

ESRI International Conference 2023

Third Session "Aging and productivity"

Comments on
**"The Impacts of Population Aging on Macroeconomic
Performance:
Daunting Yes, Insurmountable No"**

August 3, 2023

Discussant: Sachiko KURODA (Waseda University)

Overview

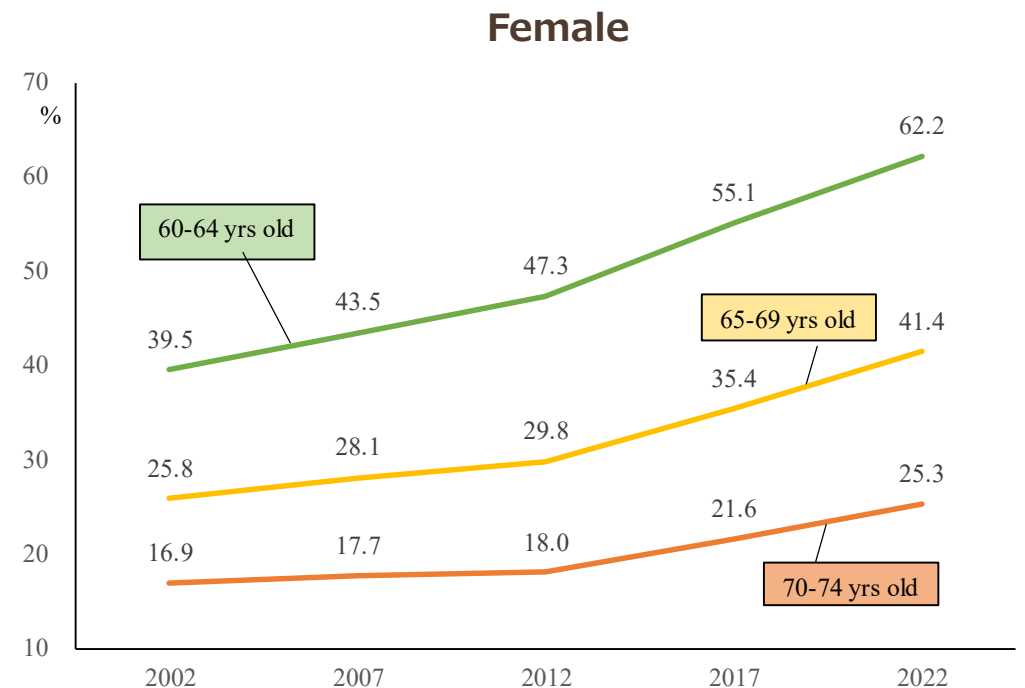
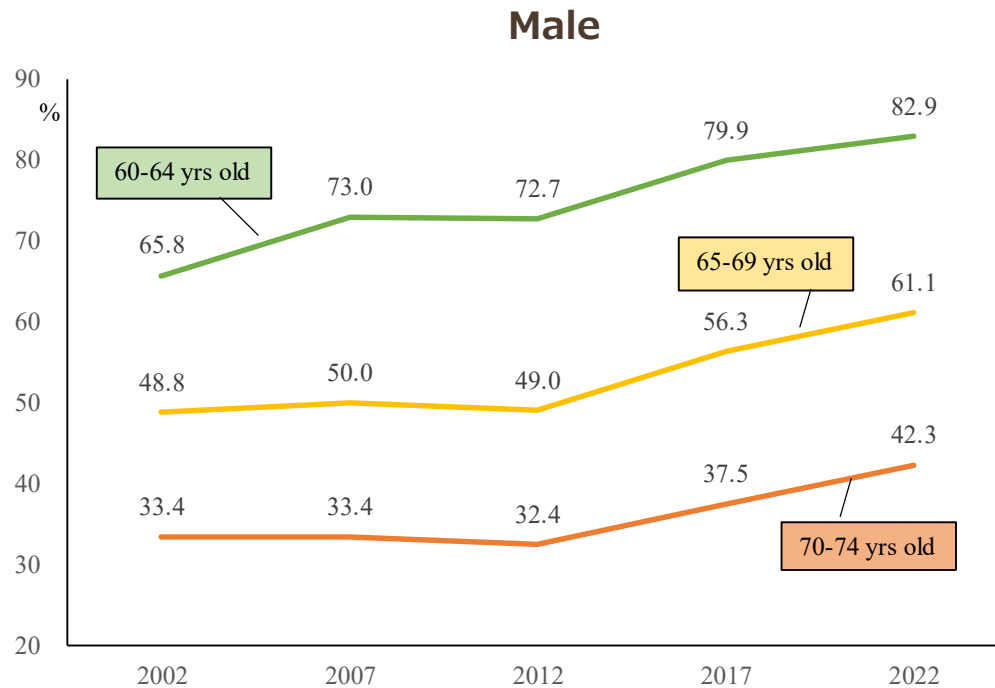
- ✓ Using 145 country-level panel data, the paper analyses the economic effects of changing working-age shares in an empirical growth model.
- ✓ Then, the paper estimates with predicted shifts in population age structure to project economic growth in 2020–2050.
- ✓ Paper finds that expanding labor supply (increase the thresholds of working age) through improvements in functional capacity would cushion the demographic drag.
- ✓ This would halt the significant decline in economic growth associated with a declining population.

