

AFFLUENCE & AGING
By Courtney Vail

Aging and affluence are two very important topics effecting Japan today. The rapidly aging population is having dramatic effects on the economy, the birth rate, pension plans, social security, and health care. The government has taken an active role in implementing policies to attack this problem. At the same time, while Japan is one of the richest nations in the world, their overall quality of life is unsatisfactory. Although they have easy access to manufactured products, housing and educational expenses are drastically more expensive in Japan than other industrialized nations. First, let us move on to discuss aging.

Aging

A swiftly aging population and a lagging economy have forced changes in Japan's social policies for the aged. Every Japanese citizen expects to be individually effected by the burden of the aging population. The percentage of Japanese elderly living with children has declined and more are living alone. Improvements in medicine are having a profound effect on the survival rates of many Japanese citizens thus, increasing the burden of taking care of the elderly. The average family size has dwindled due to the decline in fertility rates. This has reduced the number of adult children available to attend to elderly family members. Each year there is an increasing number of married women seeking employment outside the home, this has also has a dramatic effect on traditional social roles. Most recently, Japan has developed plans to move towards a more community-based care for the elderly. This plan placed larger importance on returning the elderly to the home, community-based care, and especially in-home care. Substantial progress has been seen as a result of the implications of these policies.

As the Japanese population aged the workforce aged along with it. This has placed huge strains on the Japanese government and resulted in the rapid accumulation of debt. The long-term growth rate of the Japanese economy has dropped significantly since the 1990s. The working people will be hurt the most because of increasing taxes and social insurance premiums, which are designed to cover the costs of pensions, as well as medical and nursing care for the growing number of elderly.

The Development of Social Policy and Health Care for the Elderly

According to Naoki Ikegami, “Caring for the elderly is already perceived as being a major social problem.”¹ The responsibility is frequently placed on the daughter-in-law in most traditional Japanese societies. The percentage of Japanese elderly living with children (including three generational households) has declined from 87 percent in 1960 to 61 percent in 1990. During the same period, the percentage of the aged living alone increased from 3.8 percent to 10.2 percent. According to this rate of change, it is expected that, by the year 2000, the percentage of older persons living with their children will decrease to 50 percent.²

Improvements in medicine are having a profound effect on the survival rates of many Japanese citizens thus, increasing the burden of taking care of the elderly. Now that the elderly are living longer, many of the daughter-in-laws are approaching 60 years of age and are often on the verge of requiring care themselves.³ Keiko Higuchi believes, “The situation is that 70-year-old children now look after 90-year-old parents, and they themselves collapse.”⁴

The average family size has dwindled due to the decline in fertility rates. This has reduced the number of adult children available to attend to elderly family members. Each year there is an increasing number of married women seeking employment outside the home, this has a large effect on traditional social roles. “In 1993, the number of elderly persons who needed long-term care was 2 million, which included some 600,000 bedridden, house-bound older persons. The number of elderly needing long-term care is expected to rise to 5.2 million in 2025.”⁵

An expeditiously aging population and a lagging economy have forced changes in Japan’s social policies for the aged. Most recently, Japan has developed plans to move to more community-based care for the elderly. Currently Japan has a life expectancy of 76.5 years for males and 83 years for females, giving it the longest life expectancy in the world.⁶ Over the past half century there has been an increase in life span of almost thirty years. The fertility rate has dropped to 1.43 in 1994, which is significantly lower than the rate in 1950 of 3.65.⁷ These figures indicate that Japan is one of the most rapidly aging societies in the world. The rapid pace that Japan’s population was aging had a profound effect on policies for the elderly that were developed in the 1980’s and 1990’s.⁸

“Due to a sharp increase in longevity and a decrease in birth rates, the proportion of the elderly population, 65 years and older, doubled from 6% in 1960 to 12% in 1990, and it will most likely double again to 25% by the year 2020.”⁹ At this time one out of every four Japanese will be elderly.¹⁰ This data suggests that intense changes are necessary in the health and social service sectors. Japan is currently in the process of implementing public long-term care (LTC) insurance. In May 1997, an LTC insurance act was passed in the Lower House and it will most likely pass in the Upper House. LTC

will provide a multitude of benefits such as, institutional and home care, visiting nurse services, day care and loan of equipment such as wheelchairs.¹¹

