aurelia George Mulgan, submission no. 20, p. 66)

37 *Nikkei Weekly*, 17 November 1997

38 Department of Foreign Affairs and Trade, *A New Japan?*, p. 31

39 Department of Foreign Affairs and Trade, *A New Japan?*, p. 31

40 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 590

women to have more children have not been successful, partly because of unsatisfactory child-care arrangements.⁴¹

5.19 Professor Patricia Boling of Purdue University (Indiana) has written that the Japanese Government will probably continue to pursue a policy of reinforcing stable conjugal and stem families and doing little to alleviate role stress for working mothers. But it is also possible, according to Professor Boling, that Japan will decide that it is important to encourage women to have babies *and* work in responsible, life-long jobs as the population ages and the number of men available to work in demanding full-time jobs dwindles. What will be needed then are serious family support policies that will make child rearing and elder care less onerous. These might include a generously funded 'Angel Plan', a paid parental leave law with teeth, career tracks that permit sane schedules and do away with mandatory transfers for men and women, and increased funding for respite care and day and residential facilities for the aged. They might also include ways to alleviate the currently obsessive concern over examinations preparation and admission to top universities, perhaps by making more space for students to matriculate at the public universities.⁴²

5.20 A large scale immigration program as one way to solve Japan's declining population is not under active consideration at the official policy level.⁴³ Almost half those polled in a survey conducted for the Cabinet Office in November 2000 were against having illegal foreign workers in the country and thought they should be forcibly deported.⁴⁴ There is recognition in some quarters of the desirability of some level of immigration. For example, Yotaro Kobayashi, Chairman of the Japan Association of Corporate Executives (Keizai Doyukai), has said that foreign workers will help Japanese companies to not only make up for a future labour shortage but help create a more diverse and dynamic corporate environment in the current trend of globalisation: 'For now,

41 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 590

42 Patricia Boling, 'Family Policy in Japan', *Journal of Social Policy*, vol. 27, no. 2, April 1998, pp. 173–90. In Singapore, where the birth rate has fallen to 1.5, the government's Working Committee on Marriage and Procreation has developed monetary and workplace incentives that went into effect in April 2001, to encourage people to have children. Under the Baby Bonus Scheme, couples who have second and third children are offered cash, maternity leave has been extended and government workers have been made eligible for a brief paternity leave. The Government is also experimenting with flexible working hours to make child rearing easier, and offering young couples special deals on flat rentals ('Singapore gets really serious—about sex', *The New York Times*, 22 April 2001)

43 Department of Foreign Affairs and Trade, submission no. 32, pp. 61–3; Dr Carolyn Stevens, *Committee Hansard*, 17 May 1999, p. 572; Dr George Mulgan, *Committee Hansard*, 28 May 1999, p. 682

44 'Illegal foreign workers should be deported, survey says', *The Japan Times*, 4 February 2001

foreign workers (both skilled and manual) are necessary mainly to secure a labor force, considering the dwindling overall population', he said.⁴⁵

5.21 Faced with a dwindling youth population and difficulty in securing computer experts at home to keep pace with the global IT revolution, the Japanese Government announced a plan in November 2000 to recruit 30,000 skilled IT engineers and researchers from overseas by 2005, following Prime Minister Yoshiro Mori's earlier agreements with his Indian and Chinese counterparts to increase the number of visas granted to Indians and Chinese engaged in IT businesses.⁴⁶

Care of the aged

5.22 It has been more common for older people in Japan to live with their own children or other members of their family. In the mid-1980s, about 70 per cent of older people in Japan were living with their children or other family members, compared to about seven per cent in Australia.⁴⁷ The Committee was told by Dr Stevens that, in a Ministry of Health and Welfare study, it was predicted that, by 2025, the number of people requiring long-term care would triple. Therefore, long-term care for bedridden and senile elderly people would become a critical issue in Japan.⁴⁸ Traditionally it was the housewife-mother who looked after the husband's aged parents, at great personal cost to herself and to her emotional and physical life. Now, as women want and need to work for income reasons, they do not want to be put in those roles. There are not enough public facilities in place to look after the ageing population.⁴⁹ are pressures on the Japanese Government to take initiatives which will increase the level of support going towards care, including intensive care, of the aged. In the pension area, there is an increasing realisation on the part of the government that, to provide levels of support and assistance, there is going to be an increasing call on the general budgetary resources of the government whereas, historically, those may have been areas where individuals had made arrangements for themselves, or their arrangements had been carried out by their families.⁵⁰

5.23 The Japan Medical Association Research Institute claimed in February 2001 that the ageing population would cause the medical and nursing-care

45 Tetsushi Kajimoto, 'Merit seen in gradual opening of Japan to overseas workers', *The Japan Times*, 1 January 2001

46 Tetsushi Kajimoto, 'Foreign workforce movin' on up: Dearth of IT workers prompts Third World recruiting efforts', *The Japan Times*, 1 January 2001

47 Dr Peter Whiteford, *Committee Hansard*, 21 June 1999, p. 747

48 Dr Carolyn Stevens, *Committee Hansard*, 17 May 1999, p. 570

49 Dr Wendy Smith, *Committee Hansard*, 17 May 1999, p. 568

50 Mr Graeme Hope, *Committee Hansard*, 21 June 1999, p. 748

sector to help generate about one quarter of Japan's gross domestic product in 2015. The rise in medical and nursing-care services would contribute to expanding production activities, employment and tax revenue, leading to a ripple effect amounting to 162.6 trillion yen in 2015—roughly 24 per cent of Japan's estimated 677 trillion yen GDP for the year. The Institute said that growth in the sector would also boost jobs in pharmaceuticals, real estate, financial services and power utilities.⁵¹

