Works Report 2025

Beyond the Lewis Turning Point:

How Japan's Aging Population Is Reshaping Work

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Beyond the Lewis Turning Point

: Japan's "Reiwa[*1]" Turning Point

*1 Reiwa (pronounced "ray-wa") is the name of the current era in Japan's official calendar system, which began in 2019. It succeeded the Heisei era and draws its name from Japan's oldest poetry anthology. The term Reiwa is intended to signify "harmony and beauty."

The increase in ratio of the senior population and the ensuing structural changes in the labor market (labor supply constraints) will lead to transformations in economic and social structures.

Specifically, as labor demand grows mainly for personal services but labor supply declines, chronic labor shortages ensue. In turn, wage levels rise, capital investments increase, and costs become more likely to rise.

After the Lewis turning point[*2], the Reiwa turning point is the second major turning point for human society in the modern era.

*2 The Lewis turning point is a theory put forward by the British economist W. Arthur Lewis in 1954. It refers to an economic situation in which young, surplus rural workers flock to highly productive jobs, such as in large-scale manufacturing industries in urban areas, which in turn leads to rapid economic growth. As surplus labor in rural areas disappears, however, labor shortages occur which in turn leads to rising wages. The Lewis turning point occurred in Japan between the 1950s and 1960s through group employment trips and the so-called Income Doubling Plan. China is also said to have reached the Lewis turning point in the 2000s.

chapter 1

What is the Reiwa turning point?

Research into the Reiwa turning point stems from structural transformations in the Japanese labor market caused by demographic movement. This section delves into the issues.

Shoto Furuya

Increasingly severe labor shortages

In Japan, many industries and professions are suffering from labor shortages. In addition to those that have traditionally been hampered by these issues, such as medicine/caregiving, logistics, construction, and digital businesses, the shortages are spreading to a diverse range of professions including the public servants who maintain regional infrastructure like water pipes and roads, teachers, mechanics, and restaurant and hotel industry employees. There are too many to list. To give another example, the number of applicants for police jobs is falling rapidly, and there are many prefectures*1 in Japan whose both urban and rural areas are looking at a potential 50% drop in applicants for police officers in five years and a 70% drop in 10 years.

In terms of labor supply, Japan is already playing a zero-sum game. The fact is that industries cannot acquire personnel unless they are taken from elsewhere. If, for example, one company in a certain region successfully acquires an employee, it means that a different company has failed to hire. There will be no resolution if companies simply fight to acquire employees without an environment that is conducive to worker success.

According to data from the TANKAN (a short-term economic survey of enterprises in Japan), business confidence (blue line) and labor shortages (red line) are beginning to deviate (**Chart 1**). Usually, there are labor shortages when the economy is doing well and there is a labor surplus when the economy is suffering. In Japan, business confidence and labor shortages have naturally been in step. However, this relationship between the two began to change from 2018, before the pandemic. Moreover, up until around 2014, there was a clear relationship between excess shortages of equipment (green line) for production and services and labor shortages. That is, when there was surplus labor there was excess equipment, and when there was a shortage of labor there was a lack of equipment. But that relationship has changed. The fact that labor shortages are not leading to equipment shortages indicates that there is a severe shortage of labor in labor-intensive service industries that are struggling to replace operations with machines*2.

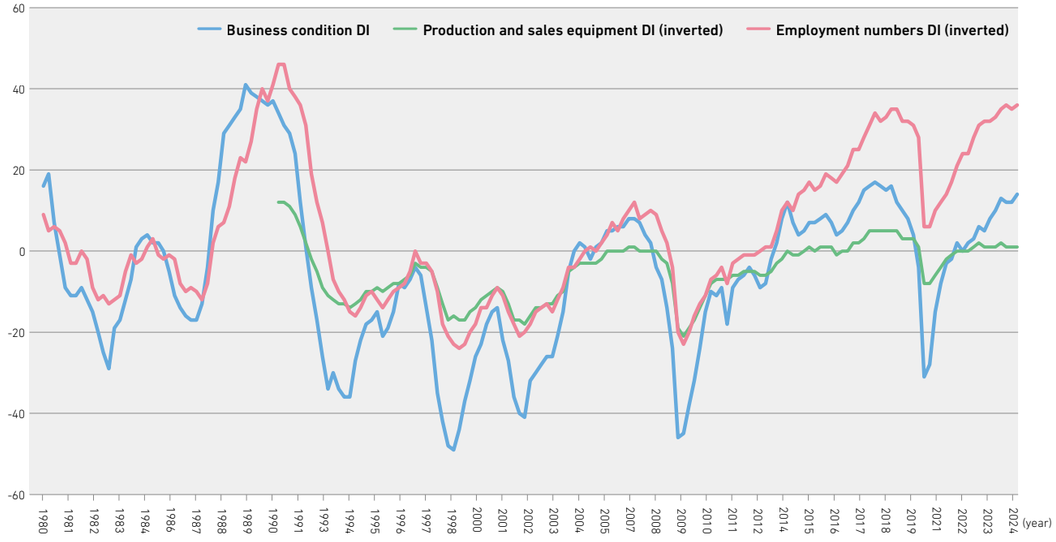
As a result, there have been changes in how companies acquire personnel. According to the employment forecast survey compiled by the Recruit Works Institute, the fulfilment rate for new graduates in 2025 was 76.8%, the lowest level since 2014 (this is even lower at 62.3% when looking at only SMEs). Moreover, the planned number of mid-career hires in a single year by large corporations has increased more than tenfold in the past ten years*3. Further, companies' approaches to wages have transformed following the widespread competition for personnel. In a 2024 survey conducted by Tokyo Shoko Research on the government's target to increase the minimum wage to 1,500 yen by 2029, 49.7% of SMEs said it would be impossible. Elsewhere, however, the remaining 50.3% said either that they had already raised hourly wages to 1,500 yen or more or that it would be possible to do so. For so long in Japan there had been no rise in wages, but we are now beginning to see a polarization in approaches.

The dawn of the limited-labor supply society

When bringing together these statistics with feedback from the frontlines, there emerges a theory that the labor shortages facing Japan today are entirely different in nature to anything seen before. To date, labor shortages have been swayed by business confidence and corporate performance, with excess worker shortages being determined based on an increase or decrease in demand. Today, however, we believe that the shortage stems from the limited labor supply. That is, rather than business confidence or corporate performance, it is the limited labor supply that is causing the current labor shortages. It is a structural issue, in other words, with the number of workers available simply not meeting workload requirements. This is what we call a "limited-labor supply society*4."

How, then, has Japan become a limited-labor supply society? The focus here is demographic movement. Japan's population is already on the decline, and the number of over 75s and over 85s will continue to increase until 2040. For example, the population of over 85s was 2 million in 2000, 6 million in 2020, and will increase steadily to over 10 million by 2040*5. In 2040, 20.5% of the population will be 75 or over, and 8.9% 85 or over. The ratio of over 75s in the overall population will be at its highest in 2060 at 25.3%, and for over 85s in 2065 at 12.9%, showing that this is a long-term trend that will last for around 40 years. Humanity has never lived in such an aged society, and so it is unknown what will happen. Of course, discussions on public finances, pensions, and social security have been had at the government level, but there have been few discussions on how this aging society will impact labor, which is so closely linked to our lives.

Chart 1 Business conditions and employment numbers (inverted) (all industries)*2



◎Labor demand

There is particularly high demand for labor in essential services for the elderly. For example, the annual number of outpatient visits for over 80s is around 35 days*6, compared to approximately just nine days for the current working generation in their 30s to 40s. This equates to a fourfold demand for labor (the number of required healthcare professionals such as doctors and nurses) among those aged 80 or over compared to the current working generation, which is also an issue for healthcare financing. This disparity in labor demand is even greater in the caregiving services that are hardly used by the current working generation. But this issue is not limited to medicine and caregiving; in all services that require human labor, such as logistics and administrative services, there is a high demand for labor to cater to senior citizens.

