

# Countermeasures to Japan's Declining Birthrate and the Policy Environment

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## Introduction

The term “policy environment” may not be particularly familiar, but recently it has become extremely important to have such an image when discussing current policies. In the sense that they are policies, the work performed by administration as well as the governmental budget and system are extremely influenced by such an environment. Japan's declining birthrate has become one of the most pressing issues that require government intervention.

## Countermeasures to the Declining Birthrate

With regard to Japan's birthrate, the total fertility rate reached 1.26 in 2005, and population estimations indicated that a similar figure would continue into the future. Since, discussions of future visions for Japan reflected a tremendous increase in the sense of crisis concerning the declining birthrate. Subsequently, in 2007, the total fertility rate rose slightly, from 1.32 to 1.34. But whether or not this is a definitive increase is still unclear. Regardless, the figure is still quite low.

Japan is not the only country with a declining birthrate. There are some countries, such as France, Sweden, and the United States, which total fertility rates are higher than 2.0. In the past, economic prosperity and women entering the workforce was said to drop the birthrate, but that is not necessarily the case. In France and Sweden, although the methods differed, the national governments provided thorough support to rectify

the birthrate decline. In other words, it is a problem that can be resolved through government policies and the efforts of the general public.

When the 2005 population estimate is used to forecast Japan's future population, it indicates that Japan's population will be halved by around 2100. There have been various theories on the consequences of such population drop. For example, some have said “Japan's population in the past wasn't so large, so whether the population is 50 million or 30 million, it would actually be better for stable administration if the country were less crowded,” or, “There won't be no problem if per capita income is high.” However, nowadays the most commonly accepted opinion is that “In the end, national strength is proportional to population size. What is particularly important is that rapid changes in population size cause problems and it is extremely difficult for society to endure. If the process of change is too quick, the social structure will lose its stability.” Social security finance is currently funded by taxes paid by businesses and individuals on the fruits of their labor, which are then channeled into social security finance. Therefore, it clearly reflects the generational structure of each era, and rapid change can cause enormous discord.

Next, I would like to discuss the factors underlying the birthrate decline. Basically, the decline is due to two tendencies: the increasing trend of late marriage and the decreasing number of births. The percentage of unmarried people is still increasing, and so is the trend of late marriage.

Now, what factors have the greatest impact on marriage and giving birth? Firstly, the greatest

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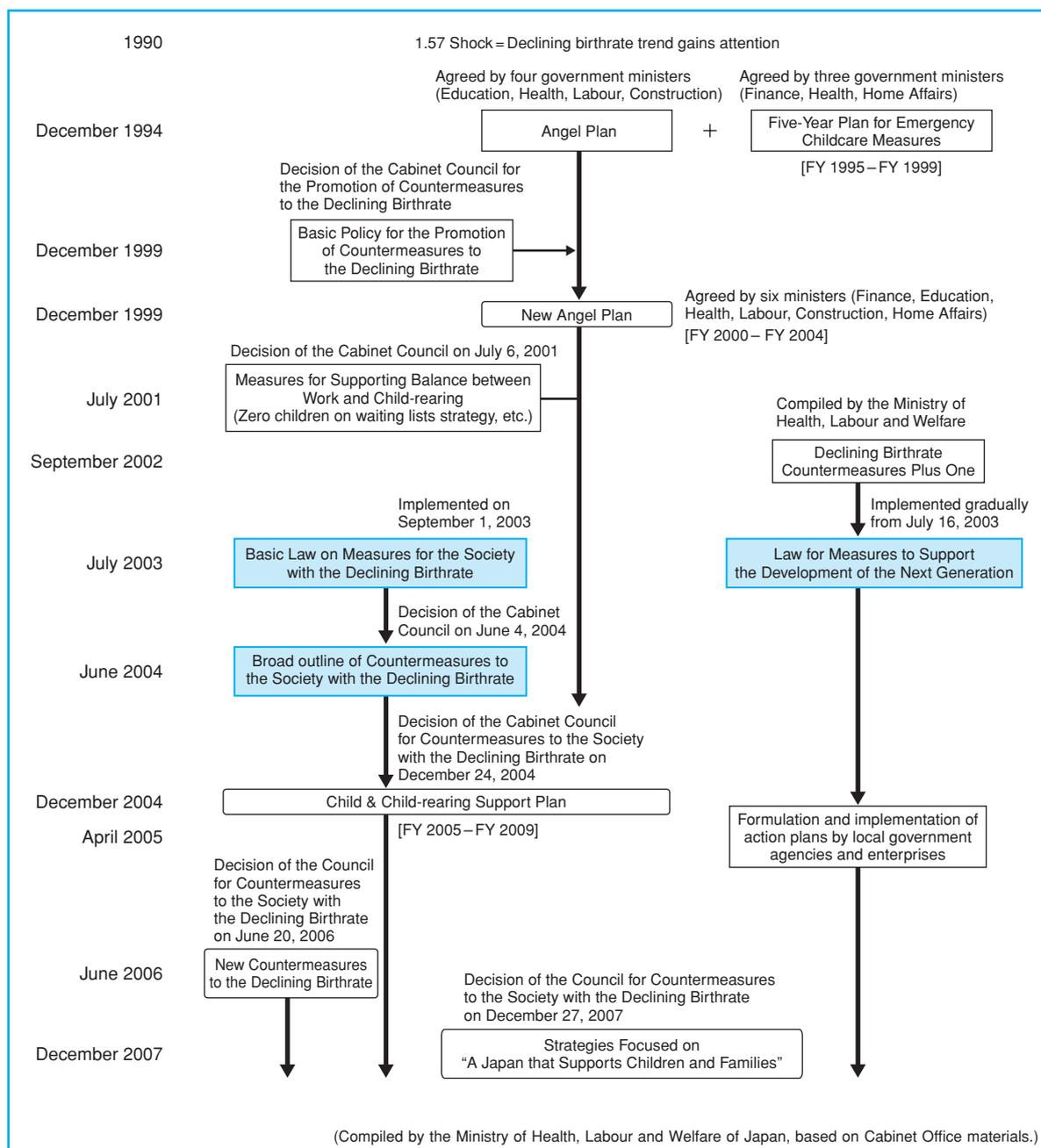