65 → “life expectancy at age 65 – 15”
(a prospective measure)

2022: 19.44 (male) 24.30 (female)
male +4.44 yrs, female +9.3 yrs

Ratio of Persons Engaged in Work by Sex and Age

Source) *Employment Status Survey*, Statistics Bureau of Japan

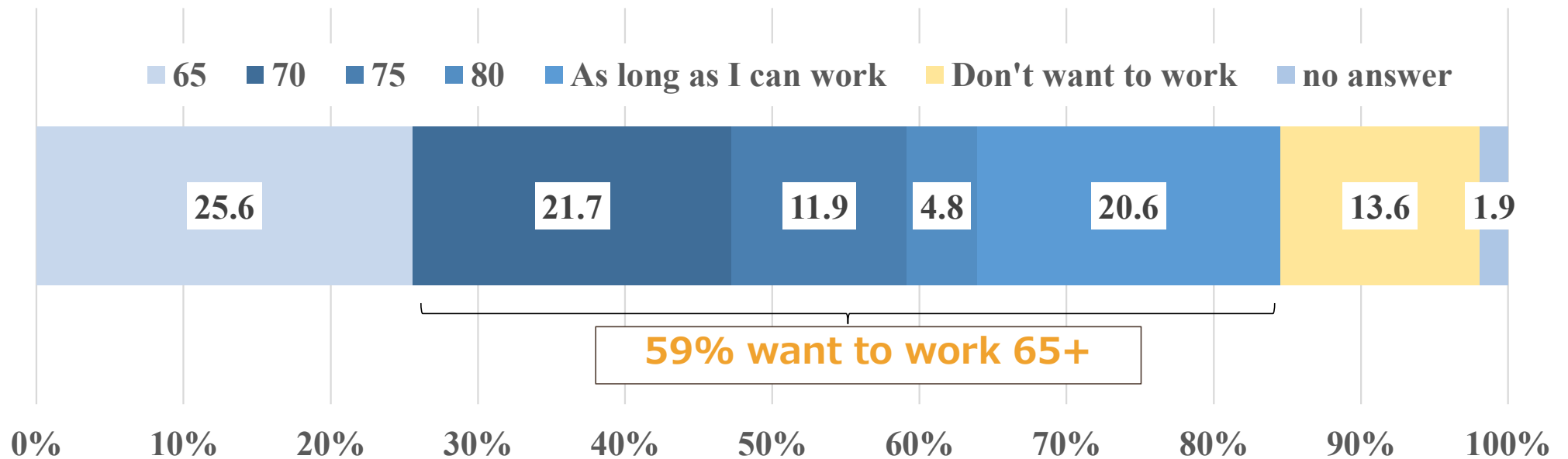


Act on Stabilization of Employment of Elderly Persons

2013: Mandatory retirement age was raised from 60 to 65.

2021: Firms must make an effort to employ employees until they reach the age of 70.

At what age would you like to work for an income? Or, until what age did you want to work?