◎Labor supply

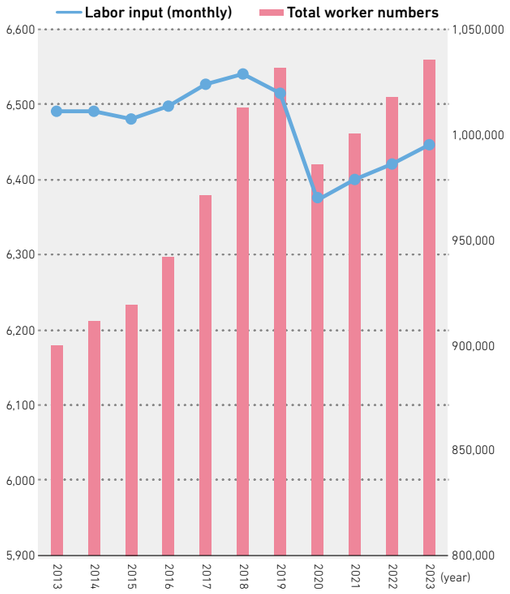
On the other hand, the older a worker gets, the more their working hours must be reduced. And with access to a pension, there is no need for them to work full time. When examining the impact of this from a labor input (number of employees multiplied by the number of hours worked per employee) perspective, excluding the decline caused by a drop in business confidence during the pandemic, between 2013 and 2023 the figures were almost flat (-1.6%). Between 2000 and 2012, however, labor input was down 9.1%. Conversely, the number of workers between 2000 and 2012 declined (63.45 million to 61.43 million) while between 2013 and 2023 the number increased (61.79 million to 65.58 million).

There is a clear reason for this, however, and that is the increase in number of senior workers. In 2000, the percentage of workers aged 65 or over was 7.3%. This increased to 9.9% in 2013

and soared to 13.4% in 2023. In 2013 there were 6.14 million workers aged 65 or over, while in 2023 there were 8.78 million. Elsewhere, the number of hours worked by those aged 65 or over has fallen rapidly, from 130.4 hours per month in 2013 to 118.1 hours per month in 2023 (a 9.4% decrease; compared to the overall average of a 7.3% decrease). This can be attributed to the aging of the senior population. Among the senior population, the number of those aged between 65 and 69 fell from 8.69 million to 7.33 million between 2013 and 2023, and while the number of over 70s increased, there was a particular increase in over 80s from 9.3 million to 12.6 million. As such, the number of hours worked by senior citizens is inevitably on the decline. And the aging of the senior population will only continue to pick up speed.

This rapid increase in the number of people for which there is a low supply relative to high demand leads to a limited-labor supply society. In a labor supply-and-demand simulation conducted by the Recruit Works Institute in 2023, we predicted that there would be a shortage of 3.4 million workers in 2030 and 11 million workers by 2040*7.

Chart 2 **Total worker numbers and labor input in Japan**
Left axis: Total worker numbers (10,000)
Right axis: Labor input (monthly; 10,000 hours)



Compiled by author based on Labor Force Survey, Ministry of Internal Affairs and Communications

In particular, the increasingly severe shortage of workers in essential services is presenting a major problem. That is because a decrease in efficiency of daily life causes a drop in economic efficiency. For example, a shortage of construction workers can prevent the maintenance of roads, bridges, and tunnels. This can cause prolonged road closures and inevitable detours, concentrating traffic on certain main roads and causing frequent traffic jams. This in turn can increase commute times, force the reduction of working hours, and generate labor shortages. The ensuing slowdown in logistics can also negatively impact people's lives, as well as manufacturing and other industries. In macro terms, this issue can push labor input down and lower potential growth rates.

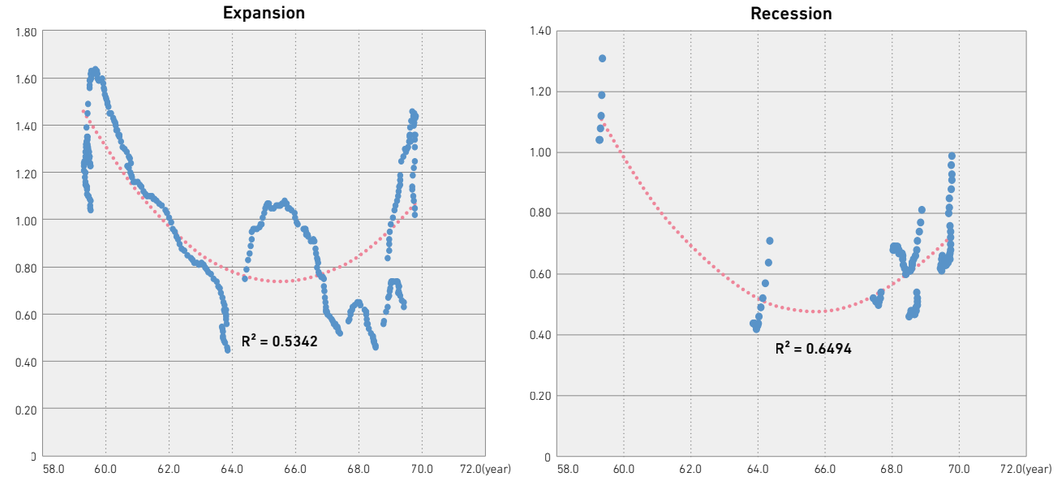
The various problems that arise from labor shortages in essential services are relevant to everyone. If we turn our backs on the limited labor supply, the lives we have led up until now will collapse and work will be the least of our problems.

The Reiwa turning point hypothesis

We must therefore carefully examine these increasingly apparent structural transformations in the labor market. In 1954, British economist W. Arthur Lewis put forward his turning point theory, now known as the Lewis turning point. His idea was that when the working population from rural areas relocated to cities to take on highly productive jobs, the country's economy would develop. He suggested that when this surplus labor disappears from rural areas, labor shortages occur and wage levels begin to rise. It is thought that Japan reached the Lewis turning point from the 1950s onwards through the government's *shudan shushoku*, or "group employment trips." During this time, the rural population's shift to urban areas depleted surplus labor, and shortly after the government announced its Income Doubling Plan. If this depletion of surplus labor is the first turning point in the modern era caused by demographic movement, then perhaps the second turning point is currently taking place in Japan in the Reiwa era. The trigger for this second turning point is the increase in ratio of the senior population. This ratio increase is causing long-term decreases in labor input and increasing demand for labor in essential services. From a different standpoint, the trigger could be that for those demographics with typically low employment rates, such as women and senior citizens, employment rates have reached a certain level, eliminating surplus in the labor market.

Let us pull apart this excess demand hypothesis in more detail. When the ratio of the senior population increases, demand for labor increases in personal services and other industries and professions where labor productivity is comparatively low. As a result, overall labor productivity in society declines, and to fulfil

Chart 3 **Ratio of working age population (horizontal axis) and jobs-to-applicants ratio (vertical axis; seasonally adjusted)**
In a expansion and a recession*8 (monthly from Jan 1985 to Aug 2024)*9
Figures are coefficients of determination for approximate curves (polynomial/quadratic)*10



the labor demand there needs to be a comparatively large supply. Together with the drop in labor supply caused by the growing senior population, this is causing a transformation in the labor market.