In order to acquire most medical services or to be admitted into a nursing home, one must apply to the municipal welfare office and endure a means test. The government has vowed to dramatically increase funding for LTC. The medical profession and the Japan Medical Association have also publicly pledged their support for LTC. One of reasons for their support stems from recent data collected which indicates that the per capita number of physicians is projected to double, from 179 per 100,000 in 1990 to 360 per 100,000 in 2025, while the number of hospital beds will remain capped by legislation. However, there are still no restrictions on any other form of capital investment pertaining to hospitals. “However, this entrepreneurship has only been permitted by private practitioners.”¹² The expansion of LTC could provide a new and much needed additional field for physicians. Hospitalizations would provide an important source of income for physicians since they are the owners and administrators of hospitals in Japan.

In 1989 The Ministry of Health and Welfare, Ministry of Finance, and the Ministry of Home Affairs introduced Japan’s Gold Plan (Ten Year Strategy on Health and Welfare for the Aged) which developed initiatives to increase nursing home beds, home care services, and sheltered housing.¹³ Its goal was to provide increased levels of community-based health care and social services. It also emphasized the need for nonhospital care in order to keep the elderly in the community. According to Chikako Usui and Howard A. Palley, “The unique feature of the Gold Plan is the development of systematic community facilities and services to assist functional training and care of the elderly and their families who provide home care. The Gold Plan rests on three core

services: home help, short-stay institutions, and day-services centers.”¹⁴ The Gold Plan also stresses education. Research indicated that Japan had a considerably higher occurrence of bedridden people than comparable nations. This is a result of insufficient health education. Evidence suggests that the Japanese had accepted this condition as an inescapable aspect of aging.¹⁵

In 1994 these objectives were enhanced in the New Gold Plan by increasing funding in the form of grants and subsidies. “In total, more than 9 trillion yen (US \$80 billion) will be invested during the ten-year period that started in 1989.”¹⁶ The revised plan placed larger importance on returning the elderly to the home, community-based care, and especially in-home care. Substantial progress has been seen as a result of the policy implications of the Gold Plans.

It is important to note that the LTC insurance system has been presented to the public as an effective method of lowering health care costs. Currently, three quarters of the population 65 years and older are institutionalized into hospitals. This is a result of the lack of nursing homes and in-home services. Overburdened families admit their elderly parents into hospitals because often times they cannot handle the pressure themselves. Hospitals have gladly received the elderly patients and consequently almost half of the inpatients are 65 years or older. This number has risen ten-fold from 1963 to 1993. In 1990 the government provided hospitals with assistance to offset the cost drugs and diagnostic test fees if they had a high ratio of elderly patients. Additionally, a new health facility for the elderly (HFE), was inaugurated in 1986 to expedite the discharge of elderly hospital patients into society.¹⁷

Despite great effort, these policies have not yet reached a level of adequacy. While the total number of nursing homes and HFE beds have increased under the Gold Plan, there is still massive demand. “The Japanese press reports that some 60,000 elderly people are on waiting lists for the country’s 3000 nursing homes, which only take people who are bedridden or have senile dementia.”¹⁸ The waiting time for admission is still several years in the urban areas. However, nearly half of the residents stay for more than six months, which suggests that HFEs have not yet met all of their goals.

The funding of the public LTC system will be equally divided between mandatory premium contributions and general taxation. Accordingly, the central government will pay half and the remaining portion will be split between the prefectures and the cities, towns, and villages. Every individual older than forty years will pay premiums. This includes payroll deductions where the employer will pay half, health insurance premiums, and deductions from pensions. The money will be pooled and distributed to each municipality in attempt to curb its burden and insure that the resources are apportioned in a nondiscriminatory fashion.¹⁹

The benefits are unequivocal. Institutional care in both geriatric hospitals and units of general hospitals will be specially designed to fit the needs of the elderly. HFEs, nursing homes, and group homes will be built to accommodate the increasing population of elderly. It will also comprise of home-help services, visiting nurse services, day care, loan of equipment, as well as financial assistance for improving the home. All residents of Japan aged 40 years and older who have adhered to the premium payments would be eligible and the eligibility rank would differ according to age. “Those aged 65 years and

older will be automatically eligible, but those between 40 and 64 years old would only be eligible if their condition is a result of and ‘age related disease’.”²⁰

The Japanese take a great deal of pride in the fact that health care is essentially free to citizens over the age of seventy. However, if this trend persists, Japan will most likely be forced to eliminate this policy.

