

Coping with low fertility rates in OECD countries: the case of Japan

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Introduction

The Japanese government has implemented several measures aimed at raising the fertility rate since the 1990s. However, it has failed to raise the fertility rate significantly, and the most recent fertility rate (in 2020) was 1.34, which was among the lowest ever. This article will analyze what measures the Japanese government has implemented to stem the downward trend in the fertility rate since the 1990s and identify several factors that have prevented the government from increasing the fertility rate significantly.

To achieve these aims, the article will examine the determinants of Japan's low fertility rate and policy failures from the perspectives of "time" and "money" available to couples, in comparison to several other countries of the Organization for Economic Cooperation and Development (OECD). South Korea – another Northeast Asian country, and Italy and Spain – Southern European countries, share with Japan several similar characteristics in relation to the factors that may affect fertility rates negatively, such as the high level of "dual" labor markets, which can be characterized by the gap between regular workers and non-regular workers in terms of job security and wages; a widely observed social phenomenon of "parasite (parasitic) singles" – young adults who do not get married and instead stay with their parents (Yamada, 2007); and relatively low government spending on family benefits (Esping-Andersen, 1999). Non-regular work in these countries (but also in most OECD countries) is characterized by low wages and precarious working

conditions, and many non-regular workers are the working poor, as they tend to earn much lower salaries than regular workers. However, these Northeast Asian and Southern European countries are also different in terms of the level of work-life balance. While Japanese and South Korean workers are well-known for their long working hours, Italian and Spanish workers benefit from better work-life balance. Nonetheless, Italy and Spain suffer from very low fertility rates. This suggests that better work-life balance is not panacea to low fertility rates.

The structure of this article is as follows. The next section will analyze several socio-economic determinants of low fertility rates among OECD countries by examining the relevant literature and the data published by governments and international organizations such as the OECD and the World Bank. The following section will identify several policies implemented by the Japanese government since the 1990s to cope with the low fertility rate and analyze why the government has failed to raise the fertility rate significantly. In the conclusion, the article will summarize its findings and consider their implications for the policies to cope with low fertility rates by the governments of OECD countries in general.

Socio-economic determinants of low fertility rates in OECD countries

Several researches have been conducted that were aimed at identifying the determinants of relatively low fertility rates among OECD countries. Scholars

have identified such factors as women's labor market participation (female labor force participation rate), the amounts of child allowance, the availability and costs of childcare services, the availability of and high replacement rates of salaries by maternity leave, and the changes in women's individual attitudes towards or preferences regarding the roles of women in work and childrearing (Brini, 2020; d'Addio and d'Ercole, 2005; Lee, et al., 2016; Murkowski, 2021; Wilkins, 2019). As for the association between women's labor market participation and fertility rates, Engelhardt and Prskawetz (2002) pointed out the sign of the association between them turned positive from negative in the 1980s. While neoclassical economists such as Becker (1965, 1981) claimed that the greater opportunity costs of raising children due to women's higher wages increased women's labor market participation rates and reduced fertility rates (thus "negative" association), more recent scholars pointed out the existence of "positive" association between women's labor market participation and fertility rates in most OECD countries by the late 1980s (Ahn and Mira, 2002; Da Rosha and Fuster, 2005).

As for the amounts of child allowance, the availability of childcare services (especially for the children under three years old), and the availability of and high replacement rates of salaries by maternity and childcare leave, they are likely to affect fertility rates positively (although maternity leave that is too long (such as three years) may affect fertility rates negatively). Whereas, the high costs of childcare services are likely to affect fertility rates negatively (d'Addio and d'Ercole, 2005; Wilkins, 2019). As for the changes in women's individual attitudes towards or preferences regarding the roles of women in work and childrearing, it was assumed that such changes due to greater educational opportunities and higher work incomes would increase the opportunity costs of women's childbearing and reduce fertility rates. However, while the fertility rates in Southern Europe, where women tend to have relatively conservative attitudes towards women's roles in work and childrearing, are very low, the fertility rates

in Scandinavian countries, where women tend to have more progressive attitudes, are relatively high (Wilkins, 2019). This suggests that women's progressive attitudes towards gender division of labor are likely to affect fertility rates positively.