The relationship between demographic movement and the labor market

Chart 3 shows a certain link between demographic movement and the labor market. It shows a U-shaped curve for the relationship between the ratio of the working age population and the jobs-to-applicants ratio, regardless of whether the economy is in expansion or in recession. The right end of the U shape is where the ratio of the working age population is at its highest (around 70%; between 1991 and 1995 in Japan), and the bottom of the U shape (a low jobs-to-applicants ratio) is where the ratio is around 65% (around 2007 in Japan). From the bottom of the U to the left end represents from 2007 until now. From around the time that the ratio of the working age population was at 65%, the structure of the labor market has been changing. When there is economic growth from a demographic dividend thanks to a large working age population, the jobs-to-applicants ratio increases as a result of demand. However, when the working age population begins to age, economic activities slow down and overall demand for goods and services drops, and the jobs-to-applicants ratio decreases. When aging progresses and the ratio of the working age population falls to around 65%, (1) labor supply falls; (2) labor demand increases in labor-intensive industries such as personal services; and (3) the number of people in any given household decreases (this is described in more detail later). As such, the relationship between labor supply and demand changes and the jobs-to-applicants ratio stays at a high level.

*1 For example, according to data from prefectural police forces, Osaka Prefecture is expecting an approximately 40 % drop in five years, and Kagoshima Prefecture is expecting an approximately 70 % drop in 10 years.
*2 Bank of Japan, *Outlook for Economic Activity and Prices* (January 2025), P49–50
*3 Nikkei Inc., Survey on Recruitment Plans
*4 Shoto Furuya, Recruit Works Institute, *The Impact of a Shortage of 11 Million Workers* (President Inc., 2024), etc.
*5 National Institute of Population and Social Security Research, *Future Population Projections for Japan*
*6 Data on annual number of outpatient visits from the Ministry of Health, Labour and Welfare
*7 Recruit Works Institute, *Future Predictions 2040 in Japan*
*8 Based on the Cabinet Office's diffusion index (CI, coincident index), we defined 100 or more as a "expansion" and less than 100 as a "recession"
*9 Analyses based on the Ministry of Internal Affairs and Communications' monthly population estimation data and the Ministry of Health, Labour and Welfare's general job placement data. January 1985 to August 2024. Judgements on business confidence based on the Cabinet Office's diffusion index. Months subject to analyses are from January 1985 onwards as the CI index is from 1985 onwards
*10 The quadratic was highest when compared to the coefficients of determination for linear (primary) approximation and tertiary or higher polynomial approximation

chapter 1

Why are there labor shortages even though the population is shrinking?

Whether its goods or services, consumption leads to demand for labor.
Here we look at the impact that aging has on labor demand from a consumption standpoint.

Shoto Furuya

Considering the number of people in a single household

Chart 4 shows household consumption per household for 2002*1 and more recently, 2022 and 2023. When looking at consumption expenditure (nominal)*2, households spent more than 20,000 yen less in 2023 than they did in 2002. Importantly, however, although the average consumption per household is decreasing, the number of households in Japan has been on an upward trend, with a record high number of approximately 54.45 million households in 2023, marking a huge increase from the approximately 46.01 million in 2002 (**Chart 5**).

The population was at its highest in 2008 and has only been falling since, but the number of households has not. The number of people per household, however, has been on the decline. In 2002, there were 2.63 people per household, but this fell to 2.20 in 2023.

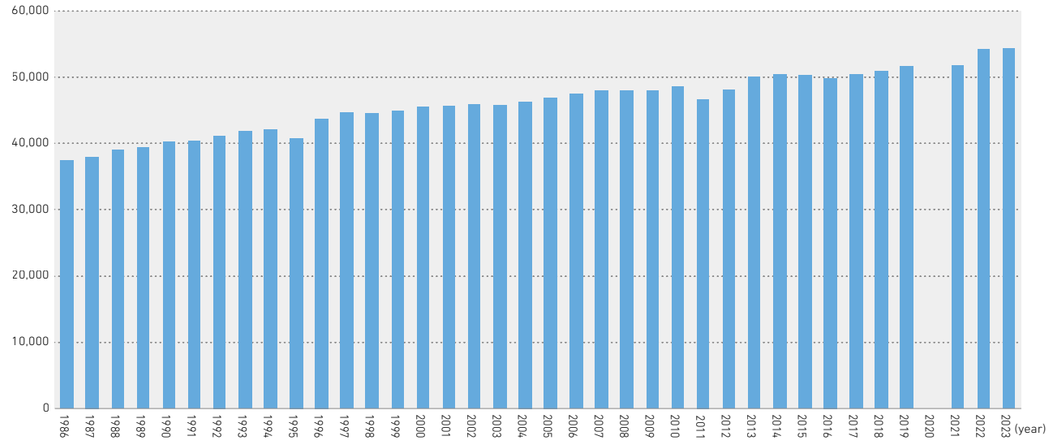
This decrease has been caused by the rise in number of aged households, which are defined as households with a single person aged 65 or over, or a single person aged 65 and over with an unmarried person under the age of 18. The ratio of single-person aged households has been high for many years. It was 54.2% in 1986 and 51.6% in 2023, and has continuously been around the 50% mark. Meanwhile, in 1986 the ratio of aged households accounted for only 6.3% of the total. In 2002 this increased to 15.6%, and then soared to 30.4% in 2023*4.

As around half of aged households are single-person households, the more aged households increase, the more single-person households there will be. In fact, the number of single-person households increased by 7.47 million between 2001 and 2023, but aged households account for around 5.37 million of this increase (a contribution rate of 71.9%*5). In the same period, the overall number of households increased by 8.78 million and the number of aged households increased by 9.9 million. This shows that Japan's aging population is a major factor behind the increase in single-person households, the decrease in number of people per household, and the increase in number of overall households*6.

Chart 4 Consumption expenditure (nominal) differences per household between 2022/23 and 2002 (yen)

	2002	2022	2023	Difference in average consumption Between 2002 and 2023	Average consumption ratio (2023/2002)
Total consumption expenditure	269,835	244,231	247,322	-22,513	92%
Food	62,795	63,597	67,078	+4,283	107%
Home	21,103	20,330	20,141	-962	95%
Energy/water	17,901	20,398	19,867	+1,966	111%
Furniture and housework products	8,782	9,724	9,815	+1,033	112%
Clothing and footwear	12,838	7,640	7,505	-5,333	58%
Healthcare and medical	9,790	12,061	11,956	+2,166	122%
Transport and communications	32,590	33,419	34,927	+2,337	107%
Education	9,333	7,306	6,588	-2,745	71%
Recreation	28,594	23,517	24,996	-3,598	87%
Other consumption expenditure	66,110	46,239	44,448	-21,662	67%

Chart 5 No. of households in Japan (1,000 households)*3



Source: Comprehensive Survey of Living Conditions, MHLW

Household consumption is not falling despite the population decline

Driven by senior aged households, although consumption per household is falling, the number of households is increasing. As a result, total consumption (estimate), which can be calculated by multiplying the total number of households by consumption per household, has remained largely flat (**Chart 6**).

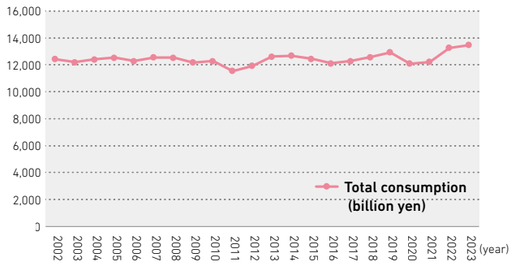
In terms of changes by consumption category, **Chart 7** shows changes in households headed by individuals in their 50s (which account for the highest number among households headed by individuals aged 59 or under) and households headed by individuals aged 70 or over. The top column shows total consumption expenditure, which for households headed by individuals aged 70 or over shows only a small decrease of 98.0%, while households headed by individuals in their 50s shows a decrease of 91.9%. When looking at a breakdown, consumption increases for households headed by individuals aged 70 or over are as follows*7.