As the Japanese population aged the workforce aged along with it. This transformation presented the Japanese with both macroeconomic and microeconomic obstacles. At the state level it was evident that Japan would have difficulty funding their pension plans. While at the corporate level, citizens would be faced with increasing costs, and a shortage of positions usually held by seniors. Japanese society has always prided itself on the work ethic and performance of their employees. They often attribute this to their policy of increasing salaries with age. Therefore, younger employees are in higher demand, this makes it much harder to find jobs as workers increase in age.²¹

Financial Implications

The population is aging briskly, and soon it will begin to shrink. The Japanese government is in huge debt. The long-term growth rate of the Japanese economy has dropped significantly since the 1990s. At the end of 1995, the government introduced an economic policy to maintain an average annual growth of three percent. The working people will be hurt the most because of increasing taxes and social insurance premiums, which are designed to cover the costs of pensions, as well as medical and nursing care for the growing number of elderly. Spending is being held down and taxes are up. At the

same time, little has been done to lessen the amount of debt caused by the “bubble” years of the 1980s.²² These factors are aggravating the system, which in turn pushes up unemployment and holds interest rates down. This places a great deal of pressure on middle management workers because typically they are the first to be released if an organization is forced to downsize. According to Professor Iwao Sumiko, “Avoiding economic and social stagnation and maintaining intergenerational fairness may be the biggest challenges facing a Japan that is growing grayer by the year.”²³

The long-term public debt problems that Japan is experiencing are a result of inadequate state finances and a rapidly aging population. The government has designed a plan to increase the proportion of capital put into pension funds in order to amass greater security. However, last year, Japan’s budget deficit was an appalling 3.9 percent of GDP.²⁴ The government clearly has its work cut out for them in deciding between two alternatives, either cutting the benefits or increasing the contribution to the pension funds.²⁵ In the meantime, it is essential for every citizen to comply with the government’s wishes.

It is interesting to note the opinion of Takahashi Nobuaki, who argues against the general opinion that the increasing numbers of elderly will lead to an economic and national decline. He states, “Japan’s affluence is not going to disappear suddenly just because of the aging process. And given that the country already has a gross domestic product of Y500 trillion, he questions the need for further growth.”²⁶ However, he agrees that the working population will carry a heavier burden, but he claims that they should accept it as a necessary part of their own future security.

The fast aging population and economic success has significantly helped in the development of social security in Japan. Future costs of social security will become enormous if Japan relies too heavily on the government and the private sector. The balance of social security benefits to income increased from 7 percent in 1970 to 16.4 percent in 1994. According to many professionals, adequate policies for the elderly will be helpful to promote what is called “productive aging.”

High Population of Elderly, Low Birth Rates

In 1989 when Japan’s fertility rate dropped to 1.57, the issue quickly emerged as a topic of public discourse. Many policies were introduced in order to address this problem. Based on Japan’s birthrate the post-war period can be divided into three sections. In the first period, from 1945 to 1955, the wartime advice encouraged birth control and opened the door to abortion. This led to a considerable drop in the birthrate. This is attributed to the increase in the number of abortions, the improvements in hygiene and nutrition, and lower infant mortality rates. The second phase began in 1955 and lasted until 1975; this is when Japan experienced its rapid growth phase. During this period the Japanese embraced the ideal nuclear family. This period can be characterized by expeditious urbanization and industrialization, rapidly increasing quality of life, and widespread education at all levels. The third stage, from 1975 to the present, has been described as one with a tendency to marry at a later age, and a declining birthrate. The average age of marriage has risen from 25.7 in 1992, to 26.1 in 1997. Some couples are waiting longer to have children, and others are refraining from having them entirely. All of these factors contribute to the ongoing decline in births.