Japanese Government policies

5.24 Demographic trends have combined with a low real economic growth rate to create a rise in the ratio of social security expenditure to national income. In 1994, it reached some 60 trillion yen, reflecting an increase in the number of pension recipients and patients and in the need for care and/or child rearing services.⁵² Future payment of pensions is a major policy dilemma. Outlays for public pensions as a percentage of GDP in 1994 prices are projected to rise from nearly seven per cent in 1995 to almost 13 per cent in 2020. By way of comparison, for Australia, outlays moved from just over two per cent in 1995 to a projected rise to around three per cent in 2020.⁵³ All Japanese citizens receive a basic national pension, which averages 45,000 yen a month, and most receive more under other schemes. A revised National Pension Law passed in March 1999 froze a planned premium increase in that fiscal year.⁵⁴ Ms Miller explained:

The government is seeking economic and socially viable ways to manage problems created by a steep rise in the numbers of elderly and a corresponding decline in the working population.⁵⁵

5.25 The Japanese Government has identified the need for appropriate policies for handling the rapid ageing of society as its biggest administrative challenge.⁵⁶ Reform of Japan's social security system was one of the six key reforms announced by Prime Minister Ryutaro Hashimoto in 1996.⁵⁷ Having recognised the need for comprehensive reform of the social security system to take account of these changes, the guiding principles to reform according to the Japanese Government were:

51 'Care for elderly to generate 24% of GDP by 2015', *The Japan Times*, 15 February 2001

52 Department of Foreign Affairs and Trade, submission no. 32, pp. 61–3

53 Mr Graeme Hope, *Committee Hansard*, 21 June 1999, p. 747

54 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 588

55 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 587

56 Dr Carolyn Stevens, *Committee Hansard*, 17 May 1999, p. 752

57 Department of Foreign Affairs and Trade, submission no. 32, pp. 61–3

- reorganisation of the social security system to contain the budget burden to 50 per cent or less in the peak ageing of the society. (The current burden of the employees pension system on government contributions was just under 40 per cent);
- an emphasis to be placed on the delivery of services centring on in-home care services; and
- promotion of the role of the private sector in the delivery of services.

5.26 The government's reform agenda, spanning the five year period 1996–2000, envisaged the principal reforms as being:

- 1996: introduction of legislation on a long-term care insurance scheme to the Diet (Parliament);
- 1997/98: revision of the medical insurance system and the health service system for the elderly;
commencement of examination of reforms of the pension system;
development of proposals for reform of the medical system;
- 1999: reforms of the pension system; and
- 2000: implementation of the Long-term Care Insurance Scheme.⁵⁸

5.27 The Japanese Government's basic policy to cope with the cost blowout of aged care was to try and increase the individual's contribution to health, medical and pension payments. The pension system was seen as unsustainable without substantial overhaul. The government put forward five options to reform the pension system, based on different computations.

- to maintain the benefit structure of the current system, the future employee's contribution rate would need to increase to 34.3 per cent of monthly salary;
- to keep the future contribution rate by the employee within 30 per cent of monthly salary, 10 per cent of the total amount of payment would need to be cut in Japan financial year (JFY) 2025;
- to keep the future contribution rate by the employee to within 20 per cent of annual income including bonus (i.e. no higher than 26 per cent of monthly salary), 20 per cent of the total amount of payment would need to be cut in JFY 2025;

58 Department of Foreign Affairs and Trade, submission no. 32, pp. 61–3

- to maintain the current contribution rate, ie 20 per cent of monthly salary, 40 per cent of the total amount of payment would need to be cut in JFY 2025; and
- to abolish (or privatise) the existing employee pension insurance system, establish a one-tier public pension system and have corporate pensions and private pensions substitute for the existing employee pension insurance system.

5.28 Under the changes to Japan's long term care system implemented in April 2000, long-term care was be charged as an item separate to medical expenses. This initiative was designed to overcome the growing number of people occupying hospital beds who could be in some other form of care. From 1997, patients have been required to pay an increased contribution of 20 per cent instead of 10 per cent as part of the government's efforts to put a brake on government costs.

5.29 The reasons for these initiatives in both the medical, aged care and pension systems, arising from the ageing of Japanese society were clear: unless reforms were undertaken, Japan would not be able to meet these social welfare costs. Younger Japanese are acutely aware that their pension benefits will be significantly less than those being received at present.⁵⁹

5.30 According to public opinion polls, the general population accepted the need for a significant increase in individual contributions in order to maintain a viable welfare system. According to government sources, they would rather this than face the prospect of the pensions system being abolished. They insisted however that the system be fully transparent in respect of the allocation of taxes. The government's own long-term objective is to have a pension system fully funded, on an equal basis between taxes and personal insurance contributions.⁶⁰

5.31 Economic growth will be critical to underpin increased contributions to the health pension. This will in turn impact on the labour market and the retirement age. The current mandatory retirement age is 60 years, with the pension becoming available at the age of 65 years. Mr Pokarier explained:

The average retirement age for a core employee in a Japanese firm was somewhere between 52 to 55. You could not access your pension entitlements until 65, so you had to find a post-retirement income position. Very often that was brokered by your employer. That is where the real pain is. Precisely because tough decisions have been made by firms, those jobs are no longer there. A lot of those male employees have kids in university just at the time when