(1) Increases for both households headed by individuals aged 70 or over and households headed by individuals in their 50s:healthcare and medical, transport and communications

(2) Increases for households headed by individuals aged 70 or over; unchanged/decreases for households headed by individuals in their 50s: food, energy, water, healthcare and medical, transport and communications

Consumption related to essential services—such as energy, water, healthcare and medical, and transport and communications*8—is increasing per household headed by individuals aged 70 or over. While it is easy to understand the reasons for increases in healthcare and medical-related consumption, the increases in energy and water, for example, are perhaps down to the increasing amount of time spent at home by seniors as they get older. This in turn increases demand for workers that can support key infrastructure like electricity, gas, and water.

Chart 6 Total household consumption (total household numbers x consumption per household) (billion yen)



Source: Compiled by author based on Family Income and Expenditure Survey and Comprehensive Survey of Living Conditions

Aging and labor consumption

Considering the above, it is possible that the following changes are being caused by the aging population.- An increase in percentage of consumption expenditure on labor-intensive services, mainly personal services.- A decrease in number of people per household, and an ensuing decrease in average consumption per household (offset by an increase in number of households).

Overall consumption, however, does not decrease.

At the same time, as aging contributes to the decrease in number of people per household but an increase in number of households, it is possible that the scope of economic activity relating to essential services is decreasing. For example, water pipes are essential regardless of whether there are ten people or just one person living in a household, and the cost of maintenance, inspection, and repair would be almost the same (at the very least it would not be tenfold). A similar pattern can be applied to home-visit caregivers. If there are two people requiring care in a single household, no travel time is required during that period.

As the population ages and the population decline causes depopulation, there is increasing downward pressure on how many people's lives can be supported through one hour of work by a single worker, increasing the amount of labor required to support a single person's daily life.

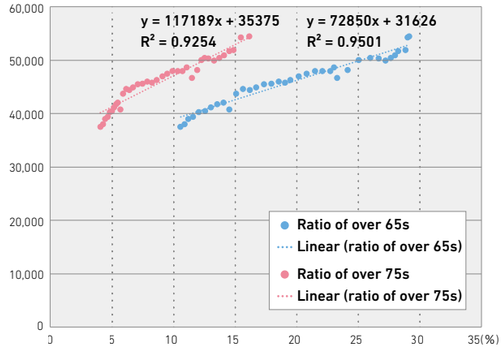
This trend is highly likely to continue due to the strong correlation between the rate of aging and total household numbers (**Chart 8**). It is thought that the number of over 65s in the population will peak in 2043, but that the ratio of over 65s will be highest from 2070 onwards*9. (38.7% of the population will be 65 or over in 2070, and 25.1% will be 75 or over.) The ongoing population decline will cause a fall in number of people per household over the medium to long term, but the total number of households will not decrease significantly. This will be a major factor in driving demand for essential services.

Chart 7 **Changes in consumption per household by category (Between 2002 and 2023; 2002 = 100%)**

	Households headed by individuals aged 70 or over	Households headed by individuals in their 50s
Total consumption expenditure	**98.0%**	**91.9%**
Food	122.6%	101.6%
Home	71.8%	134.0%
Energy/water	121.3%	100.9%
Furniture and household products	107.5%	99.4%
Clothing and footwear	55.5%	63.5%
Healthcare and medical	112.2%	129.4%
Transport and communications	144.7%	117.3%
Education	23.8%	128.0%
Recreation	90.8%	96.1%
Other consumption expenditure	71.9%	58.3%

Source: Family Income and Expenditure Survey, MIC

Chart 8 **Rate of aging (horizontal axis: over 65s and over 75s) and total household numbers (vertical axis)**



Source: Compiled by author based on Comprehensive Survey of Living Conditions, MHLW and Population Estimates, MIC (both as of October 1)

*1 2002 is used in this report as it is the only year from which recent statistics and categories can be compared over time in the Family Income and Expenditure Survey from the Ministry of Internal Affairs and Communications

*2 Although it is possible that 2023 is impacted by rising prices, the category-based consumption statistics for households headed by different ages used in later analyses are only available in nominal categories (2002 onwards for total household numbers), and so this analysis uses only nominal values

*3 No statistics from 2020

*4 Ministry of Health, Labour and Welfare, "Comprehensive Survey of Living Conditions"

*5 5,374,000 households/7,478,000 households

*6 Other theories include the increase in nuclear families (decrease in three-generation households) and increase in lifetime unmarried rates, but statistically the recent increase in household numbers can almost certainly be attributed to aging

*7 "Unchanged" means a 5% or less fall or a 5% or more rise

*8 In transport and communications, the biggest increase is for vehicle-related experiences (family cars). The rate of increase is higher for households headed by an individual aged 70 or over than it is for the current working generation. This requires further investigation.

*9 National Institute of Population and Social Security Research, Future Population Projections for Japan (2023). Birth/death median estimates

chapter 1

Differences in consumption and how time is spent depending on the number of people in a household

In this section we look at the statistics behind the Reiwa turning point theory.
Depending on age structure and the number of people per household, what are the changes in household consumption and how time is spent?

Kazutomo Komae

The relationship between household structure and consumption expenditure

Let us first take a look at how different consumption expenditure is depending on the age and number of people in a household. **Chart 9** shows the scale of consumption expenditure by household member ages for each size of family, using anonymous data from the National Survey of Family Income and Expenditure (1989–2014)*1 by the Ministry of Internal Affairs and Communications. The left-most column shows the results for single-person households. According to this data, compared to the benchmark age range of 25–34, consumption expenditure is lower for the age ranges of 15–24 (-8%), 45–54 (-3%), 65–74 (-2%), and 75 or over (-11%).

These figures exclude factors that could impact consumption behavior, such as income, savings, debt, or homeownership, for example. As such, the chart shows the level of difference in consumption expenditure by age based on the assumption that the conditions for all are the same. Relative to other age ranges, single-person households aged 25–34 consume more. When looking at households of two people or more, however, this time it is age ranges other than 25–34 who consume comparatively more (there are more graph bars above the horizontal axis).

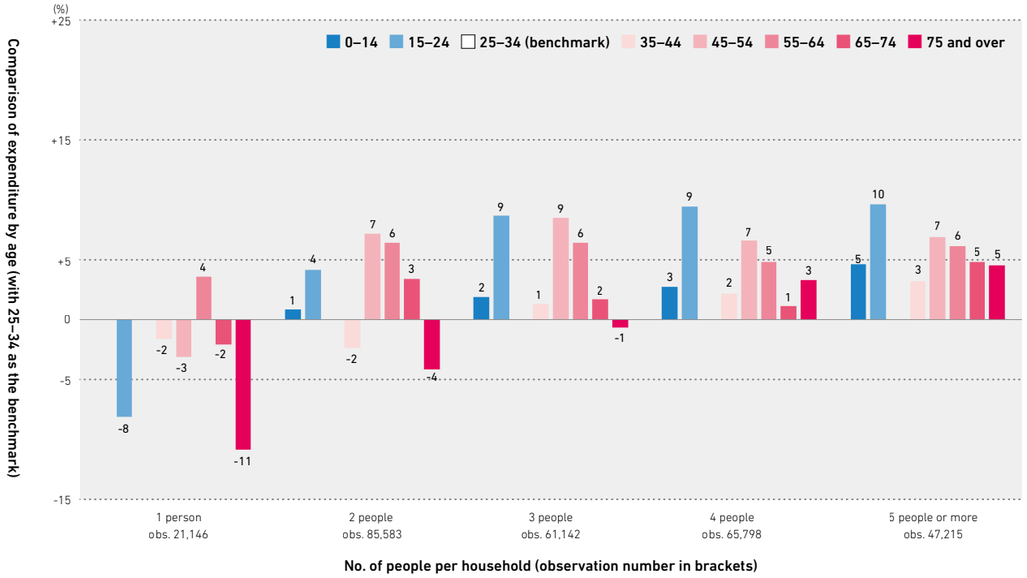
Chart 9 shows the total consumption expenditure by household structure, but how does the number of people in a household impact labor input? The best way to discuss this impact is by looking at services that are relevant to both markets and households. In **Chart 10**, we conducted the same analyses as **Chart 9** but narrowed it down to expenditure on healthcare, medical, and caregiving services. In the National Survey of Family Income and Expenditure, data on expenditure on caregiving services is only available from 2004 onwards, and as such **Chart 10** has been compiled using the three surveys conducted since 2004.