Fig. 1 History of countermeasures to the declining birthrate in Japan

issue when people marry is, of course, the economic basis. Particularly for women, the concern for the outlook for continuing employment after giving birth is an issue. This economic factor is one barrier to marriage. Furthermore, reasons for having the first, second, or third child seem to differ statistically. When deciding whether or not

to have a first child, both man and woman are strongly influenced by work-style related factors, such as the prospect of continuing employment after the birth and long working hours. When it comes to a second child, the extent of support from man, like degree of responsibility and participation in housework and childrearing duties,

is highly influential. For a third child, the burden of educational expenses has a strong impact.

Next, I would like to discuss the benefit expenditure as countermeasures to the declining birthrate, which have in fact increased slightly. However, the amount and its increase for children and family are still small compared to the benefit expenditure for the elderly. When you look internationally, for example, France and Sweden that have reversed their declining birthrate trends, we see that they are spending enormous finances into benefits for children and families compared to their GDP—3.54% in Sweden and 3.02% in France. This demonstrates these countries' clear and firm intention as a nation to raise their citizens' children. In comparison, the benefit expenditure for children and families in Japan is 0.83% of GDP, which is extremely small. In short, the considerable disparity in awareness of who is responsible for child-rearing and declining birthrate in Japan—is it the problem of the national government, local governments, or individuals—is reflected here.

With regard to the history of countermeasures to the declining birthrate, Japan has been working with this problem for quite some time now. Attention to the declining birthrate was triggered by the 1.57 Shock in 1990, when the birthrate dropped below the year 1966 (1.58) for the first time. The national government immediately implemented the Angel Plan and other emergency childcare measures, and various other policies were implemented since. During the Abe Administration in 2007, a group of experts was brought together to discuss various issues for the realization of “A Japan that Supports Children and Families.”

A major point of the “A Japan that Supports Children and Families” is an extremely strong emphasis on work-life balance and goes as far as to include men's work patterns in the scope. That is, unless and until men's working patterns change, future countermeasures against declining birthrate will not be effective at the family level, especially in the minds of women. Thus the government has strongly set forth the concept of promoting the two aspects, realizing work-life balance and social support of child-raising, as “two wheels of one cart.” Another important point is that amount of funding has been mentioned. In Japan, 1.5 to 2.4 trillion yen would need to be invested to achieve the same level of benefit

expenditure for children and families as Sweden and France, meaning such amount of finance is necessary (Fig. 1).

## Maternal and Child Health Measures

Currently, one key element in countermeasures to the declining birthrate in Japan is prenatal checkups. In the national government's second supplementary budget decided at the end of 2008, measures were taken to increase public expenditure to cover all prenatal checkups (14 times in total).

My topic now becomes slightly administrative, but in the world of public expenditure and subsidies, a big change is underway—namely in the subsidy system. The concept of decentralization of authority, the idea being that administration and decisions affecting regions should be left up to the regions as they know their situations best, is becoming popular at present. Accordingly, expenditure items that the national government previously decided as subsidies to local governments are now being incorporated into the general budget.

Since prenatal checkups are already included in the general budget, the finance does not come from the Ministry of Health, Labour and Welfare (MHLW) in the form of subsidies; it comes from the Ministry of Internal Affairs and Communications in the form of local allocation tax grants. In other words, the budget for prenatal checkups is already incorporated annually into municipal allocations. So, consequently, the administration says “Please do so” to local governments. In the Diet, there are often questions and comments posed about whether or not certain municipalities are providing too few prenatal checkups. But in fact it is the local government assemblies that should be discussing why their municipalities are falling behind, as these are decisions that must be decided by the municipalities themselves.

