

## Is Japan Is The Best of Developed Asia?

It is well known that Japan faces a shrinking and aging population problem. It is serious, no doubt, but I am writing this essay to point out that the rest of developed Asia is far worse.

Look at the table of comparison of fertility rates.

Country	Fertility Rate
Japan	1.40
South Korea	1.25
Singapore	1.19
Hong Kong	1.17
Taiwan	1.11
Source : <a href="http://www.cia.gov">www.cia.gov</a> and Singapore Population Trends 2014	

Relative to other developed Asian countries, Japan is booming with babies!

In the next table, I have highlighted 3 key demographic groups – aged 0-14, 15-24 and 25-54, the last one being the **primary workforce** demographic.

For each country, I have indexed the 25-54 age group to 100 and then calculated the relative size of the other two age groups. I have also included a column for what I term to be an ideal demographic profile i.e. one that is flat.

Age Group	Ideal	Japan	Singapore	South Korea	Taiwan	Hong Kong
25-54	100	100	100	100	100	100
15-24	33	25	28	29	28	24
0-14	50	35	34	30	29	26
Source : <a href="http://www.cia.gov">www.cia.gov</a> and Singapore Population Trends 2014						

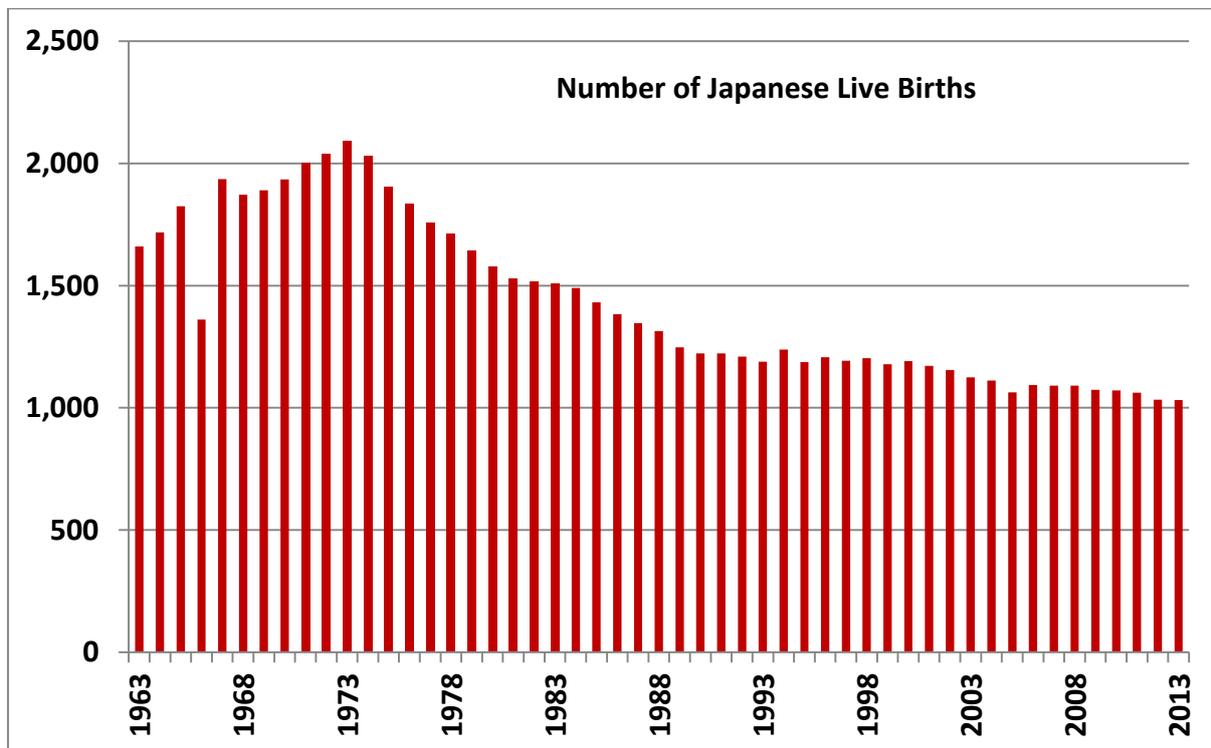
What this table shows is that over the next 5 years, relative to the **primary workforce** today, the number of young Japanese entering the workforce is less than for Singapore, South Korea and Taiwan but more than Hong Kong.