According to **Chart 10**, in almost all sizes of households, the 65–74 and 75 or over age ranges spend comparatively more on healthcare, medical, and caregiving services than other age ranges. This shows that more money is spent on healthcare, medical, and caregiving services if there is a senior member in any given household. Further, as household sizes increase from single-person households to three-person households, expenditure by the 65–74 age range decreases from 151% to 55% and then 19% (compared to 25–34), while the same goes for the 75 and over range which decreases from 180% to 61% and then 27%. As such, the larger the household, the less the ratio of expenditure on healthcare, medical, and caregiving services. This demonstrates the possibility that the larger a household, the more the senior individual is cared for by their family, and the less requirement there is for them to use caregiving services.

The relationship between household structure and time spent on housework

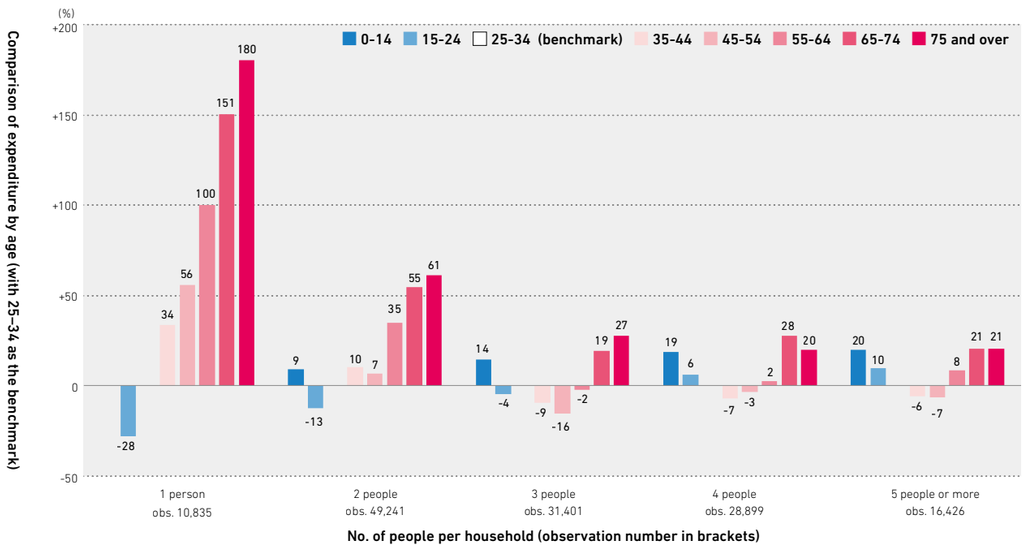
Next let us examine the relationship between household structure and time spent on housework, childcare, and caregiving (also known as "shadow work," or unpaid labor; hereinafter "housework"). How does the fall in number of people per household affect how people spend their time? For this we used anonymous data from the Basic Survey on Social Life (1996–2016) from the Ministry of Internal Affairs and Communications. **Chart 11** shows the difference in time spent on housework*2 when there is one other person living with an individual from each age range. We conducted a regression analysis of the time spent on housework per person in a household, using households of two or more with an individual under 15 or an individual in need of care.

Chart 9 The impact that household age has on consumption expenditure



Source: Ministry of Internal Affairs and Communications, *National Survey of Family Income and Expenditure* (anonymous data; from 1989, 1994, 1999, 2004, 2009, and 2014)
*For the bar graph numbers, the explained variable is consumption expenditure for each household (relative values), and the explanatory variable is number of people of each age range. The value for each age range is based on 25–34 as the benchmark value (0).
The regression analysis was conducted by separating each number of people per household into sub-samples. The control variables were homeownership, household income by age (relative value), household savings (relative value), household debt (relative value), and year of survey
*For the bar graph numbers, we have only added values that were significant at the 5% level after testing between the benchmark 25–34 age range and each other age range. However, as we have conducted a regression analysis by separating each number of people per household into sub-samples, it should be noted that this significance depends on the size of the samples

Chart 10 The impact that household age has on expenditure on healthcare, medical, and nursing services



Source: Ministry of Internal Affairs and Communications, *National Survey of Family Income and Expenditure* (anonymous data; from 2004, 2009, and 2014)
*For the bar graph numbers, the explained variable is expenditure on healthcare, medical, and nursing services for each household (relative values), and the explanatory variable is number of people of each age range. The value for each age range is based on 25–34 as the benchmark value (0).
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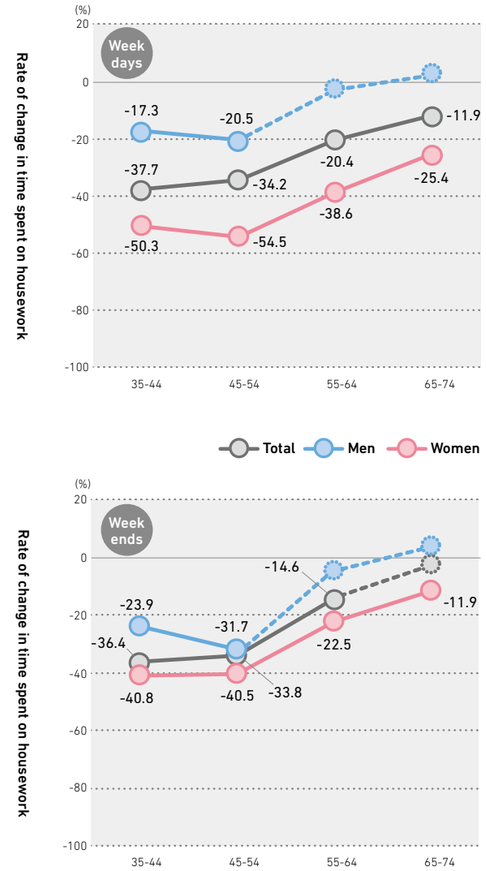
*For the bar graph numbers, we have only added values that were significant at the 5% level after testing between the benchmark 25–34 age range and each other age range. However, as we have conducted a regression analysis by separating each number of people per household into sub-samples, it should be noted that this significance depends on the size of the samples

Chart 11 Change in time spent on housework when there is one cohabitant of the same age range



Source: Ministry of Internal Affairs and Communications, Basic Survey on Social Life (anonymous data; 1996–2016)
*The line graph numbers are the result of a regression analyses, with the explained variable as time spent on housework by household members aged 15 or over (relative value), and the explanatory value as number of cohabitants for each age range (35–74). The control variables were number of people per household, age of individual, number of people in each range per household, weekly working hours of the individual, the academic background of the individual, the presence of a household member requiring nursing care, and the year of survey
*Statistically significant (5% level) results are shown as solid lines, and in line with the scale of the effect (values), statistically non-significant results have been shown as dotted lines and the values have not been included

When looking at the total for both genders*3, time spent on housework on weekdays decreases if there is someone else in the household. For all ages between 35 and 74, the presence of someone else in the household reduces the amount of time spent on housework. However, compared to a reduction of 37.7% for the 35–44 age range, for 65–74 it is just 11.9%. This shows that an increase in younger cohabitants helps to reduce time spent on housework.

