

**Never too old.** Retraining centers in Japan are enabling seniors to extend their working lives.



## NEWS

## The Upside of Downsizing

Increasing numbers of countries are facing population shrinkage, and that could be good for both humanity and the planet

**JAPAN'S POPULATION WILL SOON START shrinking**, if it hasn't already. Despite worries about a shriveling economy and the burdens of the aged, Japanese have collectively resisted calls to boost the birth rate and embrace immigration. And some demographers think this will be fine.

"I'm not saying, 'Banzai, the population is shrinking!' But shrinkage is inevitable, and there could be benefits," says Akihiko Matsutani, who studies population issues at the National Graduate Institute for Policy Studies in Tokyo. He believes that per capita income could rise even as GDP shrinks, providing a more comfortable lifestyle for individuals despite diminished national economic clout.

Japan is not alone. Populations are shrinking in much of Eastern Europe and Germany, according to United Nations statistics. Italy, South Korea, and even China will follow suit by around 2030. Some environmentalists see this as a boon for the planet. "Humanity is already consuming resources at an unsustainable rate; population shrinkage is the cheapest and surest contribution to sustainability that we know of," says Simon Ross, chief executive of Population Matters, a London-based group pushing to restrain population growth to reduce stresses on the environment.

Japan is leading this trend because it deliberately cut short its post-World War II

baby boom. Alarmed by rapid population growth amid postwar scarcity, in 1948 the government started promoting family planning, including allowing abortion on demand. The average number of children born to each woman has trended downward ever since, hitting a low of 1.26 in 2005 before a slight rebound to 1.39 in 2010, according to Japan's Ministry of Health, Labour and Welfare. (The replacement fertility rate for developed countries is roughly 2.1.) Immigration has always been minimal. As a result, preliminary data from the 2010 census indicates that there are just over 128 million people living in Japan, up a scant 0.2% from the previous official count in 2005. And from here, the government projects steady shrinkage, to 123 million by 2020 and 115 million in 2030.

More important for the economy, the working population is shrinking even as the number of elderly people grows. Japan already has the highest old-age dependency ratio, with 38 people 65 years or older for every 100 in the 15- to 64-year-old working population. By 2030, that number will rise to 70 for every 100.

Matsutani, thinks worries about spiraling health care costs, depleted pension funds, and economic decline are overblown, though there are concerns. For example, the assumption that people retire at 65 is out of date. Japanese seniors are continuing to work—and

pay taxes—well beyond that age. He also foresees benefits from a shrinking population for all age groups. He thinks economic forces could push Japanese corporations to focus on making higher-value-added products less subject to competition from manufacturers in low wage countries. To attract employees from a shrinking labor pool, such companies will have to pay more and be more flexible, by accommodating working mothers, for example. Higher wages would also prop up domestic consumption.

Some economists think Matsutani is overly optimistic. But Hal Kendig, a sociologist at the University of Sydney, says that in Australia, too, a tightening labor market is increasing opportunities for seniors. "There is a lot of work going on to find ways to make the workplace age-friendly," Kendig says.

Studies of older workers are turning up surprises, as a group at the Mannheim Research Institute for the Economics of Aging at Mannheim University in Germany found by studying a truck assembly line. Contrary to expectations, "We [found] productivity does not decrease up to age 65," says Matthias Weiss, a Mannheim economist who led the study. Their contributions could be even greater in less physically demanding jobs. Weiss says that their work suggests that raising the retirement age won't affect workplace productivity.

Delayed retirement is disproving some dire projections about aging populations. Kendig says his examination of the Australian government's 2007 intergenerational report indicates an overall budgetary deficit, driven partly by aging-related factors emerging by 2022. The 2010 report, taking into account recent trends in employment, population growth, and immigration, shows that deficit won't occur until 2030.

There will be challenges. Matsutani says that Japan's current public pension plan isn't sustainable. But creative support for the elderly could help. He says subsidized apartments tailored for the elderly could serve several generations of seniors. Kendig does worry that many baby boomers are heading into old age with chronic conditions, such as obesity and diabetes, that can seriously affect health care costs. But encouraging healthier lifestyles could ameliorate this trend, he says. He remains optimistic that societies can adapt, especially if the elderly are encouraged to be part of the solution.

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