Five prenatal checkups are already included in local allocation tax grants. And so, for the remaining nine checkups, the national government decided to set up funds for each prefecture through this second supplementary budget, considering that the national government hurried the issue. Then, each prefecture is to distribute the budget to municipalities to cover for all standard prenatal checkups out of the public expenditure. In the future, local governments must

establish bylaws pertaining to the remaining nine prenatal checkups. As soon as the bill passes, we must respond by also urging prefectures and municipalities to implement measures quickly. If there are some local governments that are slow to implement, then, we will have the relevant municipalities take up the issue and examine why not all 14 standard prenatal checkups are covered by the public expenditure despite all necessary funding are already made available to the prefecture, as well as why by-law and policy development are behind schedule.

Next, I would like to discuss the current situation concerning female physicians. In recent years, the proportion of female physicians has been rising. In particular, there are many young women becoming pediatricians and obstetricians/gynecologists. Thus, in future, these female physicians will be asked to stay on the front lines and continue practicing medicine. Consequently, there is considerable concern if regional healthcare can be maintained when female physicians quit the profession due to marriage or childbirth, regardless of how much medical schools increase their student intake.

In relation to this issue, when I was Director-General of the Equal Employment, Children and Families Bureau of the MHLW, I suggested the part-time regular employment system for the healthcare in Japan. At the time, I thought that, considering the lifestyles as female physicians, the cost of training new physicians, and the workstyle of people with the skills and abilities, part-time regular employment would be the easiest to implement in the healthcare world as a leading case. I admit there are various arguments concerning this type of employment. But if the question is whether we allow the regional healthcare system to collapse because of the difficulties of implementation or we devise some sort of means and maintain the regional healthcare system, the answer is very clear. Although a few workplace adjustments such as financial issues and work-shift rotations are needed, it is rather a question of changing the way of thinking. I would like to advocate such employment system strongly, especially since there are many obstetricians and pediatricians here today.

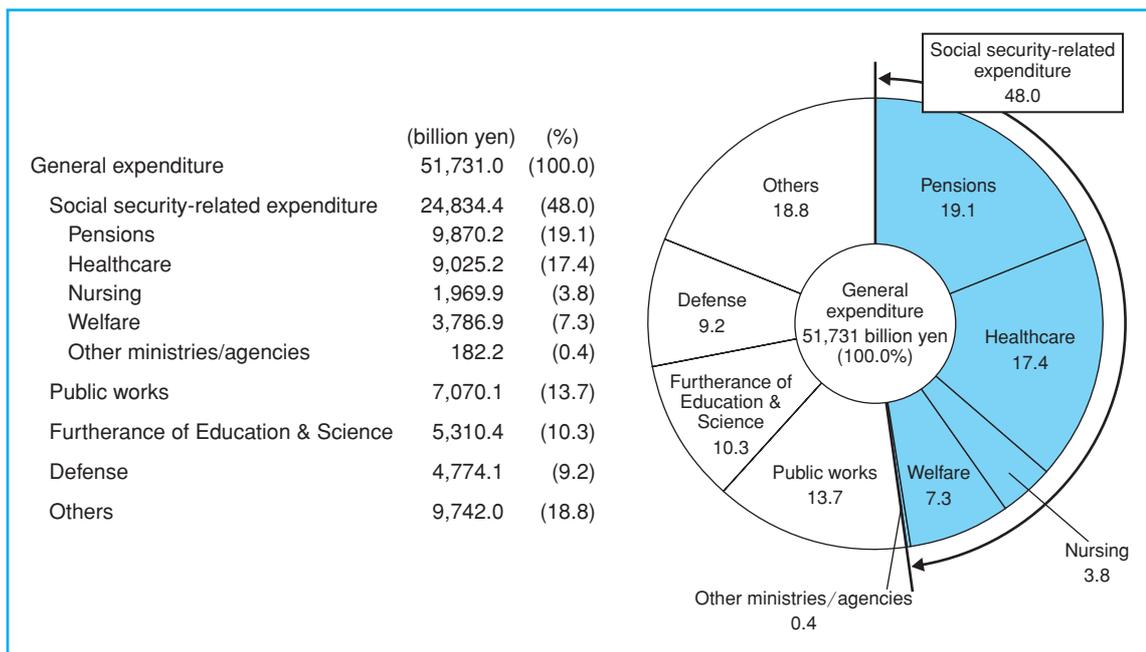
### **Social Security Finance**

In recent years, I am sure you have frequently

heard expressions like “social security containment,” “financial cuts,” and “healthcare expenditure controls.” But the main basis of what is going on now is the social security part of the basic policies in the 2006 economic and financial reform, the so-called “Big-boned Policy.” In essence, the role of social security as a safety net must be maintained even when finances are difficult, but the increase in benefits must be controlled or else funds will be exhausted. Japan has a debt of some 800 trillion yen, and since the current structure forces this entire debt on the shoulders of future generations, it was decided to control financial expenditure in haste in order to turn basic fiscal revenue and expenditure, or the primary balance, into the black.