As for the determinants of the low fertility rate in Japan, the first issue of the "White Paper on Fewer Children Society", published in 2004 by the Cabinet Office of Japan, had already identified such determinants as the increase in delayed and no marriage due to poor work-life balance and the changing attitudes towards marriage and childbearing and the less capacity for many couples to create a family due to the perceived high costs of childrearing and their engagement in low-wage precarious employment (Cabinet Office of Japan, 2004). Several scholars also claimed that the mere increase in the number of daycare centers was not enough to raise fertility rates and pointed out the importance of removing the obstacles to striking a work-life balance such as men's long working hours based on lifetime employment (Boling, 2007; Brinton et al., 2018; Nagase and Brinton, 2017; Rosenbluth, 2007) and gender discrimination in the labor market (Lam, 1993; Osawa, 1999; Watanabe, 2020).

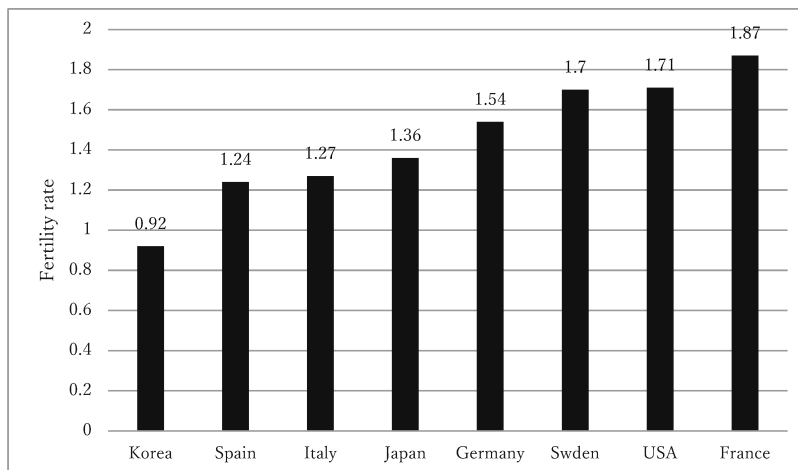
While scholars have identified several factors that might have contributed to low fertility rates in OECD countries, these factors can be categorized as those related to "money" (such as incomes of male and female workers and those of non-regular workers in comparison to regular workers, the amount of childcare allowance, the costs of daycare services, and the amount of maternity leave allowance) and "time" (such as long working hours and work-life balance, access to daycare services, and availability of maternity leave). In the case of Japan, the number of non-regular workers has increased since the 1990s in large part due to the government's implementation of labor market deregulation. As a result, the percentage of non-regular workers among total workers is almost 40 percent (Watanabe, 2014, 2020). Non-regular work in most OECD countries, including Japan, is characterized by low wages and precarious working conditions,

and the increase in non-regular work is likely to have contributed to lower fertility rates among OECD countries, as many non-regular workers cannot afford to create a family financially.

Scholars have examined the association between women’s labor force participation rates and fertility rates and claimed that the association changed from negative to positive by the late 1980s, as mentioned above. When we conduct a simple analysis on the association between labor force participation rates of women (aged 15-64) and fertility rates (2019 or latest data available) in some OECD countries, both “positive” and “negative” associations can be identified (see Figure 1 and Figure 2). In the case of Italy, for example, women’s labor market participation rate is the lowest (56.53 percent) among selected OECD countries and the fertility rate is also very low (1.27), so positive association can be identified. In the case of Sweden, women’s labor market participation rate is the highest (81.25 percent) among selected OECD countries and the fertility rate is also relatively high (1.7), so again positive association can be identified. However, in the case of France, women’s labor market participation rate is not high (68.3 percent) but the fertility rate is the highest (1.87) among selected OECD countries, so negative association can be identified. In the case of France (and the US), the existence of a high percentage