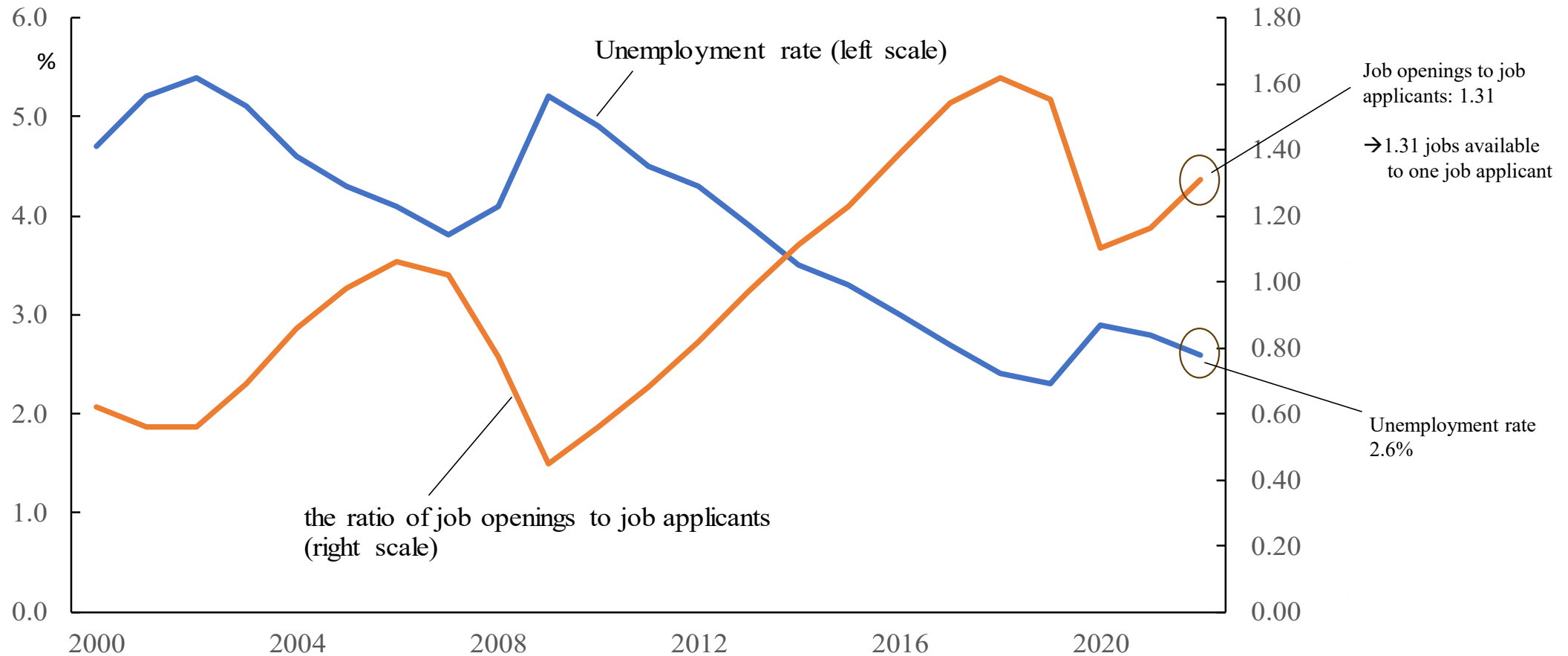


Source) *Annual Report on the Ageing Society 2023*, Cabinet Office, Japan

Notes) Responses from 1,755 men and women over 60 years old.

37.3% of respondents had an income-earning job at the time of response.

Japanese Labor Market



Sources) *Labour Force Survey*, Statistics Bureau of Japan
Job/employment placement services statistics, Ministry of Health, Labour and Welfare, Japan

Comment 1

The Japanese government has been gradually raising the mandatory retirement age.

1986: Firms must make an **effort** to employ workers until they reach the age of **65**.

1998: **Mandatory** retirement age was raised from **55** to **60**.

2000: Firms must make an **effort** to employ workers until they reach the age of **65**.

2013: **Mandatory** retirement age was raised from **60** to **65**.

2021: Firms must make an **effort** to employ workers until they reach the age of **70**.

Question: Should the retirement age be raised to 70 as well?
Or can it be raised further than 70?

Comment 2

Even though Japanese labor market is very tight due to labor shortage, large mismatch due to age exists.

“Validity of prospective measures requires that changes in the old-age threshold derived from remaining life expectancy reflect improvements in age-specific functional capacity.”

Human capital

stock of knowledge (Becker 1964) →

Outdated skills: need “**reskilling**”

both **depreciate with age**

stock of health (Grossman 1972) →

Diminished health: need to recover deteriorated stock by “**health capital investment**”

Question: **How** do we recover from the deterioration of age-specific functional capacity?

Comment 2 (cont.)

age-specific functional capacity

mortality

disability

body strength

Physical health: periodical health check ups, anti-smoking, promote exercise

Mental health: periodical "Job stress check," amendment of Labor Standards Acts to place a cap to the number of workhours to prevent *karoshi*, etc.

cognitive capacity

One of the most difficult functional capacities to stop from deteriorating...

Comment 3

What Japan has done so far...



2008: Specific Health Checkup (government initiative)

→To prevent lifestyle-related diseases, health checkups focusing on metabolic syndrome are offered to eligible persons (40-74 years old)

Specific Health Guidance

→For those who are at high risk of developing lifestyle-related diseases, public health nurses or nutritionists support them in reviewing their lifestyle.

