



Declining birthrate widespread across Asia

## A Key Policy Is Support for Balancing Work with Childcare — Need to increase family-related expenditure

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### < Key Points >

- There are some countries with lower birthrates than Japan, such as South Korea and Thailand.
- Family-related expenditure is extremely low in Japan.
- It is significant that the government has set a goal for the birthrate.

The number of births in 2015 was estimated at 1,008,000, which was the first increase in five years. For the first time since World War II, however, the number of deaths exceeded 1,300,000, which resulted in a natural population decline for the ninth consecutive year. Although it showed an increase, the number of births is still as many as around 200,000 fewer than 20 years ago, when the current college students were born. The trend of the declining birthrate has not improved, and it is anticipated that the population decline will accelerate further in the future.

An accurate figure for the total population of Japan will not be available until the result of the national census 2015 is published, but the total population as of October 2015 is estimated to be 126,890,000 (based on the estimate in “Population Estimates” by the Ministry of Internal Affairs and Communications). This means that in comparison with the national census 2010, the population decreased by approximately 1,160,000 over these five years. This is equivalent to the population of Yamagata or Ishikawa prefecture.

According to the estimated future population of Japan (the estimate of January 2012) by the National Institute of Population and Social Security Research, it is predicted that the population will decrease further by approximately 2,500,000 in the five years to 2020. At the same time, the population is aging, and the current super aging society, where one in eight people is over 75 years old, imposes more medical and long-term care costs. It is extremely likely that the population decline will threaten sustainable economic growth.



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The major reason for both the population decline and aging is the declining birthrate. Once the birthrate starts to decrease, the population of the next generation will decrease and the population of women who give birth will also decrease, which will cause a negative spiral of a further decrease in the number of births in the next generation, even if the birthrate stops declining. To stop the decrease in the number of births, we must increase the total fertility rate (hereinafter called the birthrate) to 2.07, the level necessary to maintain the current population, as quickly as possible.

It goes without saying that it will be difficult to sharply increase the current level of the birthrate (1.42 in 2014) to 2.07: the first thing to do is to achieve the targeted birthrate of 1.8 that was set in the new “three arrows,” the economic policy of the Abe administration. Based on my estimation, if the targeted birthrate of 1.8 is achieved in 2025 and rises to 2.07 in 2035, the population can be maintained at around 100 million in the super-long term.

Turning our attention to the world, Japan is not the only country to be tackling a declining birthrate. In contrast, some countries have not faced any decline in birthrate: as of 2010, nearly half of the Organization for Economic Cooperation and Development (OECD) member nations had birthrates of over 1.8. In 2013, the birthrate in the U.S. was 1.86, that in France was 1.99, and that in Sweden was 1.89. On the other hand, Germany and Italy, with birthrates of 1.40 and 1.39, respectively, are troubled by declining birthrates.

In Asia, there are a lot of countries and areas with lower birthrates than Japan. Looking at the data from 2013, the birthrate in South Korea was 1.19, that in Taiwan was 1.07, and that in Singapore was 1.19. Even in Southeast Asia, Thailand has a birthrate of 1.40 (2012), which is lower than Japan. The birthrate in Vietnam has also gradually decreased, and is estimated to be around 1.8.

Recently, China officially announced that it has decided to abolish its one-child policy, but this is unlikely to significantly increase its birthrate from the current level of around 1.5. The difference in birthrates by country will be the key element in determining which countries will face a population decline in the late 21st century and which countries will not. Incidentally, the World Population Prospects in the 2015 Revision published by the United Nations last year said that the population will start to decline in Thailand in the mid-2020s, in China around 2030, and in Korea in the mid-2030s.

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The background of the declining birthrate includes insufficient structure to support women in balancing work with childcare, as well as the unstable employment of young people. If a woman finds it hard to cope with a job or is forced to shift to part time work after having a child, she is more likely to give up hope of earning her lifetime income and continuing her career. In other words, having a child would cost more. Unstable employment means that the family’s expected income would decrease. Under these conditions, women give birth to fewer children during their lives.

We can surmise that behind the concept of the targeted birthrate of 1.8 lies a goal of increasing the number of children a couple can actually have by improving their budget restraint. Setting a

birthrate target should be considered as focusing not on forcing a couple to compromise their values, but on comprehensively correcting the economic environment.

Some people believe that the increase in the average age of marriage and the higher number of unmarried adults is due to the declining birthrate, however urging women to marry will not necessarily increase the birthrate unless an efficient system for supporting them in balancing work with childcare is established. This is because a woman also develops a plan for rest of her life when she decides to marry: she does not disassociate working from marriage, childbirth, and child raising, which means that merely encouraging marriage will not solve the problem.