This same trend can be seen on weekends, with a decrease in time spent on housework when there are cohabitants between 35 and 64. Ultimately, we can see that an adult cohabitant significantly helps to reduce the time a household spends on housework.

How to address the fall in number of people for each household

Here we have investigated the Reiwa turning point hypothesis using data from two sets of government statistics. We have learned that the ongoing decrease in number of people per household caused by aging is increasing expenditure on healthcare, medical, and caregiving services. Moreover, although the time burden per person decreases when a large family cares for another member of the family, when the number of cohabitants falls and the household gets smaller, it appears that these benefits fade. Importantly, as the number of people per household falls but the number of households increases, the amount of time spent on conventional housework per person increases, and help with housework must be paid for from the market. Put differently, these transformations in household dynamics bring change to which and how many goods and services are required, generating the need for new workers in the labor market. This change will inevitably transform how society works.

*1 "National Survey of Family Income, Consumption and Wealth" since 2019
*2 Time spent on so-called tertiary activities, including travel (excluding commutes); TV, radio, newspaper, and magazines; rest and relaxation; learning, self-development, and training (excluding schoolwork); hobbies and leisure; sport, volunteering and social activity; dating and relationships; medical examination and treatment; and others
*3 While here we only discuss gender total, Chart 11 shows that the effects are greater when the additional cohabitant is female. This is thought to be because the average time women spend on housework is longer than men

Summary

The Reiwa Turning Point

Five viewpoints

In this report, *The Reiwa Turning Point*, we look at the changes in Japanese society from the past and examine measures for the future from five viewpoints.

1 Analysis of the relationships between demographic movement and labor demand is the key to researching the Reiwa turning point. Japan in 2025 is facing an ongoing population decline. While overall the population is falling, the senior population is rising, and this pattern is expected to continue until the early 2040s. How is demographic movement affecting the labor market?

2 As labor input is forced down, the frontlines of essential services must engage in discussions on how to deal with the demand for labor with fewer workers (in other words, how many people can a single worker benefit in one hour of work). The key will be to bring state-of-the-art technologies into frontline challenges and, with workers increasingly hard to come by, to change the way work is carried out. In the future, it is possible that we will see the development of businesses and services (labor-saving industries) that address the challenges facing countries that are catching up with Japan in terms of aging. In essential services, what sort of measures might we see that narrow the gap between labor supply and demand?

3 From roads and water supply to welfare, police, and firefighting, it is workers at regional government agencies that are supporting our daily life infrastructure. It is not yet known to what extent changes in labor supply and demand will impact local governments. It is therefore paramount to examine what government services will look like in a sustainable local society.

4 When considering how to regulate the significant demand for labor in essential services, the key is to look at what measures are being rolled out in rural regions where declining and aging populations are already an established issue. What concepts and measures are required in order to balance happy lifestyles with sustainable essential services?

5 Labor environments that facilitate diverse workstyles will be key to bringing more people in to should the demand for labor. Moving forward, it is expected that working hours per worker will become increasingly diverse, and that there will be a mix of people who work more than 40 hours per week and those who work just a few. We must therefore look at the challenges that will come with the growing need to simultaneously juggle life and work.

Post-turning point mechanisms

Post-turning point labor shortages (broad mechanisms)

The increase in ratio of the senior population will cause single-person households to increase in number and demand to soar for labor-intensive services, in turn putting downward pressure on labor productivity across society. As a result, we will need a comparatively large labor input to meet the required demand and surplus labor will be depleted. Moreover, the ensuing labor shortage will kickstart the reduction and suspension of essential services. This in turn will increase so-called shadow work, reduce free time, and force labor input down to create a vicious cycle.

Post-turning point social challenges (localized mechanisms)

(1) The balance problem: Will it be possible to balance high-value-added industries with essential services

The establishment of highly productive, well-paid jobs (such as in the semiconductor industry, ICT industry, or even the inbound tourism industry) will see a growing number of workers leave their jobs in poorly paid, labor-intensive essential services. This will inevitably lead to the closure of medical and nursing care facilities and make providing the necessary services a challenge.

Consumers (workers) will need to travel longer to access the necessary services or be forced to do something themselves. This will cut both free time and working time, and drive further labor shortages in that region.

(2) The drop in labor leverage: No more division of labor or mutual support

Chronic labor shortages will see unqualified or amateur personnel take on roles in advanced technological domains or in services that require experience.

This will cause service standards and service times to drop off and diminish user benefits. Users who deem that the services are not worth the money will have an increased incentive to deal with the issue themselves, bringing economies of scale to a stop and decreasing service efficiency. Enhancing the convenience of everyday life will not occur as it will not be possible to divide labor among specialists, increasing the pressure on those who do not have the time to take care of things themselves.

(3) The problem with returns on education/training investments: Drop in rationality of personnel development

As the ratio of the senior population increases, competition among companies to acquire members of the increasingly rare working age population will intensify. Major corporations will not be able to meet their recruitment needs with new graduates alone and as such the number of mid-career hires will increase. The external labor market will expand both in terms of quantity (recruitment numbers) and quality (variety of roles being recruited) and the incentive will increase for workers to switch jobs.

As a result, to fulfil demand for personnel quality, there will be an increase in number of companies that hire immediately effective workers rather than developing them over the medium to long term, and the desire among companies to engage in personnel development will fall. Investments in education and training will decline, and it will become increasingly difficult to hire quality personnel across society.

(4) The problem with requests: Only government organizations will be able to respond to requests

In regions where more than 40% of the population is 65 or over and more than 10% is 85 or over, the number of single-person households will increase. Whether it is removing bees' nests, getting rid of pigeons, removing snow, or calling an ambulance for a simple trip and fall, for example, requests aimed at government organizations or fire departments will soar.

Frontline government employees will become exhausted, resignations will rise, and recruitment will become a struggle. Requests will continue to pile up and create a vicious cycle in which frontline government workers are constantly exhausted. Major accidents will occur and simply living life normally will become a challenge.