59 Department of Foreign Affairs and Trade, submission no. 32, pp. 61–3

60 Department of Foreign Affairs and Trade, submission no. 32, pp. 61–3

they are trying to find their second job and they cannot. That is one of the reasons why the baby boomers do not want to spend a lot of money at the moment.⁶¹

5.32 What to do about the existing gap between 60 and 65 years was under vigorous debate. Proposed solutions ranged from partial and transitional work arrangements, to a lifting of the mandatory retirement age to 65 years. The issue of how to make better use of older workers was not only driven by concerns about funding pensions. Given the declining population and its mainly negative impact on economic growth—it was forecast that many regions would see depopulation in the period 2020–2050—there was a realisation that older workers needed to be used. This was reinforced by a strong desire by older people to remain actively engaged in the workforce. According to the *White Paper on the Ageing Society*, 33.4 per cent of Japanese people surveyed over the age of 60 stated they would continue to work as long as possible if they stayed healthy. For these reasons, government officials believed the prima facie negative impacts of a declining and older population would be ameliorated as people continued to generate income well beyond the current retirement age. There was a general view that jobs which did not require physical strength, such as computer technicians, engineers and operators, were well suited to older workers.

5.33 The pension reform process usually takes place about every five years in Japan. The Japanese Ministry for Health and Welfare announced the general principles governing the current round of pension reform to be reductions in pension benefits, and an increase in the minimum pensionable age from 60 to 65 for both men and women. The government is also planning to increase its subsidy to the national pension scheme from one-third to one-half by 2004. It is proposed the cost of this increase will be met through an increase in consumption tax in Japan. However, due to the poor economic situation of recent times, Japan's previously planned increases in contribution rates will be frozen for both the national pension and employees pension insurance.⁶²

5.34 The government is also considering other alternatives, all of which include increasing contribution rates to pension schemes to levels over 25 per cent. Efforts towards encouraging defined contribution schemes in place of defined benefit schemes have been discussed, but action has been delayed as a result of competing ideas and debate amongst the various ministries in Japan.⁶³

5.35 In the reform package of 1998 there was an increase in the age at which people became eligible for the pension, and to pay for this there was an increase in the consumption tax. That had the effect of dampening the economy

61 Mr Christopher Pokarier, *Committee Hansard*, 16 April 1999, p. 427

62 Mr Graeme Hope, *Committee Hansard*, 21 June 1999, p. 746

63 Mr Graeme Hope, *Committee Hansard*, 21 June 1999, p. 747

and did not address the ageing population problem. Pension rates were subsequently decreased to cope with the greater volume of people looking for support.⁶⁴ Dr Yasuo Takao explained to the Committee:

They are expecting that the number of contributors to the social security system will decline but the number of recipients will go up. It means that they have to really contribute much more... The irony is if they really improve social security systems and the pension system, the saving rate is going to drop because of a stable, much more upgraded social security system.⁶⁵

5.36 An increasing sense of insecurity about their welfare in their old age meant that people were reluctant to spend, which was having a negative impact on government economic policy. A market survey on pensions held in 1996 by the Ministry of Posts and Telecommunications revealed that 73.3 per cent of respondents felt uneasy about their post-retirement life, including 30.6 per cent who said they ‘have a sense of insecurity’ and another 42.7 per cent who said they felt more or less uneasy. The ‘uneasy’ replies had risen from 62.1 per cent in 1990, immediately prior to the collapse of the bubble economy. The main reason given for the sense of unease was concern as to whether they would be able to receive the public pensions, company pensions, and severance pay they expected.⁶⁶ Professor Akira Goto told the Committee:

Many experts are predicting that the current pension system is not sustainable when the population is ageing at such a rapid pace. So the general population are very concerned about what is going to happen after their retirement, and that will certainly dampen consumption and move them towards increased savings. That has a negative impact on the economy.⁶⁷

Gold Plan

5.37 In 1989, the government introduced the Gold Plan, a ten-year program to promote the health and welfare of the elderly. The goal of this plan was to establish a long-term care system that focused on home care rather than on more expensive institutionalised care. In 1990, welfare service administration was shifted from the prefectural level to the municipal level, and the establishment of local health and welfare plans for the elderly became mandatory at the local level.⁶⁸ The Gold Plan was to greatly expand the range of

64 Mr Graeme Hope, *Committee Hansard*, 21 June 1999, p. 748

65 Dr Yasuo Takao, *Committee Hansard*, 24 February 1999

66 Japan Confederation of Trade Unions (RENGO), cited in Department of Foreign Affairs and Trade, submission no. 32, pp. 61–3

67 Professor Akira Goto, *Committee Hansard*, 23 August 1999, pp. 783–84

68 Dr Carolyn Stevens, *Committee Hansard*, 17 May 1999, p. 571

services provided for the aged through construction of nursing homes to accommodate 290,000 senior citizens and employment of 170,000 home care workers. By 1999, it was seen as a failure in this regard. According to a survey by the *Asahi* newspaper, only 10 out of 47 prefectural governments had achieved more than 90 per cent of their goals to increase home care workers by April 1999.⁶⁹ Following a review a second Gold Plan was introduced. As part of that Gold Plan long-term care insurance was introduced, aimed to assist families in caring for their aging relatives and at making it more acceptable for Japanese families to seek help outside the family home to care for their ageing parents and relatives.⁷⁰

Long-term Nursing Care Insurance Law

The Long-term Nursing Care Insurance Law (*Kaigo Hoken*) was implemented in April 2000. Under this law, all citizens over the age of 40 pay a monthly premium, and a sliding scale would apply to those 65 and over. The system was to be administered by the 3,300-odd local government authorities throughout the country. Opinion was divided among local government administrations over whether family members of the aged should receive payments under it or whether this would impose a heavier burden on families, and particularly women, struggling with care for their relatives. The new law was seen to represent a major shift from family care to community care that might stimulate further changes to society by reducing the importance of family support.⁷¹ The *Kaigo Hoken* scheme is a market-based social-insurance policy that minimises bureaucratic interference and provides vouchers for the purchase of health-care-related services, rather than a Scandinavian model public social welfare system.⁷² There were estimated to be two million elderly requiring care with the figure reaching five million in 2050.