Political support is indispensable in order to achieve the targeted birthrate of 1.8 and improve the birthrate to 2.07, which is the level necessary for maintaining the current population. Nevertheless, family-related expenditure including the child allowance is around 1.3% (FY2012) in relation to GDP in Japan, which has remained at a lower level than that of France (2.9% in FY2012) and Sweden (3.6% in FY2011).

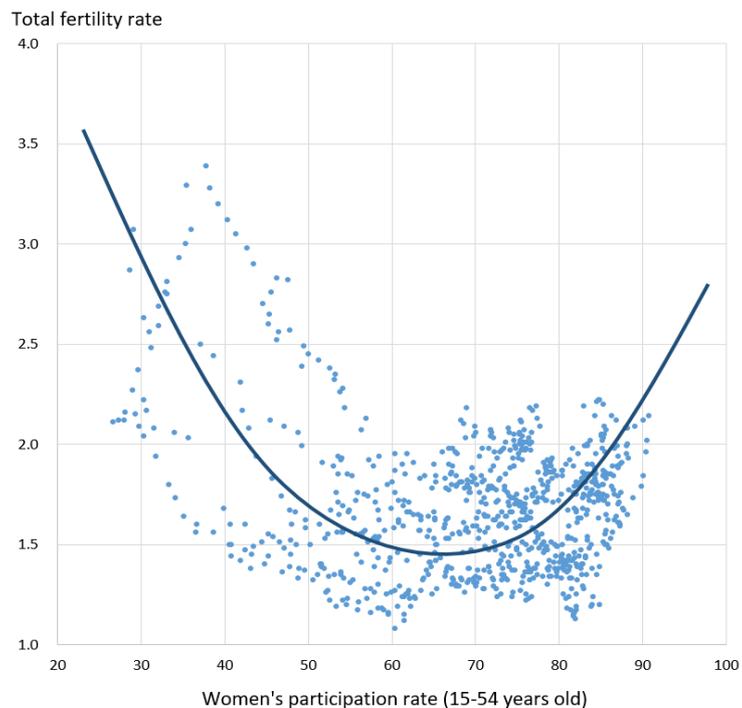
The verified results show that an increase in family-related expenditure can significantly improve the birthrate. Expenditure reform centered on social security is essential for fiscal consolidation. To increase family-related expenditure from now on, more spending should be allocated to support younger people instead of placing emphasis on support for the elderly. Securing child-raising resources by increasing the consumption tax rate should be discussed at the same time.

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Let us consider the fact that supporting women in balancing work with childcare can contribute to improving the birthrate from the perspective of the success of women in the workplace. In this article, the success of women in the workplace is defined as women's entry into the labor market, although it is elusive.

The figure shows the relationship between the participation rate of women (15-54 years old) and the birthrate in 30 member countries of the OECD in the last 32 years. If the participation rate of women

Total Fertility Rate and Women's Participation Rate  
(30 OECD member countries, 1980-2011)



is lower, a declining trend in the birthrate is observed when more women play active roles in society. On the other hand, the relationship is inverted when the participation rate of women becomes higher: the success of women and the birthrate both improve.

This result can be interpreted as meaning that support for balancing work with childcare is indispensable for enabling more women to enter the labor market, and that the expansion of support can increase the birthrate. In Japan, a society where the labor force is likely to decrease in the future, more women must necessarily enter into the labor market, but this cannot be achieved without support for balancing work with childcare. In other words, the birthrate is most likely to be improved if the support for balancing work with childcare is expanded.

The birthrate must necessarily be increased to relax the load caused by the low birthrate and aging society and to maintain the sustainable economic society. Is it possible to achieve the targeted birthrate of 1.8? The key is how seriously the government will undertake efforts for countermeasures against the declining birthrate.

Since the comprehensive childcare support plan called the “Angel Plan” was developed in 1994, various countermeasures against the declining birthrate have been proposed over the past 20 years. In reality, however, no obvious improvement has been seen. One reason why adequate countermeasures against the declining birthrate have not been conducted is that the government’s family-related expenditure has been low. Besides, it cannot be denied that we have not been sufficiently aware of the declining birthrate and population.

It was groundbreaking that the Abe administration proposed the government’s goal of addressing the birthrate in the form of a targeted birthrate. However, it will take longer to achieve the goal than the life of the current administration. In addition, it will take more than 20 years before the benefits are seen in the form of the cessation of the decrease in the labor force, which means that a long-lasting effort is required. In order to stop the accelerating population decline and maintain the economic society, the government is requested to work on countermeasures against the declining birthrate with a determined long-term vision.

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