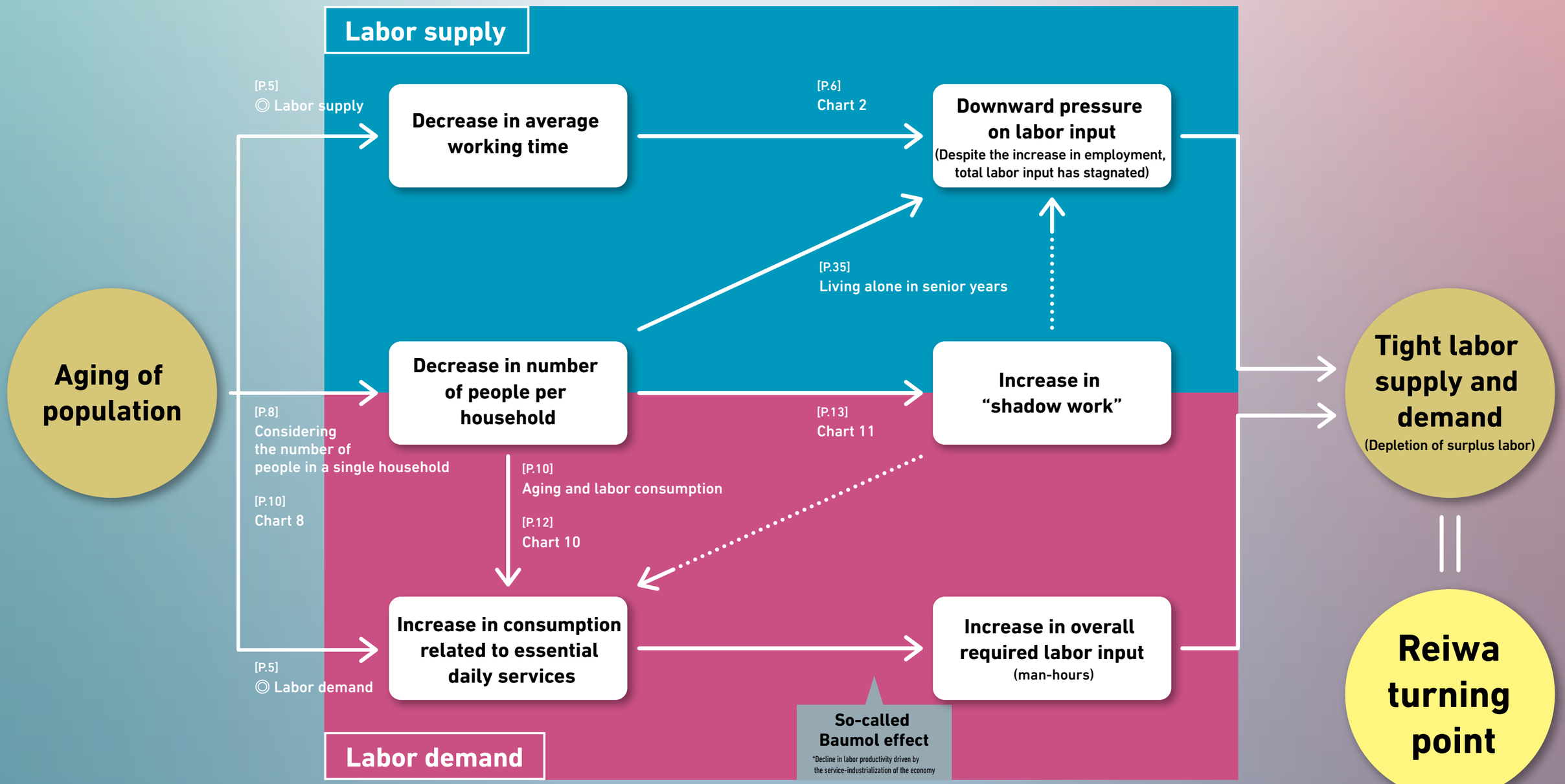
(5) Density and efficiency: Decrease in number of people who can be supported per one hour of work

As the population declines and the number of people per household falls with it, the density of residences will decrease. This in turn will cause a decrease in number of people living in homes for which snow can be removed in one hour using a snowplow, the number of parcels a single driver can transport in one hour, and the number of users that a single home-visit caregiver can visit in one hour.

Regardless of the decrease in number of capable workers, the per-hour productivity (number of people who can be supported through one hour of work) of workers will also decrease.

Society after the Reiwa turning point

Problems entirely different in nature to anything seen before will occur after the Reiwa turning point.
How should we begin to address these unprecedented issues?
In Chapter 2, we look at potential breakthroughs through frontline trials and the latest data.



1 Limited-labor supply society and essential work

The limited-labor supply is an issue for all consumers as it brings the risk that Japanese society may not be able to supply the labor required to maintain daily life. As the growing senior population inevitably increases demand for essential services, here we examine some sustainable approaches at the frontlines of essential work.

Tomoko Iwade

The extent of frontline reforms in essential work

As the senior population rises, more labor input is required to sustain essential services. What changes are necessary to create sustainable workplaces? On the frontlines of essential services, which are facing severe labor shortages, various trials are underway, including operational improvements using advanced technologies.

To gauge actual frontline conditions, we begin by looking at the results of a survey conducted among 2,575 men and women between the ages of 20 and 69 working in the five essential work domains: medical and caregiving; public safety and security; manufacturing and sale of food and daily necessities; transport and logistics; and energy and infrastructure.

38.3% feel that workloads have increased 36.5% have worked unpaid overtime

We first looked at changes in workloads from responses to a question that asked, "How has your workload changed in the past two years or so?" If we combine two responses—"It has increased (by 20% or more)" and "It has increased slightly"—38.3% of all respondents feel as though their workloads have increased. This demonstrates that nearly 40% of essential workers feel that their recent workloads have increased (**Chart 12**).

The survey also asked about unpaid overtime so that we could gauge actual working conditions. 36.5% of respondents said they work unpaid overtime (**Chart 13**). Moreover, approximately 1 in 14 people, or 7.4%, said that they work 10 hours or more each week of unpaid overtime. How can we change these harsh frontline conditions?

37% of workplaces have implemented operational improvements

Chart 14 shows that 37.0% of respondents have implemented operational improvements in the past two years to enhance operational efficiency. By domain, it is 32.4% in medical and caregiving, 41.6% in public safety and security, 30.9% in manufacturing and sale of food and daily necessities, 30.1% in transport and logistics, and 49.9% in energy and infrastructure. In terms of specifics, standardization (creation of manuals, education and training, etc.) accounted for the highest ratio of operational improvements at 42.3%, with the next being partial reduction of operations at 39.9%, and then the introduction of technology (headsets, shifts, medical records, information sharing systems, etc.) at 34.0%.

"Because employees' workloads had increased"

When looking at the specific reasons for these operational improvements, "Because employees' workloads had increased" accounted for the highest ratio of responses at 45.1% (**Chart 15**). Next at 43.6% was "Because of labor shortages," and then at 31.6% was "Because the amount of overtime was becoming an issue." As these survey results show, the frontlines of essential work are facing issues with rising workloads, labor shortages, lengthy overtime, and employee retention. These challenges can be attributed to the fact that there are insufficient service providers (workers) and systems to cater to the demand for those services. This has created a vicious cycle in which high workloads make recruitment and retention a challenge, which in turn increases workloads further.

Chart 12 Feelings on workload

How do you feel your workload has changed in these past two years?

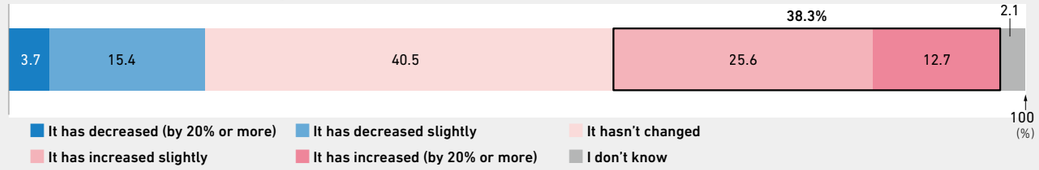


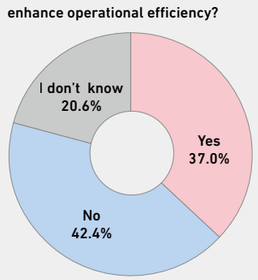
Chart 13 Unpaid overtime

On average, how frequently do you work unpaid overtime in a month?

*Unpaid overtime refers to extra working hours for which workers are not paid

Chart 14 Operational improvements and specifics

In these past two years, has your workplace introduced any improvements to enhance operational efficiency?



What types of improvements have been implemented to enhance operational efficiency? Select all that apply.