5.38 Recipients under the scheme receive no cash. Instead, they get vouchers that can be redeemed at approved care providers ranging from hospitals to non-profit organisations. Advisers to the Ministry of Health and Welfare lobbied against a cash system that would effectively allow recipients to pay family members for services rendered, because it would merely perpetuate the shouldering of care-provision responsibilities by female members of the household. One of the goals of the *Kaigo Hoken* was to relieve wives, daughters and daughters-in-law of this burden and to update government policies to take account of recent demographic and economic trends. It was a recognition that the family had been overburdened by the absence of

69 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 587

70 Ms Lana Racic, *Committee Hansard*, 21 June 1999, p. 758

71 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 587–580; Ms Lana Racic, *Committee Hansard*, 21 June 1999, p. 759

72 Jeff Kingston, 'Two perspectives on a gray tomorrow', *The Japan Times*, 6 March 2001

government initiatives concerning elderly care, and that it had also changed considerably over the previous half-century. Many women had been forced to sacrifice their careers and health to the rigours of elderly care because of the absence of support services. The law was recognition of the costs and fallacy of assuming that the family and its female members would naturally serve as the foundation of elderly care in a context of considerable transformation in the family and in women's participation in the labour force.⁷³

5.39 The rates that people had to pay under the new law varied from area to area, because it was to be administered by local governments. People in those rural areas where almost half of the population was 65 or older would have to pay substantially more towards their nursing care. It would be cheaper to be old in a city than to be old in a country area for those who owned their own houses. Older people living in the cities, where rent was extremely expensive, who did not own their own houses would be more badly off.⁷⁴ The Committee was told by Ms Racic that some service providers in Shinagawa City and Machida City had commented to her that the level of benefit they were going to get from long-term care insurance would be less than it was costing them currently to provide the care, so that they would have to consider whether they could raise the funds from alternative mechanisms or reduce the level of services they provided.⁷⁵ There had been pressure within the ruling coalition for the five per cent consumption tax revenues to be devoted to welfare programs, such as nursing care for the elderly and pensions. About 30 per cent of consumption tax revenue currently went to local governments.⁷⁶

Hospitals and nursing homes

5.40 In December 2000, the Japanese parliament (Diet) enacted a law revising the medical care system with a view to containing rising medical costs for the elderly. The revised system, which came into force on 1 January 2001, obliged patients aged 70 and over and bed-ridden patients aged 65 and over to pay 10 per cent of their medical costs. It also raised the monthly upper limit for outpatients aged 70 or over to 3,000 yen although in hospitals with over 200 beds, the limit was raised to 5,000 yen per month, to cope with high demand for treatment in larger hospitals. Previously outpatients aged 70 and over had to pay 530 yen per visit, with a monthly upper limit for medical costs of 2,120 yen, while in-patients in that age bracket had to 1,200 yen per day.⁷⁷

73 Jeff Kingston, 'Two perspectives on a gray tomorrow', *The Japan Times*, 6 March 2001

74 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 589

75 Ms Lana Racic, *Committee Hansard*, 21 June 1999, p. 759–760

76 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 588

77 'Japan: Increased medical costs for the elderly', *Watson Wyatt Worldwide*, December 2000, http://www.watsonwyatt.com/homepage/eu/new/Current_News/1200/jap.htm

5.41 Ms Miller told the Committee that nursing homes had been in relatively short supply in Japan. It had been the trend for people to put their aged parents into hospitals rather than nursing homes, mainly because it was much cheaper. Under the existing system it had been cheaper to stay in a hospital long term, because the longer the stay, the lower the costs incurred by the patient. Secondly, there was a social stigma attached to having parents go into an aged home: 'You would be seen as lacking in filial piety if they do whereas, if they go into a hospital, that was seen as quite okay. You were not putting them away somewhere; they were just going into a hospital. Therefore they were sick.' It was not the children's responsibility, it was the state's responsibility.⁷⁸

5.42 Under the new system, clinics would be able to opt for a fixed-amount medical cost system where outpatients paid 800 yen per visit, with a monthly upper limit of 3,200 yen. A patient would have to pay in accordance with the system adopted by their clinic. For elderly in-patients, the new system would set the monthly limit on their hospital care costs at 37,200 yen, but those from low-income households would be required to pay up to 24,600 yen.

5.43 Those aged under 70, currently required to pay up to 63,600 yen in medical costs per month, would also have to pay additional costs under the revised scheme. When the total monthly costs exceed 318,000 yen, patients would shoulder 1 per cent of additional costs. For people whose monthly income exceeded 560,000 yen, the monthly upper limit would be raised to 121,800 yen and they would also have to pay 1 per cent of additional costs when the total costs exceed 609,000 yen. For low-income earners aged below 70, the monthly upper limit will remain at 35,400 yen.