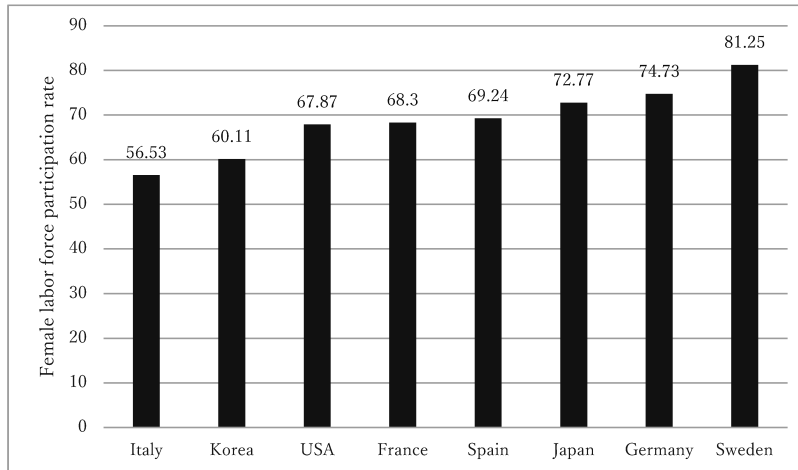
of immigrants may partly explain the relatively high fertility rate despite relatively low labor market participation by women. In the case of Japan, women’s labor market participation rate is relatively high (72.77 percent) but the fertility rate is very low (1.36), so again negative association can be identified. While labor market participation may reduce the time for women to spend on child rearing, it increases their incomes and may contribute to the greater financial capacity for them to bear and raise children. This logic applies to the Swedish case but not to the Japanese case, however. It may be because the wages of Japanese women are low on average and a majority of Japanese female workers (around 55 percent) are non-regular workers, especially low-paid part-time workers in the middle ages after child birth and a job interruption (Watanabe, 2020).

When we conduct a simple analysis on the association between long working hours / work-life balance and fertility rates, again both positive and negative associations can be identified (see Figure 3 and Figure 4). As for long working hours (percentage of employees working 50 hours or longer a week on average), South Korea and Japan record the longest working hours (25.2 percent and 17.9 percent respectively) among selected OECD countries and the fertility rates in these countries are very low (0.92 and 1.36 respectively), so longer working hours



Source: World Bank 2021

Figure 1: Fertility rates among selected OECD countries (2019)



Source: World Bank 2021

Figure 2: Female labor force participation rate (2019)

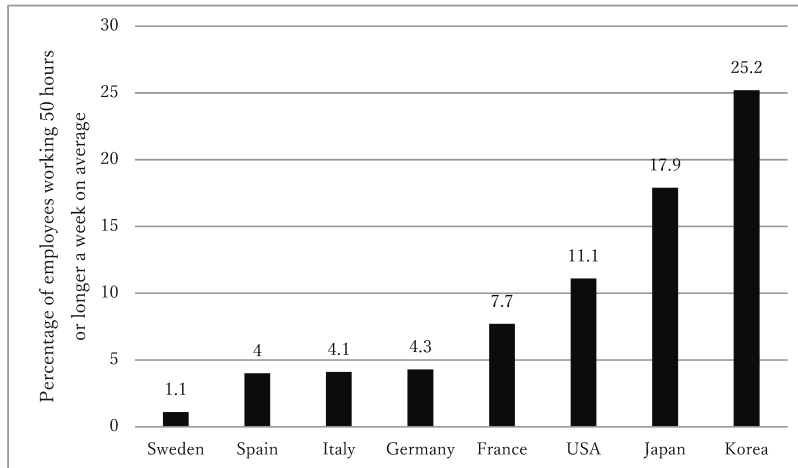
may contribute to lower fertility rates. In the case of Sweden, the percentage of employees working long hours is the lowest (1.1 percent) among selected OECD countries and the fertility rate is relatively high (1.7). However, the United States records a relatively higher fertility rate (1.71) despite a relatively high percentage of employees working long hours (11.1 percent). Also, although the percentages of employees working long hours are relatively low in Spain and Italy (4 percent and 4.1 percent respectively), the fertility rates in these countries are very low (1.24 and 1.27 respectively).