Cf. The intervention was not associated with clinically meaningful weight loss or other cardiovascular risk factor reduction. (Fukuma, Iizuka, Ikenoue, and Tsugawa, 2020)

2014: Health and productivity management (firm initiative)

→A system that grants awards and certifications to companies recognized for their health management practices.

Question: **Who** should take the lead in health capital investment?

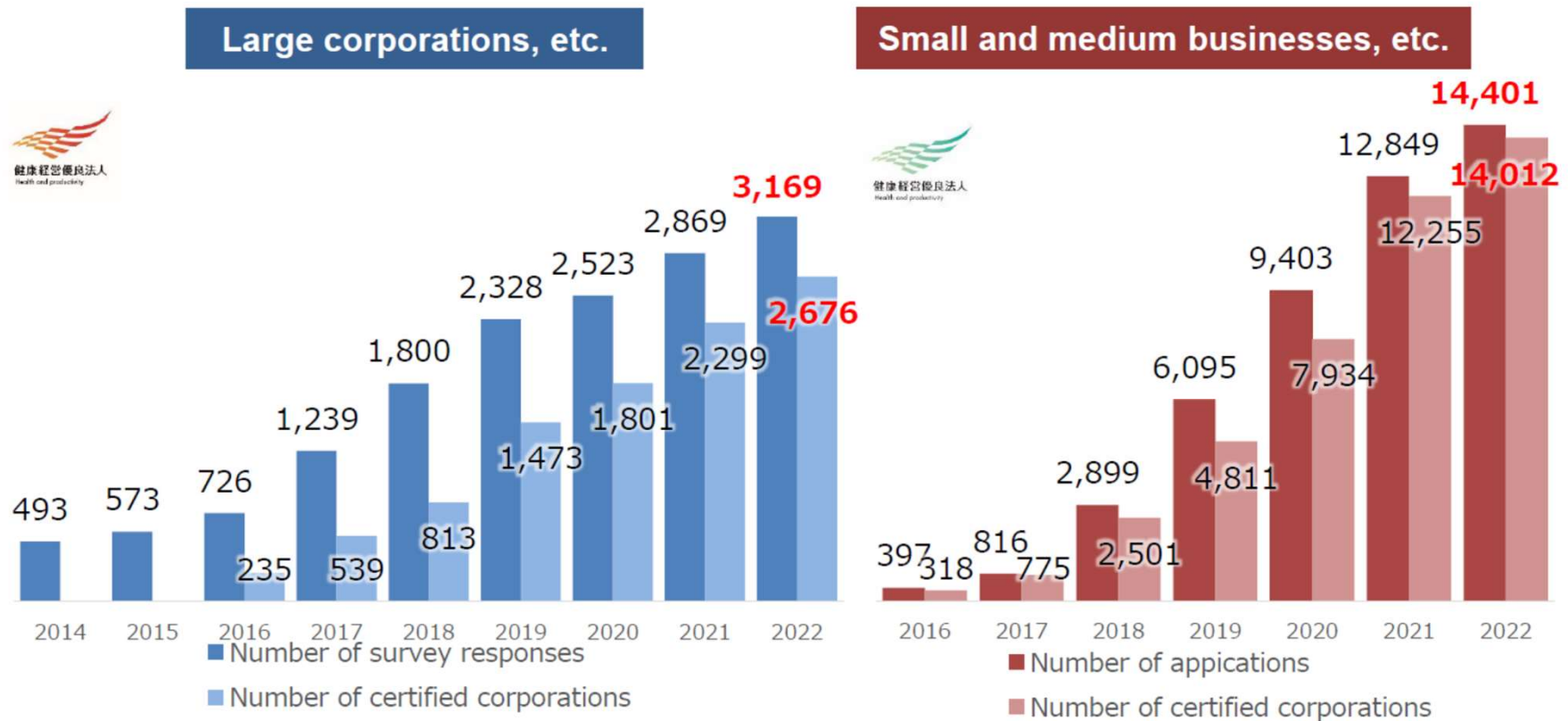
“successful policy design involves multiple levels” of stakeholders

Summary

- ✓ How can the decline in economic growth be halted in a country like Japan, where a super-aging society is on the horizon?
 - Very inspiring paper, and also encouraging.
 - "Daunting Yes, Insurmountable No"
 - Expanding labor supply (increase the thresholds of working age) through improvements in functional capacity would cushion the demographic drag.