5.44 The purpose of the changes was to contain the increasing state health-related expenditure on the elderly. It was estimated that more than a third of annual total health-related expenditure was directed towards the health needs of the elderly.⁷⁹

5.45 The Committee on Health and Welfare of the Upper House passed a resolution calling on the government to effect a more radical change in the medical service system for the elderly by fiscal 2002,⁸⁰

5.46 Although the Japanese health care system was well organised and had ample hospitals, many hospitals offered only basic facilities and fairly low staffing levels. As a result, low income people faced the prospect of a poor

78 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 592

79 'Japan: Increased medical costs for the elderly', *Watson Wyatt Worldwide*, December 2000, http://www.watsonwyatt.com/homepage/eu/new/Current_News/1200/jap.htm

80 'Japan: Increased medical costs for the elderly', *Watson Wyatt Worldwide*, December 2000, http://www.watsonwyatt.com/homepage/eu/new/Current_News/1200/jap.htm

standard of care. Some aged people in hospitals, who were not ill, had been put there because their families could not care for them.⁸¹ Ms Miller told of accounts by people who were trying to change the system, who had visited various institutions around Japan:

They say that everywhere they go they meet old people who say, ‘I don’t want to be here. I want to go home’. But they were just stuck there for some reason or another. There were now far more double income families in Japan ... Because there were more women working—and they have been the traditional care-givers for the aged—it was much harder for people to look after their aged. That was one reason a lot of these people were going into the hospitals. There was just nobody at home to look after them.⁸²

5.47 One of the main problems with revising the Japanese health system or care system for the aged was lack of health care workers. There had been efforts to build up community aged care packages, community health workers and nurses in Japan. Gerontological nursing courses had been instituted but there were not yet enough workers.⁸³ There was a lot of Japanese interest in what Australia was doing in aged care. Ms Miller said, with regard to the specialist workers in aged care:

Both nursing and social work are starting from far behind because it was only just a few years ago that they got proper certification ... The problem is that you have got to train several hundred thousand people and there was only a small number of schools, and they are just starting up. A lot of their courses are very short term because they were needing to push people out in as rapid a time as possible.⁸⁴

Pension reform

5.48 In Japan, the basic pension serves as the core of the various public pension plans. Employees of corporations join public pensions plans managed by the government, but their pension premiums are withheld from their salaries by their corporations. Self-employed and students aged 20 and above are required to enrol in the national pension plan but their pension premiums are not automatically deducted from salaries. Due in part to the growing distrust of public pension plans, nearly one-third of the people who were supposed to pay into the national pension plan had not complied. The consequent shortfall had to be covered by the government from general revenue.⁸⁵ According to Health

81 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 592

82 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 593

83 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 593

84 Ms Jill Miller, *Committee Hansard*, 24 May 1999, p. 594

85 ‘Pension reform’, *Mainichi Shimbun*, 21 July 1999

Ministry figures, under the current system a 30-year-old working at a private company must pay an average of 61 million yen into the pension system during his or her lifetime but will only receive 50 million yen in pension benefits.⁸⁶

5.49 When the public pension system was revised in 1994, the Diet passed a supplementary resolution to raise the government's contribution to prevent a hollowing out of the system. But in order to fully fund basic pensions from taxes, the government would have to raise the consumption tax by around 4.9 points. A tax increase of this size was considered to be unacceptable to the Japanese people given the economic conditions. If the government agreed to cover one-half of total pension funding costs instead of only one-third, it would only have to raise about 2.2 trillion yen in additional revenues. This could be funded with a rise in the consumption tax of 1.2 points.⁸⁷

5.50 The Pension Reform Bill approved by Cabinet in July 1999 put off the funding problem by promising to find a stable revenue source for the pension system by the year 2004. Significant cutbacks in pension benefits and a gradual raising of the age at which retirees could draw pensions from 60 to 65 were also seen to be necessary. The *Mainichi Shimbun* commented on the reform of Japan's social insurance system, which includes public pensions:

As the population ages and fertility rates decline, premium hikes and cuts in benefits are inevitable. But the public remains concerned about the future of the public pension system because the government seems to implement changes every five years while putting off fundamental reform. The public will be reassured only after the government projects a vision of the future of the pension system. By opting to postpone a solution to the funding problem, the government simply exacerbates our sense of uncertainty.⁸⁸

5.51 The Pension Reform Bill was passed by the Diet in March 2000. The Bill cut benefits for new retirees by 5 per cent and gradually raised the retirement age to 65 from 60 over the period to 2025. As a result the lifetime retirement benefits claimed by a typical salaried worker of age 40 in 2000 could be as much as 20 per cent lower than what they would have received previously.

5.52 Prime Minister Keizo Obuchi was pressed to bring on the Bill by advice that the population was aging so quickly and the Government piling up debt at such an alarming rate that further delay would risk a fiscal crisis. Japan's public debt had reached 130 per cent of annual economic output—the highest ratio of any industrialised nation. In the fiscal year ending March 2000, Japan's public pension account slipped into the red for the first time in its

86 'Diet votes to reduce benefits in retirees' pension packages', *The Japan Times*, 29 March 2000

87 'Pension reform', *Mainichi Shimbun*, 21 July 1999

88 'Pension reform', *Mainichi Shimbun*, 21 July 1999

48 year history, and two years ahead of recent government projections. The pension vote was also a response to pleas from private businesses, which were required to shoulder half the burden of premiums for Japan's public pension system. The passing of the Bill by the parliament followed a wave of equally austere pension cuts announced by Japan's largest employers.