As for work-life balance (the score ranges between 0 and 10 and the higher score indicates better work-life balance), we can again identify both positive and negative associations in relation to fertility rates. Korea and Japan record the worst work-life balance (4.1 and 4.6 respectively) among selected OECD countries and the fertility rates in these countries are very low (0.92 and 1.36 respectively). In contrast, France and Sweden record relatively good work-life balance (8.7 and 8.4 respectively) and the fertility rates in these countries are relatively high (1.87 and 1.7 respectively). However, the United States records a relatively high fertility rate (1.71) despite recording a relatively low score in work-life balance (6). Also, although Italy and Spain record the highest scores in work-life balance among selected

OECD countries (9.4 and 8.8 respectively), the fertility rates in these countries are very low (1.27 and 1.24 respectively). These data imply that, while better work-life balance and shorter working hours are likely to contribute to a higher fertility rate with other factors being equal, the good performance in these time-related indicators itself may not be sufficient for achieving a high fertility rate.

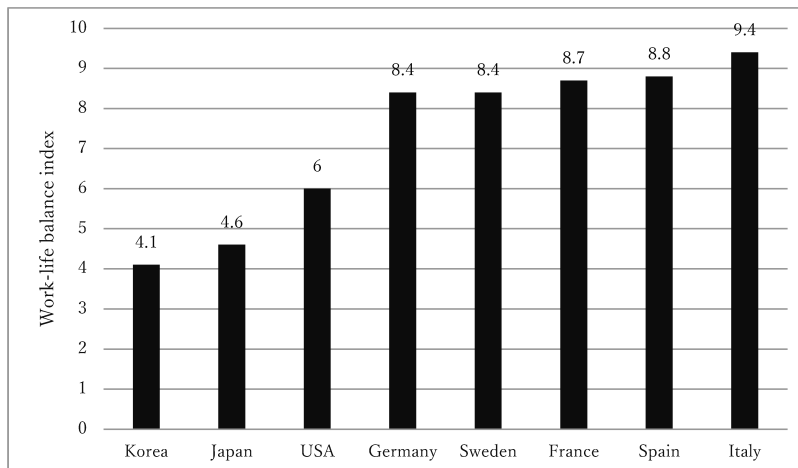
While women's labor market participation increases their financial capacity to bear and raise children, it is likely that the high percentage of non-regular workers among women, whose working conditions are characterized by low wages and precarious jobs, has dampened the positive impact of the increased number of working women on fertility rates in selected OECD countries examined above. Also, while better work-life balance and shorter working hours are likely to contribute to higher fertility rates with other factors being equal, they have not affected the fertility rates of some selected OECD countries equally. The next section will examine the causes for Japan's low fertility rate by analyzing the country's public policies and corporate employment practices.

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Source: OECD Better Life Index 2021

Figure 3: Long working hours (latest data available)



Source: OECD Better Life Index 2021

Figure 4: Work-life balance (latest data available)

Japanese government's struggles to overcome low fertility rates since the 1990s

The problem of the low fertility rate was first recognized widely in Japan when the fertility rate declined significantly to 1.57 in 1989 (called “1.57 shock”). In response, the government of the Liberal Democratic Party (LDP) launched several programs to deal with this issue in the 1990s. The first major program announced in December 1994 was a five-year plan called the “Angel Plan” (implemented

between 1995 and 1999). It was aimed at increasing the provision of daycare services, and the projects were undertaken to enable women to engage in work more easily by reducing their responsibilities for child rearing. For example, the government authorized the provision of daycare services for children aged 0-2 years old, extended-hour daycare services and temporary/short-time daycare services. However, the achievement rates of many projects under the Angel Plan were not high, partly because local governments, which undertook the projects assigned by the Ministry

of Health and Welfare (MHW), lacked in human and financial resources (Boling, 1998: 177). These unsatisfactory results also owed to the slow pace of deregulation in daycare services undertaken by the MHW. Many licensed daycare centers could not satisfy the needs of working mothers in terms of service hours and the age of children who could receive daycare services. Instead, “unlicensed” daycare centers had to accommodate many children in excess of their capacities.