There are many possible reasons for Japan to have a declining birth rate. Many of these reasons are due to cultural and social changes. Japan is undergoing a shift from a group-oriented to an individual-oriented lifestyle. The traditional ways are being modified to meet the needs of the entire society. Consequently, every Japanese citizen expects to be individually effected by the burden of the aging population. The previously patrilineal households are placing less demand on the oldest son to carry on family tradition. It is evident that individual desires have become the premise for decision making.

Women are receiving higher education and are continuously entering the work force. As the women become more educated it increases their “vote” within the family regarding the decision to have children. This is because the opportunity cost of a woman going to work generally outweighs the benefits of having more children. Adding to this, many women also fear being left behind by their co-workers in their careers. The reason Japanese women have been taking a much more aggressive approach than men, is because traditionally they were responsible for the care taking of their relatives, and also because a large percentage of the elderly are female.

“A survey conducted by the Prime Minister’s Office reveals that, unlike women, men see getting married or not as a private matter, men tend to see marriage as a major milestone in life and as a socially significant event.”²⁷ Japanese women who do choose to marry are having fewer children. In 1992, a study was directed by the Health and Welfare Ministry, the data revealed that the “ideal” number of children averaged 2.64, but the “desired” number of children averaged 2.18. The gap between these figures has grown in the last couple of years. Japan has been a strong advocate of birth control and

these preventative measures have given women the freedom of choice. Another reason women are not having babies is a result of the increasing cost of education.²⁸ Data suggests that average income parents must apportion an estimated 45%-70% of their disposable income to expenses related to education. In 1994, the average Japanese family spent Y312,000 to send their children to public elementary schools.²⁹ Interestingly, about Y215,000 of this was spent on supplementary help and out of school activities such as music lessons. Still, other women are afraid to raise their children in Japan due to environmental reasons. They do not want to bring their child into a world plagued with air and water pollution. Lastly, the wealth of information has also deterred some women from having children. With new technology comes greater opportunity to learn, many women have discovered some of the hardships involved with childbirth, this in turn causes them to doubt their own ability and desire to give birth.³⁰

There are several other factors to take into account when analyzing reasons why women are having fewer babies. Japanese women are taking their time when it comes to the decision to get married. Women are beginning to resent the interference of society and of their parents in personal matters and decisions. They are also becoming more concerned with their own independence and are pleased with the results they are experiencing. Additionally, each year there is increasingly higher numbers of unmarried women. Women are no longer dependent on men because they can support themselves; consequently they don't feel as though marriage is a necessity. The softening of social and cultural norms is a major factor concerning the issue of when to have children. Women are becoming more aware of their opportunities and the society as a whole is becoming more tolerant. The rising cost of having children is also having a significant

impact on the birth rate; the risks of childbirth are becoming more publicized, education is expensive, and affordable housing is difficult to find.³¹

Affluence in Japan

Japan has made remarkable economic achievements since World War II, unfortunately comparable improvements in the aspect of everyday life have been neglected. Japanese housing is very costly when compared to annual income. Recent surveys indicate that despite the nation's wealth the Japanese are generally discontent with their food, housing, and overall quality of life. Japan has been fortunate to develop at a rapid rate and at the same time maintain a relatively equal distribution of income that is far better than other industrialized nations. Thriftness has always been an attribute of the Japanese society, nevertheless Japan is demonstrating materialist characteristics and becoming more consumer oriented. Financially, Japan has been extremely progressive and continues to maintain an annual GDP that ranks them among the richest countries in the world.. Some professionals believe that feeling of dissatisfaction among the Japanese is attributed to a high cost of living, frustration over their low quality living standards, and the difficulty of restraining themselves in an environment of increasing affluence.