5.53 The reform will curb growth of premiums paid in 2025 (the year when the number of pensioners as a share of overall population will be at its highest) to 25.2 per cent of an average worker's monthly pay, rather than the 34.5 per cent that had been projected if the law had not been changed.⁸⁹

5.54 Some pension experts say the vote only tinkered with a problem that cried out for fundamental change. Mr Takuro Morinaga, an economist at Sanwa Research Institute, said Japan's current pay-as-you-go system was unsustainable and required drastic overhaul, such as replacing the existing premiums with some type of tax. He said that without more radical action 'there is no way but to keep raising the age at which benefit payments begin, even as high as 75'. With big companies struggling to cut costs, older workers are struggling to keep their jobs until they reach 60. Mr Eiko Tobita, an economist at the Japan Research Institute, a private think tank, warned that the reductions approved might not go far enough because they were based on the optimistic assumption that Japan's declining birth rate was about to turn up again.⁹⁰

Private pension system

5.55 Japan's private pension system was also considered to be in need of fundamental reform. In the financial year 1999/2000, 74 big employers cut back retirement benefits. By some estimates, one of every ten companies in Japan would be forced to lower retirement benefits to their workers. In an effort to lighten pension burdens, Japan's corporations explored the possibilities of adopting a defined contribution system similar to the 401(k) retirement savings accounts in the United States, although some analysts doubted such programs would put much more than a dent in Japan's enormous pension shortfall.⁹¹ Under 401(k)-style pension plans, contributions are defined but benefits to be paid after retirement hinge on investment returns, in contrast to existing Japanese plans in which benefits are defined but contributions have to be increased if investment returns taper off. Also unlike conventional plans, workers would be able to choose investment targets and move the assets they build up in their own pension accounts when they change jobs.

89 'This pension reform slights Japan', *The Japan Times*, 9 December 1999

90 Akiko Kashiwagi, 'Axe taken to pensions in assault on soaring debt', *The Washington Post*, 30 March 2000

91 Akiko Kashiwagi, 'Axe taken to pensions in assault on soaring debt', *The Washington Post*, 30 March 2000

5.56 On 3 March 2000, the government approved legislation to introduce a Japanese version of 401(k) pension plans providing for tax breaks aimed at encouraging firms and workers to take up the new programs.⁹² It was announced in January 2000 that the Ministries of Health, Labour, Finance and International Trade and Industry that were involved in the introduction of 401(k)-style defined contribution plans had decided to delay the start date for corporate retirement plans. The ministries' original schedule had provided for these plans to be introduced in late 2000. The decision to defer was taken because it was felt that the process would be much smoother if it took place after the merger of the Health and Labour ministries which was to be part of a reorganisation scheduled for January 2001. Non-corporate programs, covering the self-employed and employees at firms without such plans, were to be on offer from 1 March 2000.⁹³

5.57 The Diet passed into law on 22 June 2001 a new defined-contribution pension bill to go into effect on 1 October, introducing a scheme modelled on the American 401(k) plan, the benefits of which hinge on the performance of investments. The new law will work with a defined-benefit pension law, which was enacted on 8 June and will take effect on 1 April 2002, to reform the corporate pension system by increasing the options for companies adopting pension programs for their employees.

5.58 At present, companies are only allowed to operate defined-benefit pension schemes. Introduction of the 401(k) type is a result of difficulties in paying out guaranteed benefits due to the sluggish stock market and low interest rates. Under the modified system, companies will choose between the two plans, although the 401(k) law requires that firms gain the consent of trade unions before they introduce it. The issue is expected to be a major source of dispute in the coming annual spring wage negotiations (*shunto*) between unions and companies that want to reduce their financial burdens by switching to the 401(k)-style program.

5.59 The Japanese 401(k) defined-contribution program applies to people aged under 60, excluding married women, who have no paid employment, and government employees. The pension will be in two forms—one in which companies pay premiums, and the other in which individuals pay premiums. Payments by both sides are not permitted.

5.60 Among its major features, the program allows company employees to instruct pension fund managers as to which financial products their contributions should be invested in, while employees who change jobs can transfer their pension assets if they have worked for at least three years. The

92 '401(k) pension plan OK'd', *The Japan Times*, 4 March 2000

93 'Japan : Introduction of defined contribution plans delayed', *Watson Wyatt Worldwide*, January 2000, http://www.watsonwyatt.com/homepage/eu/new/Current_News/1200/jap.htm

new defined benefit program gives workers two options—a contract type fund under which outside managers handle premiums based on an agreement with employees and a fund type under which companies jointly manage funds. It requires companies to maintain a certain level of reserves to meet guaranteed pension benefits to workers for at least five years after the publicly mandated pension eligibility age. The age is due to be gradually raised from the current 60 to 65 from fiscal year 2013.

5.61 Companies will also be required to reassess their pension plans at least once every five years to maintain sufficiently sound assets and ensure that workers with at least 20 years of service receive benefits. The law also requires that programs now managed by life insurers and other investment managers mainly for smaller companies be converted into the new schemes within 10 years. If firms want to convert existing pension funds into the new defined-benefit program, the government will allow those funds to repay the state-financed portion of pension premiums in stock portfolios, rather than in cash, to keep the funds from unloading stock holdings to repay the government. Premiums will generally be paid by companies, but workers could also pay them if they choose to do so.⁹⁴

Australia–Japan collaboration in community care

5.62 As a result of its interest in ageing population issues, Japan sought to influence social policy work agendas in the OECD and, in particular, the activities of its Employment, Labour and Social Affairs Committee. Japan was most supportive of the OECD inquiry on ageing, which began in 1995 and culminated in 1998 with the publication of *Maintaining Prosperity in an Ageing Society*. Subsequent to the release of that report, Japan provided additional funds for the OECD to undertake further research on ageing.⁹⁵

