

Negative

In countries like the UK, the ageing of the population is an increasingly worrying problem. In 1950 there was only one pensioner for every five economically active people. Today this has increased to three pensioners for every five people of working age, which is causing a strain on the provision of state pensions as they are funded by the taxes of those people in work. It is obviously going to become increasingly difficult for the government to provide adequate pensions for the over 65s.

Do the over 65s have a right to a state-funded pension? What can be done to ease the situation? These are possible solutions:

- Increase the taxes paid by the working population.
- Raise the age of retirement. This is set to change in the UK. In the year 2026 retirement age will be 66, increasing to 67 in 2036 and 68 in 2046.
- Abolish state pensions and make people pay for their own private pension plans.

With an increasing number of over 65s and life expectancy increasing all the time, there will be a much greater demand for health care and support services. At present hospitals are already short of bed space and specialist nursing for the elderly. The number of residential care homes is likely to increase dramatically, but they are very expensive (they can cost up to £2,000 a month and many people have to sell their homes to finance their own care).

The amount of money spent on education might have to be cut to finance the elderly.

With people living longer there is a large demand on housing using up large amounts of land.

Positive

The elderly can play an important part in the community by providing their time and expertise free of charge, such as working in charity shops.

With more people having leisure time there is a growth in the number of jobs in the leisure industry.

Unemployment rates will be low as the percentage of elderly increases.

Introduction

Japan's population is ageing at an alarming rate, giving concern about economic growth and living standards. Below are some key facts about Japan's population:

- Japan's total population peaked at 127.8 million in 2005 and is forecast to fall by 30 per cent to just under 90 million by 2055.
- Japan's proportion of elderly is the highest in the world. In 2006, 20 per cent of Japan's people were 65 years or older. In the USA 12 per cent of people were over 65 and in the UK 16 per cent were older than 65.
- Japan has the fastest ageing population in the world.
- The number of people aged over 65 is predicted to rise sharply. The following are the projected figures.

Year	2015	2035	2055
Percentage	27	34	41

- The percentage of economically active will fall from 66 per cent in 2006 to 51 per cent in 2055.
- The birth rate hit a record low in 2005 of 1.29 children per woman. A rate of 2.07 is needed to keep the population from shrinking.

What are the disadvantages of an ageing population?

The results of an ageing population include a workforce too small to support the huge number of retirees, not enough tax money to pay for pensions and a dramatic increase in the cost of health care for the elderly.

Workforce

The biggest worry in Japan is economic growth and employment. Businesses already face difficulties finding new recruits. The labour force in the 15–24 age bracket, which stood at more than 8 million in 1990, will have shrunk to 5.3 million by 2015. Employment agencies are growth businesses in Japan these days. At Tokyo's Narita airport, the uniformed marshals who direct arriving passengers to the correct passport control queue are mostly of pensionable age. Taxi drivers and small-shop keepers are more likely than not to be grey-haired pensioners, as is the staff on the Tokyo subway.

Figure 24 shows how the proportion of workers to pensioners is dropping.

Between 1990 and 2025 there will be only two workers paying taxes to support the pensioners compared with nearly six workers in 1990.

One solution to the shortage of workers is to bring in migrant labour. There are now 2 million foreigners living in Japan, 200,000 of them illegally. The IT sector in particular is looking outside Japan for new workers. Software engineers have been recruited in India, and Japanese companies have set up training schools in Beijing (China) and Ulan Bator (Mongolia) before bringing the graduates to Japan. Other solutions are to encourage men to work after retirement and to increase the number of women working which has historically been very low.