After the unsuccessful implementation of the Angel Plan, the government devised the “New” Angel Plan in December 1999 (implemented between 2000 and 2004). In this plan, the solution to the problem of the “waiting children” (children who are on the waiting list of admission to daycare centers) was a priority, and the expansion of capacity to accommodate children in daycare centers was emphasized (from around 580,000 children under the Angel Plan to around 680,000 children under the New Angel Plan). The projects to expand daycare services included daycare for infants (0-2 year old), mid-year admission to daycare centers, the promotion of extended-hour daycare services, weekend daycare services (experimental), emergency and temporary daycare services for single parent families (short-period (“short-stay”) and night-time (“twilight-stay”) daycare services), provision of child care at home with the cooperation of the National Babysitters Association, and the establishment of family support centers run by the Ministry of Labor (Tochio, 2000). However, these projects under the New Angel Plan could not raise the fertility rate significantly.

The government also expanded child allowance in addition to the increase in daycare services as a measure to cope with the issue of fewer children. The participation of the Kōmeitō Party (welfare-oriented Buddhist party), which demanded the expansion of child allowance, in the coalition government since 1999 (except when the Democratic Party of Japan (DPJ) was the leading governing party between 2009 and 2012), helped the reluctant LDP deal with this issue (Boling, 2007: 132-133). Also, the Maternity Leave Law became

effective in April 1992, and financial support was provided to working mothers in the forms of maternity leave allowance (paying 25 percent of annual salary) and the exemption of social welfare payment during maternity leave. In April 2000, the percentage increased to 40 percent (currently, equivalent to 67 percent of annual salary for the first 6 months and 50 percent for the remaining 6 months). In 2002, the Koizumi administration announced the “Plus One” proposal to end the low birthrate and referred to harsh workplace environment for men and women who would like to strike work-life balance. To cope with this issue, the Plus One proposal initiated several measures, including the one to prohibit employers from retaliating against workers who take the maternity leave (Boling, 2007: 142-144).

Despite the government’s efforts to increase the fertility rate through the expansion of childcare services, child allowance and maternity leave, Japan experienced its lowest fertility rate ever – 1.26 – in 2005 (Cabinet Office of Japan, 2021). In response, several measures to cope with the issue of fewer children were announced by the LDP-Kōmeitō administration, such as the “New Strategy to Cope with Fewer Children” in June 2006, which emphasized the importance of “family”, “Work-life Balance Charter” in December 2007, and the “New Strategy for Zero Waiting Children” in February 2008.

The new administration of the DPJ, which became the leading governing party after the landslide victory in the election to the House of Representatives in 2009, announced the “New Vision for Childrearing” for the period of 2010-2015 and implemented several measures to cope with the low fertility rate by relying on the use of consumption tax for the first time. The DPJ’s most outstanding and controversial measure to cope with the issue of fewer children was the substantial expansion of child allowance (called “*kodomo teate*”, instead of “*jidō teate*” during the LDP administration – both can be translated child allowance in English). The DPJ announced the “Children First” policy and emphasized the support of childrearing by all members of the society, as in the same manner as pension, health

insurance and elderly care insurance. To achieve this aim, the DPJ attempted to make the child allowance a “universal” benefit available to all childrearing families without income restriction and proposed to abolish income tax deductions (childrearing and spousal tax deductions) to fund the expansion of child allowance (Hagiwara, 2013). However, this proposal met criticisms by the LDP, which regained a majority of seats in the less powerful Upper House of the Diet (Parliament) in 2010, and families with fulltime housewives and wives with low-paid part-time jobs. In addition, the DPJ paid less attention to the issue of the waiting children, which was serious in large cities, despite the existence of many mothers who preferred the expansion of daycare services rather than the expansion of child allowance (Hagiwara, 2013). In the end, the DPJ had to give up the expansion of child allowance as a universal benefit.