However, 5-10 years out, it is Japan that sees relatively generous cohorts of young people entering the workforce, better by far than South Korea, Taiwan and Hong Kong.

This means that while Japan's primary workforce may be aging the fastest, in fact, it is the other developed Asian countries that are going to see the numbers of young people entering the workforce fall off a cliff within 5-10 years.

The reason is Japan's decline in live births has been falling only gently over the past 20 years. As can be seen from the next chart, the steepest part of the collapse in live births occurred in 1970s and early 80s. This "fall-off-a-cliff" generation is already in their 30s.

I haven't compiled the data from other developed Asian countries but it is obvious that their steep collapse in live births occurred much more recently and to a much greater degree, as evidenced by their drastically lower fertility rate.



Besides productivity, a falling labour force can be compensated for in two ways :

- Increasing labour force participation by the female population
- Immigration

	2012 Labour Force Participation Rate of Females %	Foreigners as Percentage of Population %
Singapore	59	39.0
Hong Kong	52	8.0
South Korea	50	2.8
Taiwan	50	2.0
Japan	48	1.6

Source : data.worldbank.org, Wikipedia, Singapore Population Trends 2014, etc

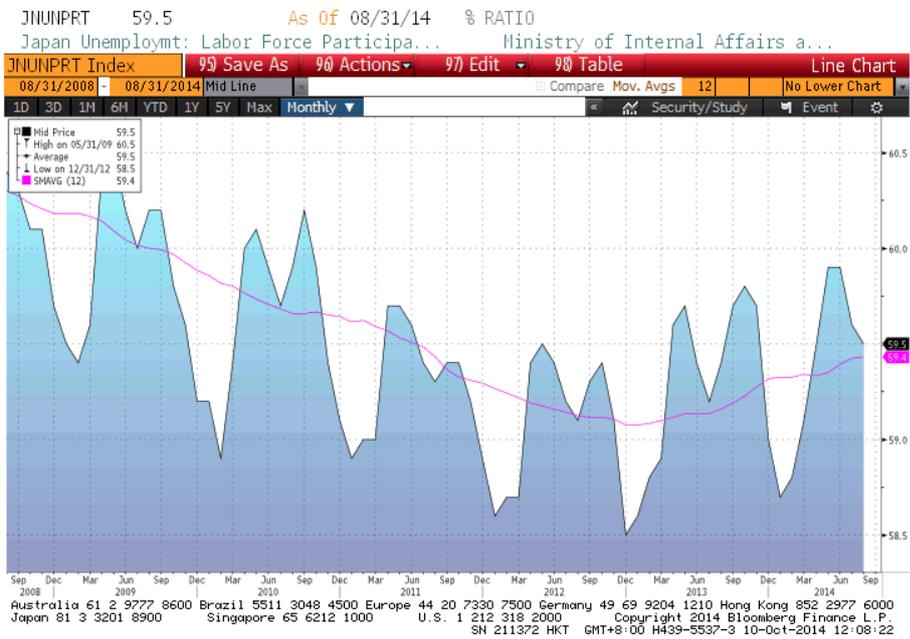
Japan is only now trying or discussing these 2 options. At the other extreme, **Singapore appears to have maxed out both options already.**

Hong Kong has less room than South Korea and Taiwan to compensate for the declining numbers of youth. As Singapore's experience has shown, immigration is only a solution up to a point. When the percentage of foreigners becomes too large, there are many negative social and political repercussions