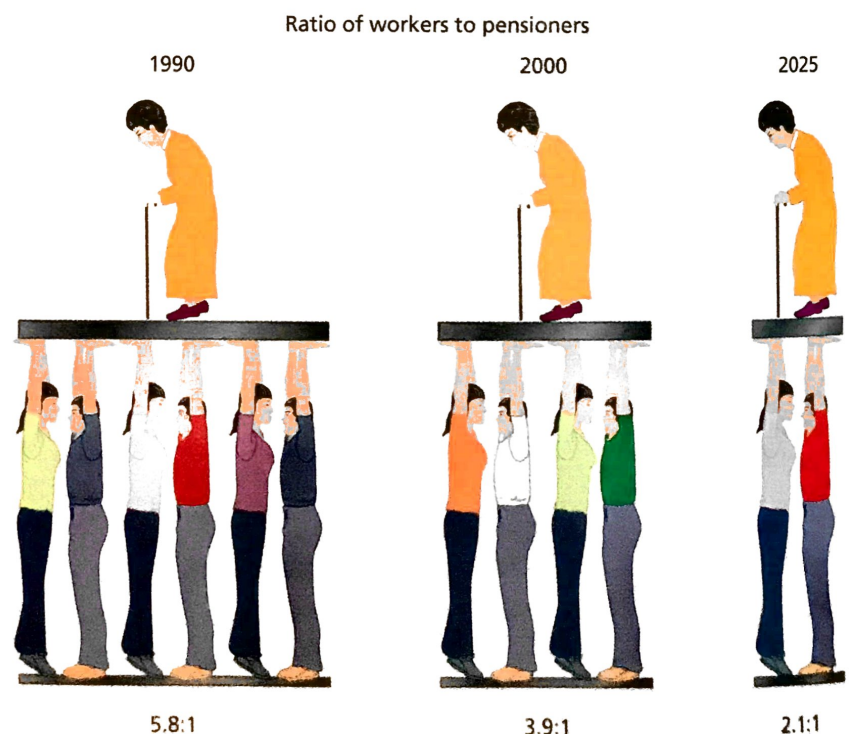


Figure 24 The changing ratio of workers to pensioners in Japan

The state pension system will be the first to feel the negative effects of the ageing population. The government under Prime Minister Junichiro Koizumi introduced pension reforms in 2005 which included: the age of retirement rising from 60 to 65 by 2030; and higher pension contributions from the employers, employees and the government.

However, the reforms have not solved the problem of the pension burden and unless the birth-rate rises, which is unlikely, the amount of money that pensioners receive will have to fall.

Health care

Japan has a long tradition of honouring the old. Every year, National Respect the Aged Day is a public holiday. About 93 per cent of Japanese people who are over the age of 60 live at home, either on their own, with a spouse or with other family members. But traditions are changing; the number of people living in nursing homes or care homes is increasing. Paying for caring for the elderly accounts for half of Japan's health budget, and Japan has a huge financial deficit on the health budget. That is putting pressure on the nation's economy, and the expense of providing care facilities will go on rising as people live longer and the proportion of elderly people increases. In 2000, a tax on over 40s was introduced to help pay for equipment such as wheelchairs and send carers to private homes and retirement institutions to help the elderly.

More changes were added in 2006, including incentives to promote more independent living at home. Much more controversially a new health insurance scheme for the over 75s was introduced in 2008. It has already been nicknamed the 'hurry up and die' scheme, and has caused a political storm. Under recent changes the fee the hospital receives for a patient goes down after 100 days as an incentive to shorten hospital admissions which are long by international standards.

There has been an increase in the number of nursing homes but nowhere near enough have been built to house the numbers who need them.

At just one care home in Tokyo there are hundreds of people on the waiting list and to make matters worse one floor of the home is unused because they cannot get enough young staff to work there.



Figure 25 Elderly Japanese in a nursing home

What are the advantages of an ageing population?

The greying yen

Tetsuro Sugiura, chief economist at the Mizuho research institute in Tokyo, describes it as the 'grey boom'. It used to be that the elderly were anxious about the future and saved even into their old age. This is no longer true. Japan's pensioners are spend, spend, spending. They are buying luxury goods, travelling and indulging their taste for expensive foods. In the past they would try to leave as much as possible to their children who would have looked after them in old age. However, that unspoken family contract is nothing like as firm as it was. The children are doing less caring, and the parents have fewer inhibitions about spending the money they have saved. With so many old people spending their incomes this could lead to a growth in the economy.

Technology

The greying of Japan has led to a technological explosion. It has inspired an array of gadgets for people who are worried about elderly relatives. They include an online kettle that automatically sends emails to up to three people when it is switched on, and internet-linked sensors that can be attached to everyday items such as fridge doors and bathroom mats. These gadgets allow people to check up on their elderly relatives.