As a result of the high demand for worldly products, faithfulness to domestically manufactured goods, and saving and combining investment funds, the Japanese consumers have greatly benefited from the country's economic growth.³² They have the convenience and availability of high quality products such as televisions, watches, clothing automobiles, and appliances that are accessible in bulk. By the end of the 1980s essentially every family owned a television set, a washing machine, small space heaters,

and cameras. However, disposable income has not escalated as dramatically as the overall economy. Some Japanese feel that they are “a rich nation, but a poor people” in spite all of the hard work and dedication that made them one of the most prosperous nations in the late 1980s. Many Japanese are frustrated because they are continuing to pay exorbitant prices for goods and services that are much less expensive in other parts of the world.³³

Household expenditures and living standards were brought to a new level and the total amount of money spent on food dropped from 35 percent in 1970 to 27 percent in 1986. At the same time, the average savings rate dropped giving more families the means to pay for luxury items. Throughout the 1980s, the income distribution in Japan was among the most evenly distributed in the world. The lower income group in Japan was in a significantly better position when compared to most industrialized countries. However, when comparing the size and location of homes in Japan they are at a considerably lower quality than other nations. Japanese citizens have fewer flush toilets, often lack central heating, as well as a shower or bath. Japanese housing is also very costly when compared to annual income.³⁴

Upon the conclusion of World War II the nutritional tendencies began to parallel those of the West. The younger citizens started to favor a traditionally Western breakfast consisting of toast and coffee, while the older Japanese continued to opt for customary meals. This led to a drastic surplus of rice, and created another problem for the government to deal with.

The Japanese are ordinarily characterized as savers as well as buyers, however, by 1980 the credit industry began to thrive. This caused a great deal of younger citizens to

become more inclined to take on debt, and by 1989 families were borrowing an estimated 23 percent of their savings. This caused many Japanese to allocate their savings in more lucrative ways. They began to dispense their savings on trips abroad and high-priced amenities. One worker stated, “If I can never buy a house, at least I can use my money to enjoy life now.”³⁵ Nonetheless, because of the weaknesses of social security and pension plans the Japanese still place saving for retirement as a top priority.

The Japanese are classified as one of the hardest working societies in the industrialized world. They work 65 more days a year than Germans and 25 more days than Americans, and average only 8.2 days of vacation a year. However, this trend is changing.³⁶ Incentives and pressure for Japanese workers to take vacations is becoming an issue within the Japanese society. Companies are starting to strongly encourage their workers to take time off from their stressful lifestyles in order to prevent them from becoming burnt out. Given that the cultural and social trends of the country are changing, more Japanese have the means to relax and enjoy life. The older generation, however, are opposing these changes as a result of their resolute devotion to their work.³⁷ An increasing percentage of workers are taking advantage of this luxury and are beginning to appreciate their time off from work. However, as the Japanese travel abroad they are becoming increasingly disheartened with their quality of life. Hiroshi Takeuchi has a strong opinion on this subject, he states, “Our national culture is being eroded. Our values, our belief in hard work and industriousness, are falling apart. Those who work the hardest get the least. That undermines everything.”³⁸ The cost of a cup of coffee is dramatically more expensive in Japan than in the rest of the world. On top of that, the Japanese government has ordered a 3 percent consumption tax, which further drives up

the cost of everyday items. Japan's trade surpluses have generated a substantial amount of capital, however the majority of it has been invested in real estate, which considerably increases the price of land. Consequently, all but the wealthiest citizens have given up the desire to purchase their own home. Many Japanese are becoming increasingly angered because they realize that the accumulation of capital has not increased their quality of living.³⁹

These negative connotations have influenced the younger generations and pushed them to focus on monetary rewards. Tosiyasu Kunii complains, "We are moving from an industrial culture to a money-flow culture. We are seeing all the worst American corruptions."⁴⁰ Thriftiness has always been an attribute of the Japanese society, nevertheless Japan is demonstrating materialist characteristics and becoming more consumer oriented.⁴¹

This is a result of their desire to obtain greater personal satisfaction and a high quality of life. Financially, Japan has been extremely progressive. Robert Levine believes, "Dissatisfaction for Japanese is attributed to a high cost of living, growing frustration over personal living standards, and the difficulty of self-denial in an environment of increasing affluence."⁴² Japan has made remarkable economic achievements since World War II, unfortunately comparable improvements in the aspect of everyday life have been neglected. They are being exposed to luxuries they never would have dreamed of, yet, they are still unhappy in respect to their individual well-being. Only 67 percent of Japanese citizens are satisfied with their overall quality of life, 43 percent with their incomes, and only 76 percent are satisfied with their jobs. The one deviation from this feeling of discontent is the job satisfaction among older Japanese

workers, where an overwhelming 60 percent are gratified. The most unpleasant statistic, however, reveals that only 23 percent of the Japanese have a hopeful aspect that things will get better in the future. A middle aged company manager states, “It’s hard to live a middle class life. Japan is supposed to be the richest country in the world, but it’s all a matter of the exchange rate. It has nothing to do with reality.”⁴³ Unfortunately, it is possible that Japan’s accumulation of wealth and economic prosperity may have created some of today’s feelings of dissatisfaction.