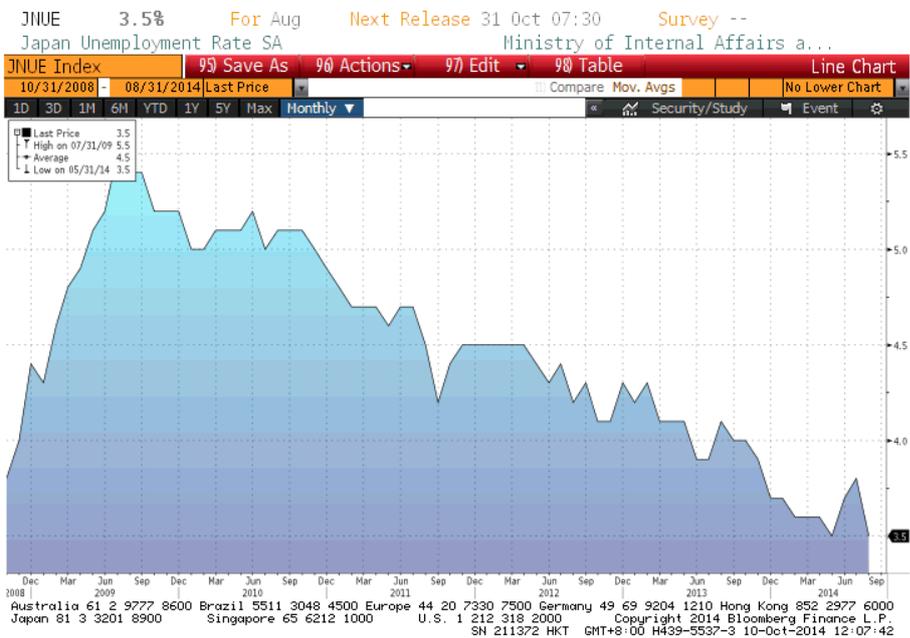
Hence, **contrary to general impressions, it is Japan that has the greatest headroom potential in developed Asia, demographically speaking.**

The other aspect of Japanese labour force is the large numbers who are underemployed or freelance workers. These are known as “freeter” or (フリーター *furitā*). Some estimates of this category are well in excess of 5 million people. But as the economy improves, freeters are being converted to full time employment.

Even as labour force participation rate rises (see next chart),



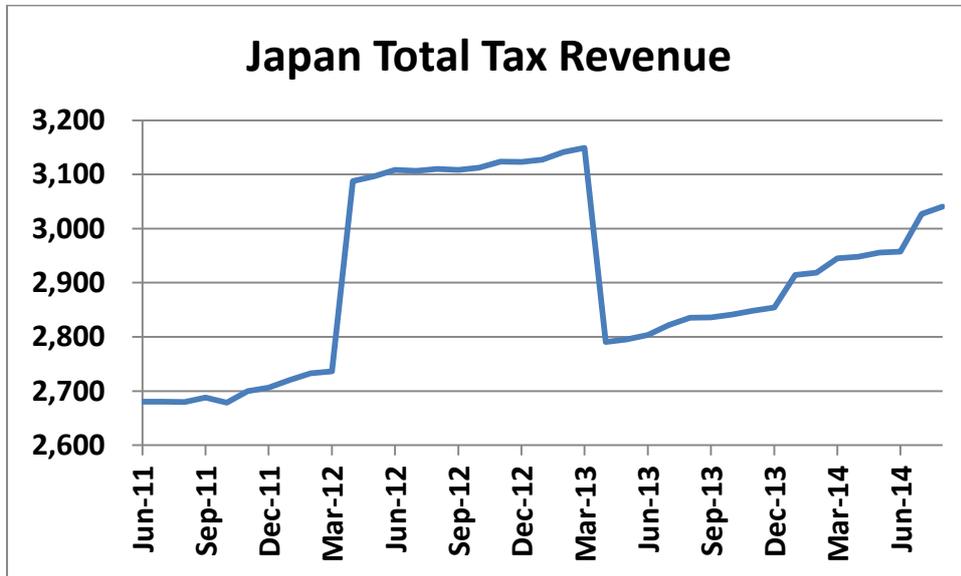
unemployment is falling rapidly (chart below).



The best evidence that Japan is getting back on its feet and that decent jobs are being created is to look at the government’s tax revenue collection.

The charts below shows actual tax collected on a monthly basis but smoothed out using a trailing 12 month moving average. The bumps from Mar 12 to Mar 13 are due to special Earthquake Reconstruction Tax collection.

As can be seen, tax revenue collection has been improving steadily, even showing signs of accelerating.



And most of the improvement is being driven by Personal Income Tax and only to a lesser extent, Consumption Tax.