5.63 An important area of engagement that Australia has had with Japan as part of the multilateral environment has been in relation to an OECD initiative, the Initiative for a Caring World, which was supported and driven by Prime Minister Ryutaro Hashimoto. The Caring World initiative involved the preparation of national reports on a full range of social policy issues, including unemployment, disability and retirement income policies. These were later synthesised into a document called *A Caring World: the new social policy agenda*. It covered many social policy issues of concern to OECD nations, including avoiding unemployment traps, improving parenting skills and addressing the ageing population issue, amongst others. Both Japan and

94 ‘Diet enacts pension-benefits law’, *The Japan Times*, 23 June 2001

95 Mr Graeme Hope, *Committee Hansard*, 21 June 1999, p. 746

Australia, together with the United States, provided substantial extra budgetary support for that project.⁹⁶

5.64 Australia's retirement income systems and its administration have been issues of considerable interest to recent Japanese delegations. Between 1996 and 1999, the Department of Family and Community Services assisted six delegations visiting from Japan.⁹⁷

5.65 Australia does not have a social security agreement with Japan of the kind it has with a number of other countries. The Department of Family and Community Services has initiated some contact with Japan proposing the possibility of an information exchange to assist in identifying and developing a social security agreement, should that prove a sensible course. To date, there has been no formal response from Japan.

Recommendation

The Committee recommends that the Australian Government energetically pursue with Japan the development of a social security agreement of the kind it has with other countries.

Australia–Japan partnership in Health and Family Services

5.66 Australian and Japanese ministers agreed in January 1998 to establish an initiative to extend collaboration in community care between the two countries' health agencies. The six core elements under this initiative are:

- joint research activities,
- expert group meetings,
- promoting communications and partnerships,
- placement of experts and officials,
- biennial high level meetings, and
- promotion of this framework to non–government organisations.

5.67 Demographic changes in Australian and Japanese societies offer challenges to government policy and to both communities to enhance the ways older citizens can participate fully in society. Men and women of the two countries are living longer, although Japanese life expectancies have been increasing at a faster rate. For example, an Australian woman born in 1996 can now expect to live until she is 81 and a Japanese woman until she is 83½. An Australian man born in the same year can look forward to living until he is 75 and a Japanese man until he is 77. Australia's population is ageing very rapidly and is one of the major challenges facing governments, communities, families

96 Mr Graeme Hope, *Committee Hansard*, 21 June 1999, p. 746

97 Mr Graeme Hope, *Committee Hansard*, 21 June 1999, p. 746

and individuals. Twenty years ago, nine per cent of the population was aged 65 and over. By 1996, this had increased to 12 per cent or 2.2 million and, by 2016, this is projected to increase to 16 per cent or 3.5 million people. Between 1996 and 2016, the number of people over 65 in the Australian population will increase by 1.3 million.⁹⁸

5.68 As Japan lacks the infrastructure available for the residential care that might be required for their ageing population, there is potential for Australian providers in the Japanese marketplace. The Japanese system and community can benefit from Australia's well-developed dementia care programs. Australia has developed outcome standards and quality assurance mechanisms and the assessment of care needs of people, which will need to be developed very rapidly in Japan, particularly with the planned introduction of long-term care insurance.

5.69 Professor William Coaldrake drew the attention of the Committee to the fact that Japan had made substantial investment in research and development in the housing industry in preparation for an ageing society and, specifically, in the creation of the intelligent house. This was a highly automated building in both method of manufacture and the application of electronics to control climate, safety, security, cleaning, curtain closing and the automation of the toilet seat for flushing and heating. These innovations allowed the elderly and the infirm to remain in their own homes in safety, comfort and contentment to an advanced age. Australians could learn from this type of development in Japan as a model for aged care, and businesses who wished to compete successfully in the Japanese housing market needed to be aware of it.⁹⁹

5.70 Collaboration under the Australia–Japan partnership has progressed in three areas: joint research activities, expert group discussions and meetings of ministers. Minister for Aged Care Bronwyn Bishop visited Japan in August 1999 to hold discussions with her Japanese counterpart to talk about the future of the partnership and how to progress other elements.¹⁰⁰

5.71 The two countries participated in joint research activities which included a comparative analysis of approaches to community care, and the application of technology to enhance the wellbeing of older people. In Australia the research team was led by Professor John McCallum, Dean of the Faculty of Health, University of Western Sydney, Macarthur. In Japan it was led by Professor Ryôji Kobayashi, Department of Humanities, Tokyo Metropolitan University. The Japanese research team made the first official visit between the two countries in March 1999 to exchange information with the Australian research team. They visited aged care facilities and participated

98 Ms Jan Feneley, *Committee Hansard*, 21 June 1999, p. 752

99 Professor William Coaldrake, *Committee Hansard*, 17 May 1999, pp. 572–573

100 Ms Lana Racic, *Committee Hansard*, 21 June 1999, p. 752

in a seminar on current policies and practices of both governments, which had three principal themes: the structure of services; long-term care insurance; and carers and family support. The Japanese research team showed interest in the architectural design of Australian facilities. The Australians worked closely with the Japanese research team and expert team on their particular needs.¹⁰¹

5.72 The Australian research team made a reciprocal visit to Japan between 29 May and 4 June 1999, with the purpose of finalising first, short report and the outline for a more detailed report. The visit also included visiting aged care facilities, and a forum for Japanese academics and researchers on the aged care system in Australia, focusing on the policy developments of aged care, linkages between hospital, residential and community care, outcome standards, and financing of aged care. The June visit was successful in enhancing important relationships between the research teams, between service providers and the two governments, in the twin context of the partnership and the planned trade mission.