Japan has been fortunate to develop at a rapid rate and at the same time maintain a relatively equal distribution of income. Most countries have only dreamed of reaching the point Japan is at with regards to achieving this exceptionally triumphant accomplishment.

Jong Il You states his opinion,

“Where low inequality prevails as a consequence of the exceptionally equal initial distribution of wealth resulting from post-war reforms and the rapid employment expansion in the subsequent growth process; that the classical Keynesian view of the accumulation process, in which high profits play a crucial role as a source of savings and an incentive for investment, is very much relevant in understanding the East Asian experience; that a relatively high inequality in the size distribution, primarily owing to the unusually even distribution of wealth, resulting from the initial conditions as well as the rather high savings propensity of the low-income households.”⁴⁴

This has played a vital role in the development of the nation. The distribution of wealth within the Japanese society is extremely impressive and should not be overlooked. In Japan, only 2 percent of the children live a life condemned to poverty, whereas, in the United States a remarkably high 21 percent are considered poor.⁴⁵ This data speaks for itself. It is clear that Japan has virtually eliminated poverty, at least among children. This is a result of their unusually equal income distribution.

In conclusion, it is evident that both aging and affluence are having a major impact on the Japanese culture and society. The country as a whole is prospering, however, the people are not satisfied with their overall quality of life. Educational and housing expenses must be curbed and the health care industry must continue to develop policies in order to care for the elderly. It is clear that Japan is making progress but until these issues are properly addressed the conditions are unlikely to be resolved.

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- ¹ Ikegami, pg.17 (JAMA)
 - ² Palley, pgs. 360-362
 - ³ Ikegami, pgs.18-19 (JAMA)
 - ⁴ Oshima, pg. 45
 - ⁵ Palley, pg. 361
 - ⁶ Palley, pg. 360
 - ⁷ Sumiko
 - ⁸ Palley, pg. 361
 - ⁹ Ikegami, pg. 17 (JAMA)
 - ¹⁰ Takahashi
 - ¹¹ Ikegami, pgs. 16-20(JAMA)
 - ¹² Ikegami, pg. 614
 - ¹³ Ikegami, pg. 20
 - ¹⁴ Ikegami, pg. 370
 - ¹⁵ Ikegami, pg. 370
 - ¹⁶ Ikegami, pg. 370
 - ¹⁷ Ikegami, pgs. 15-19
 - ¹⁸ Oshima, p.45
 - ¹⁹ Ikegami, pgs. 19-20
 - ²⁰ Ikegami, pg. 20
 - ²¹ Worden
 - ²² Nobuaki, Takahashi
 - ²³ Sumiko
 - ²⁴ *Japan's Debt-Ridden Future*. The Economist, August 3, 1996, v340, pgs. 31-33
 - ²⁵ *Grey Imperative*. The Economist, June 28, 1997, pgs.9-11
 - ²⁶ Sumiko
 - ²⁷ Sumiko
 - ²⁸ Sumiko
 - ²⁹ Isamu
 - ³⁰ Sumiko
 - ³¹ Keiko
 - ³² Worden
 - ³³ Worden
 - ³⁴ Worden
 - ³⁵ Worden
 - ³⁶ Makihara, pg. 63
 - ³⁷ Makihara, pg. 63
 - ³⁸ Kotkin, pg. 28-29
 - ³⁹ Kotkin, pg. 28-29
 - ⁴⁰ Kotkin, pg. 28-29
 - ⁴¹ Isomura, pg. 20-21
 - ⁴² Levine, pg. 58
 - ⁴³ Levine, pg. 60
 - ⁴⁴ You, pg. 38
 - ⁴⁵ Cort, pg. 18