In order to operate in the black within a year, the cabinet decided to reduce growth in social security expenditure by 1.1 trillion yen over the period of five years. In other words, it was decided to cut down growth in social security expenditure by 220 billion yen annually. To clarify, this is not to say that 220 billion yen should be cut from social security expenditure annually, but rather that the natural increase of 870 billion yen should be contained within 650 billion yen. People often express to me that healthcare expenditure is not increasing because 220 billion yen is being cut in social security expenditure annually. But in fact, that is not the case. People may mistakenly think a net reduction of 220 billion yen is being made, but in fact the growth is being curbed.

The question is, then, have these measures actually reduced the growth by 220 billion yen? In the end, a 23 billion yen reduction was achieved through the promotion of some generic drugs. Plus, 60 billion yen was incorporated by transferring from road-related tax revenues to the general revenue, and 137 billion yen was put in from the settlement of special health and welfare projects. So, the actual reduction amount achieved for the end of 2008 was no more than 23 billion yen. In other words, the effects of controls on social security have been extremely limited. In 2007, a bill was submitted to the Diet to reform the Health Insurance Law and reduce the burden to the Natural Treasury by around 103 billion yen. But both the ruling and opposition parties opposed it, and the bill was withdrawn. The 2007 budget that was formulated based on the premise that 100 billion yen would be cut could not be realized either. In essence, during these past few years, we



**Fig. 2 Draft budget for Fiscal Year 2009: Proportions of social security-related expenditure in the general expenditure**

were able to manage not to place much control on the growth.

My next topic is the budget for Fiscal Year 2009 (**Fig. 2**). Social security-related expenditure occupies 48% of general expenditure. It means, in fact almost half of general expenditure is used for social security, even as the government is negotiating finances. We sometimes make comparisons with public works—actually, the share of public works in general expenditure is 13.7%, with a net decrease of 17% in 2008. Of this reduction, 60 billion yen was transferred into social security funding as general revenue. In other words, social security expenditure has actually undergone a net increase over the previous fiscal year. I very much hope everyone, including those who feel that only social security is being attacked, would accept this particular fact.

With relation to the proportion of social security-related expenditures included in the general expenditure, pensions account for approximately 19% and healthcare for 17%, making the proportion of national expenditure allocated to pensions and healthcare overwhelmingly large. Healthcare expenditure has risen by 460.9 billion yen (5.4%) over the previous fiscal year. Further-

more, we must not forget that the budget size of social security benefit expenditure, which is 95.7 trillion yen in total, includes not only the national budget but also social insurance premiums for social security benefits. Since the general account of Japan is 83 trillion yen, this amount far exceeds the size of national finances. Considering that, national finances cannot change unless social security expenditure is made somewhat more efficient.

Finally, regarding the roadmap for strengthening the functions of social security, reducing the social security expenditure by 1.1 trillion yen was one of the financial plans under the Big-boned Policy of 2006. But there was also a tremendous change in the concept behind the plan. To maintain a medium level of welfare with medium level of burden in future finances, it was believed that not only controls but also securing the funding while reforming the system were necessary. Plans of system reforms on pension, healthcare, nursing, and declining birthrate and a scenario for securing the necessary funding for them were decided by the Cabinet on December 24, 2008. This is the so-called “Mid-term Program.” Consequently, the cabinet decided its mid-term eco-

conomic and fiscal policy on January 19, 2009. But moving the primary balance into the black in a short period of time was thought to be slightly difficult.

Furthermore, when discussing medium welfare and medium burden, discussion of tax increases, particularly of a consumption tax, cannot be avoided. But then, the end does not automatically justify the means—and, politically speaking as well, increasing taxes is an extremely difficult option. Moreover, things could become difficult for the administration, like strict supervisions of the administrative systems including the civil service system. When a discussion of tax increases to fund social security services such

as healthcare, pension, and nursing care begins, close scrutiny starts on what services are necessary, what kind of people will be rewarded, and who will benefit. Those involved in social security finances in the administration, for example, people involved in the healthcare system, must approach this issue with tremendous resolve.

In this sense, we government officials must all make desperate efforts to achieve reform of social security. And, I ask all the obstetricians and pediatricians here today for your cooperation to maintain and raise the public's trust in healthcare by making efforts in regional healthcare situations and various other scenes.