The LDP came back to power in December 2012 with former Prime Minister Abe as its leader. The second Abe administration prioritized the reduction of the number of the waiting children and attempted to increase the capacity of daycare centers to accommodate more children as well as providing daycare services to elemental school students by introducing “after-school clubs”. In September 2015, the Abe administration announced “New” Abenomics and proposed as one of the three new policy measures the increase in the (desired) fertility rate to 1.8 (fertility rate among couples aiming to have children). In June 2018, the Abe administration enacted the Work-style Reform Law and introduced worker-protective measures of the imposition of maximum overtime working hours and the principle of “equal pay for equal work” as well as a neoliberal deregulatory policy of the “highly professional work”, which exempted workers in the category of highly professional work from receiving overtime salary under any circumstances (Watanabe, 2020). The worker-protective part of the Work-style Reform had a potential to rectify men’s working style such as long working hours and increase the spending power of non-regular workers, thus

“possibly” contributing to a higher fertility rate. In October 2019, the Abe administration introduced free education to infants of 3 years and older as a measure to increase the fertility rate.

However, Japan’s fertility rate has been declining for 5 years in a row and the fertility rate in 2020 was 1.34, with around 840,000 new babies born – the lowest number ever. The following Suga administration of the LDP announced the “Social Welfare for All Generations” in December 2020 and increased out-of-pocket payments for health treatment by elderly patients, made it possible to use health insurance for the treatment of non-pregnancy, and encouraged male public servants of central government bureaucracy to take one-month paternity leave. However, the Suga administration also decided to remove the household with a family head whose annual income is 12 million yen or more (in the case of 2 children and a spouse (wife) with annual income of 1.03 million yen or less) from the recipients of special benefits (*tokurei kyūfu*) of child allowance (5,000 yen per month) from October 2022. The current Kishida administration of the LDP addresses the supply side problems leading to low fertility rates such as the shortage of daycare center workers and has announced the government’s intention to increase their wages. However, the increase is planned to be only by a small percentage of around 3 percent. Given the low salaries of daycare center workers (around 250,000 yen per month), which are lower than the average of salaries in all industrial sectors (around 310,000 yen per month), such a small increase is unlikely to lead to the significant increase in the number of daycare center workers and a higher fertility rate.

Conclusion

The Japanese government, led by the LDP most of the time, has implemented policy measures aimed at increasing the fertility rate by reducing economic and physical burdens on working mothers and eliminating obstacles to child rearing since the 1990s. The number

of daycare centers has increased, and their services are now more flexible and cheaper than before. Also, the child allowance is now more generous, and the take-up rate of maternity leave by working women has increased despite the existence of “maternity harassment”. However, most measures, including numerous “emergency” measures, had more or less similar contents and have been implemented without significant positive effects on the fertility rate. While the government has implemented policy measures to increase the number of daycare centers (free for children of 3 years and older since October 2019) and increased the amounts of child allowance and maternity leave allowance, these policy measures have not been enough for encouraging a large number of low-waged workers, whose working hours are often long, to create a family. Indeed, it may be even argued that these policy measures have also been implemented to increase the number of jobs available to women and tackle economic stagnation as a kind of “industrial” policy.

The Japanese government has recognized “structural” barriers such as gender-discriminatory labor markets with the features of men’s long working hours and women’s low wages. However, it has hardly implemented practical measures to address these issues. As Boling (2007) mentioned, only enacting laws and announcing “campaigns” without effective implementation is not enough to change entrenched workplace practices, conservative social norms and individual workers’ reluctance to assert rights. Correcting the sex-based division of labor in work and family life and the employment practices and corporate culture that pay scant attention to family life is essential for Japan to significantly increase its fertility rate.

However, this can also be said more or less about other OECD countries. In the current era when there are a large number of the “working poor”, especially among non-regular workers whose working conditions are characterized by low wages and precarious employment, it may not be enough to raise fertility rates if the governments of OECD countries, including

Japan, merely expand daycare services, if low-cost and flexible, and increase the amounts of child allowance and maternity leave allowance (although even achieving these objectives is not easy at all). In addition to this, OECD countries need to improve working conditions in terms of both pay and working hours to increase fertility rates – a very difficult task to successfully perform, given a low growth economy and intensified international competition in general.

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