Growth of METI's H&PM Initiative in JAPAN

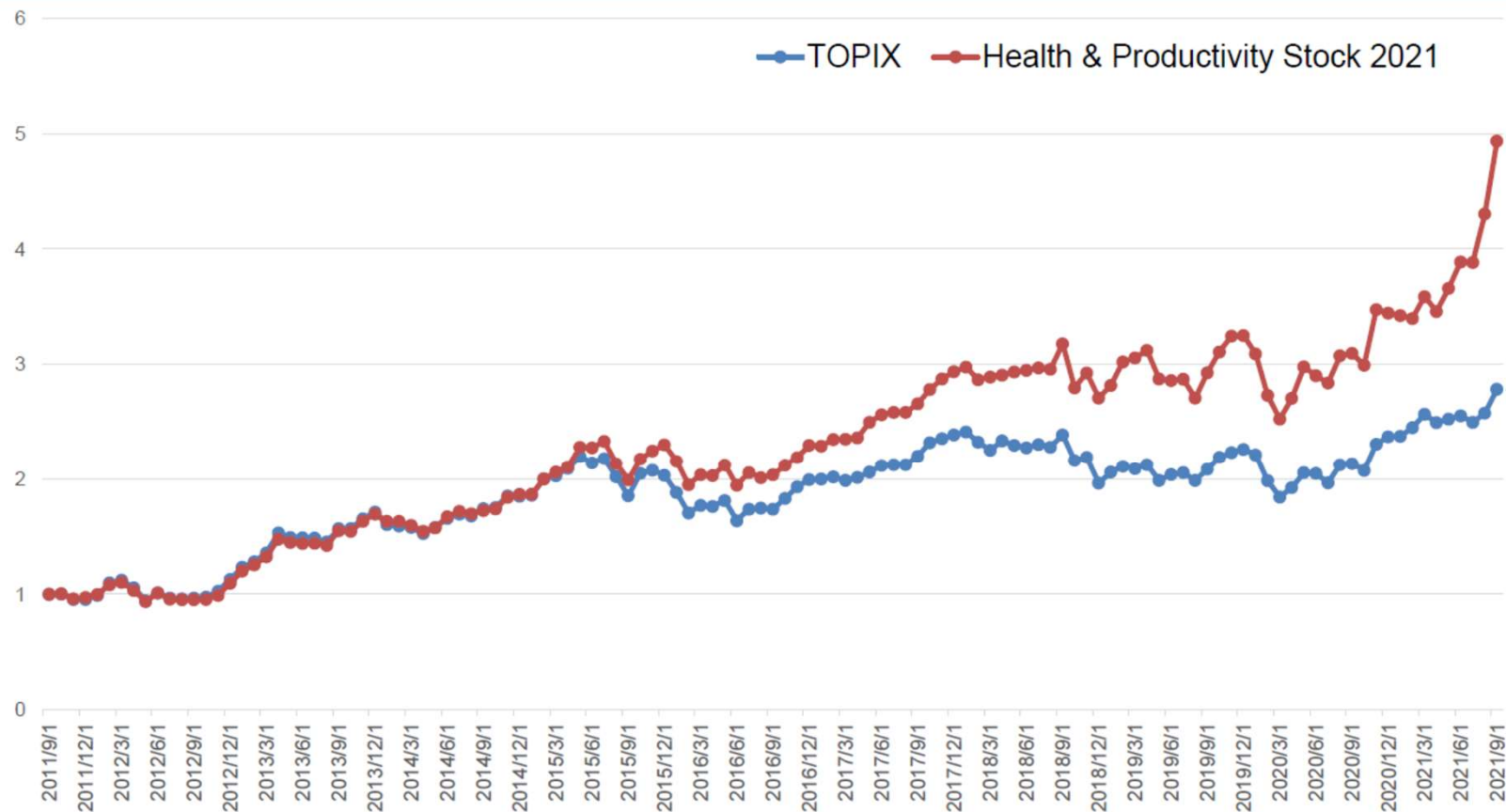
- Since the start of the program, the base of companies engaging in H&PM has expanded rapidly.
- In FY2022, there were a total of 17,570 applications in the large and small business categories.



Sources) Health and Productivity Management, Ministry of Economy, Trade and Industry, Japan

Relationship between H&PM and Corporate Performance/Stock Price

- The average stock price of the companies selected for the Health & Productivity Stock Selection 2021 was compared against TOPIX over the ten years from September 2011 to September 2021.
- The stock price of the companies selected for the brand has been outperforming TOPIX.



Sources) Health and Productivity Management, Ministry of Economy, Trade and Industry, Japan