5.73 The Australian expert group was a mixture of service providers, aged care researchers, an older person representative, and government representation from the Commonwealth and Victorian State governments. The two countries' expert groups met jointly in Australia and Japan to exchange ideas and information on the way services were delivered on the ground in each country, plus examining, at first hand, service delivery in some Japanese facilities. The Australian expert group visited Japan at the same time as the August 1999 trade mission.

5.74 Minister for Aged Care Bronwyn Bishop led the Australian expert group to Japan between 2 and 4 August 1999, as part of her trade mission to Hong Kong and Japan. Mrs Bishop met both the Minister for Health and Welfare and the Minister for Labour to discuss the implications of population ageing for the two countries and how each country was addressing these issues. She also discussed future activities under the partnership. This was the first mission of this type with the Minister's attendance and support. The objectives of this trade mission were: to ensure that, in the countries visited, the organisations with an interest in aged care and assisted living industries understood the expertise that Australia had to offer; and to develop business networks and business opportunities to meet the various special interests of the participants. Trade promotion seminars held during the visit included presentations by Minister Bishop and Professor McCallum on the Australian experience and some of the issues confronting the two countries, along with presentations by residential care providers, community care providers, training service providers, architects, builders and the finance industry.¹⁰² During the trade mission visit, Mrs Bishop opened the first meeting in Japan of the

101 Ms Jan Feneley and Ms Lana Racic, *Committee Hansard*, 21 June 1999, p. 752

102 Ms Jan Feneley, *Committee Hansard*, 21 June 1999, pp. 752–753

Australian and Japanese Expert Groups established under a partnership established by Health Ministers in January 1998. Discussions focussed on healthy ageing and continuing involvement of older people in the community; seniors and technology; aged care assessment of care needs; strengthening community care; continuity of care, including rehabilitation; ageing in place, including care of people with dementia and quality assurance outcome standards; professional management and outcome standards; and interactions between employment, pensions and long-term care. Mrs Bishop stated:

The Australian–Japan Partnership is a very important mechanism to exchange ideas and information on the way aged care services are delivered in each country and to enhance the health and wellbeing of older people. I look forward to the positive outcomes of these opportunities to exchange ideas and promote interest in the aged care services and products which Australia has to offer Japan.¹⁰³

The mission resulted in the sale of services to Japan by Australian aged care providers.¹⁰⁴

5.75 The Partnership produced a short report by the research teams in 1999 that provided a comparison of residential and community care in Australia and Japan, including such issues as demographic ageing, informal social support, formal services for older people, social security and financing. The report described Japan's planning for the increasing burden of caring for frail aged, and made recommendations on areas where Japan and Australia could share information and collaborate. This report was followed in February 2001 by *A Comparison of Aged Care in Australia and Japan*, which provided a broad historical context of aged care in Australia and Japan together with a comparative overview of population ageing, formal and informal care services for older people, aged care financing and other issues facing both countries. It also made recommendations on areas where Australia and Japan could share information and continue to work collaboratively.¹⁰⁵ Launching the report in Canberra on 23 February 2001, Mrs Bishop thanked Professor McCallum and Professor Kobayashi, and said:

The two professors and the members of their research teams have produced a comprehensive picture of the similarities and differences between the aged care practices of our two countries. Sharing this information will assist our two Governments and others with

103 Minister for Aged Care Bronwyn Bishop, 'First Australian Ministerial Aged Care Trade Mission to Japan', media release, 29 July 1999

104 Commonwealth Department of Health and Aged Care, *Annual Report 1999–2000*, p. 313

105 Ms Jan Feneley, *Committee Hansard*, 21 June 1999, p. 752

professional interests in this area to better meet the broad health and care needs of our ageing populations.¹⁰⁶

5.76 Also speaking at the launch, Japanese Ambassador Masaji Takahashi said:

I'm very pleased to have noticed a growing relationship between Japan and Australia in ever expanding areas of cooperation ... We look at Australia as a country where we can learn and we can both derive benefits out of a mutual cooperation.¹⁰⁷

5.77 Professor McCallum said there was considerable interest from Japan in the Australian aged care system. He said: 'There is money to be made from our expertise... and there is considerable interest in our aged care management and quality systems'.¹⁰⁸

5.78 The report concluded that, through developing the Long-term Care Insurance scheme, Japan was moving to provide more institutional and community services in order to relieve family and women's burdens of care. In contrast, Australia had a long history of reliance on institutional care and was now placing emphasis on the provision of care in the community. These directions in each country had the potential to converge at a similar balance between family/community and institutional care in the two countries and in levels of public support for services. The historical, cultural and economic differences and emerging similarities between Japan and Australia in their responses to the ageing of their communities offered strong role models in services and financing arrangements for aged care to other countries in the Asia-Pacific region.¹⁰⁹

Recommendation

The Committee welcomes the initiative to extend collaboration in community care under the Australia–Japan Partnership in Health and Family Services and recommends that the Australian Government continue to support the program of activities set up under the Partnership.

106 Minister for Aged Care Bronwyn Bishop, 'Minister Launches Australia-Japan Aged Care Comparison', media release, 23 February 2001

107 'Japan and Australia relationship growing—ambassador', *AAP*, 23 February 2001

108 Emma Macdonald, '“Money to be made” in Japanese aged care', *The Canberra Times*, 24 February 2001

109 John McCallum, Ryôji Kobayashi *et al.*, *A Comparison of Aged Care in Australia and Japan*, Canberra, Ausinfo, December 2000, p. 23