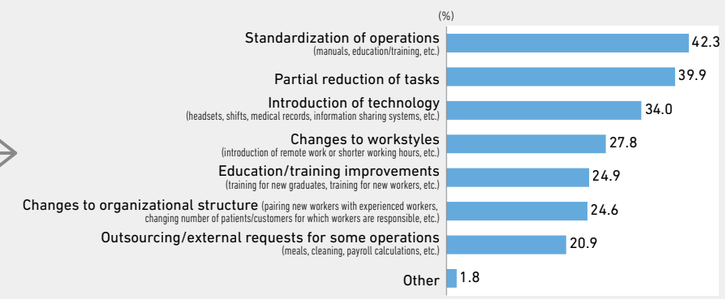
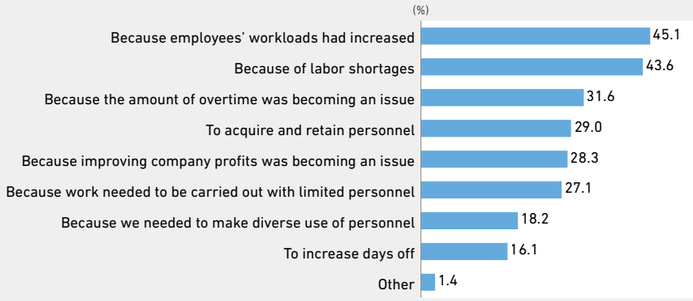


Chart 15 Reasons for operational improvements

What were the specific reasons for these operational improvements? Select all that apply.



46.4% still use paper-based records

Finally, we look at work records, devices used at work, and means of internal and external communication. In terms of work records, although use of electronic data (55.4%) is 9% higher than use of paper (46.4%), the fact that around half of respondents still use paper-based records is a clear representation of the situation in essential work domains and how the transition to use of electronic data has not progressed (**Chart 16**).

In terms of devices used at work, 1 in 5 respondents, or 21.1%, have been lent smartphones or mobile phones to use for work. When asked what devices they can always access, 43.5% responded "computers" and 16.6% said "tablets." In recording work-related data in electronic format, as not everyone has access to a device and because there are limitations on device numbers, we can assume that workers are not always able to use said devices when they really need to. For communication with external parties, use of telephones (46.6%) was overwhelmingly more common than that email (25.0%) or chat (9.0%), with use of fax still high at 19.3%. Even if one company works to digitalize their communication methods, there will be no progress unless similar efforts are undertaken at partner organizations or across the whole industry. This shows that cross-organizational initiatives are key to promoting the shift to electronic records and digital communication.

Chart 16 Working environments

Which of the following apply to your current working environment? Select all that apply.

Working environment	(%)
We keep paper-based work records	46.4
We keep electronic work records	55.4
We provide paper-based meeting materials	32.1
We provide electronic meeting materials	32.2
We have fixed landline work phones	36.4
We can use work computers at any time	43.5
We can use work tablets at any time	16.6
We are given work-use mobile devices (smartphones or mobile phones)	21.1
We use internal phones for internal communication	34.6
We use a work-use chat for internal communication	20.1
We use phones for external communication	46.6
We use fax for external communication	19.3
We have individual work email addresses for external communication	25.0
We use work-use chat for external communication	9.0
None of the above apply	13.5

What reforms are underway on the frontlines?

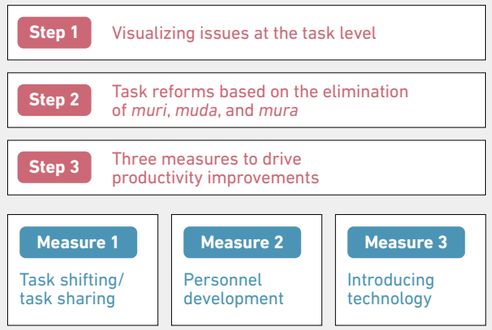
Amid constraints on labor supply, what do sustainable workstyles look like for essential workers? The above survey revealed that 37.0% of workplaces are implementing operational improvements, but what are some concrete examples? Following on-site interviews and research, we put together some examples of reforms and initiatives that are underway on the frontlines of essential work. What we learned, however, was that it is not as simple as just implementing measures that have been successful in similar working environments. Prior to implementing specific measures, any issues must be visualized at the task level and those tasks must be reformed based on the elimination of muri, muda, and mura (unreasonable, wasteful, and inconsistent tasks). It is only then that frontline reforms can lead to productivity improvements (summarized in **Chart 17**).

Step 1

Visualizing issues using external perspectives

The so-called visualization of issues involves actively bringing in personnel and technologies from different industries to identify specific numbers and challenges. For example, the Yokkaichi Digestive Disease Center is incorporating hospitality training methods from ANA Chubu Airport to enhance awareness among workers that patients are the same as customers. Moreover, by measuring time spent on reception work using a stopwatch and visualizing the results, the Center is working to reduce times by reviewing hospital flow lines. Elsewhere, the Social Welfare Corporation Wakatake Daijukai has introduced the Toyota 5S

Chart 17 Process for improving frontline productivity



Created by author

Hospitality training at Chubu Centrair International Airport in July 2024(Yokkaichi Digestive Disease Center)

methodology and kaizen activities and is aiming to visualize its issues by gauging the amount of time spent on different operations. Nextage, a used car dealer, was finding it difficult to recruit mechanics and was facing issues with long working hours. In response, a manager with a background in sales examined what productivity means for a mechanic and implemented operating rate*1 as an indicator to improve mechanics' productivity. As shown above, incorporating new external viewpoints gives workers an entirely new perspective of their own work, which may previously have been a matter of course. This in turn is promoting the clarification and visualization of workplace issues.

Step 2

Thorough reforms for unreasonable, wasteful, and inconsistent tasks

The frontlines of essential work are overcoming unreasonable tasks using the manpower and capabilities of workers. In an ongoing labor shortage environment, these unreasonable tasks become part of the norm and eventually place a huge burden on the workers. In response, Wakatake Daijukai has clearly defined the levels of quality it must maintain with limited staff numbers.

One measure it has taken is to eliminate early kitchen shifts, for which it was difficult to recruit staff. One representative at Wakatake Daijukai has also turned their attention to inconsistencies. For example, depending on the facility, it can take anywhere between 30 minutes and 2 hours to sign in a short-stay guest. The representative realized that there was no need to spend time on needless worry if there had been no accidents or complaints. As such, with the understanding of guests' families, the organization is creating a manual based on short sign-in times and standardizing the whole procedure.

The final step is the thorough reduction of wasteful tasks. In the picking process in logistics warehouses, in which employees travel around the warehouse to collect the necessary products, the longer the distance travelled in the warehouse, the longer the work takes. In response, and aiming for improvements in seconds, ATAGOSOKO has changed the layout of its warehouses and significantly reduced any wasteful in-warehouse travel.

New rules and operations are often added when proceeding with reforms to frontline tasks. In today's world, however, in which there are limits to how much labor can be acquired, it is essential that executive or frontline management take action through the elimination of *muri*, *muda*, and *mura*.

Step 3

Measures to improve productivity

Measure 1 **Task shifting and task sharing**

In organizations where progress is being made with Step 1 and Step 2, tasks are being broken down in a clear manner. In turn, these organizations are examining who can undertake individual tasks from a full-time perspective—that is, five days a week of eight-hour shifts. In other words, they are (1) task shifting and task sharing.

Nextage previously used a system in which a single member of staff was responsible for receiving a vehicle, attending to the customer, servicing the car, and final delivery. Having broken down mechanics' tasks through frontline reforms, the company is shifting tasks that do not require specialist skills or knowledge to other staff or staff with disabilities. This has enabled mechanics to focus on specialist operations and improved their operation rate from 40% to 70%, as well as successfully reduced their overtime.

At the Akari Nursing Center, of the eight home-visit nurses employed, seven are working mothers and three are part timers. Instead of setting night shifts or full-time shifts, the Center is allowing the nurses, all of whom have time constraints, to work in an environment where they can share tasks.

At Mokusei, a special nursing home for the elderly, care work has been classified into direct work and indirect work, and the indirect work has been shifted to care assistants. These assistants, who do not have qualifications in care, are able to work two to three times a week for several hours a day. Of the approximately 110 workers at the home, 10 work as care assistants and are helping to reduce the working hours of the qualified carers. On average, the qualified carers are spending 28 minutes less a day on indirect work and spending 16 minutes more on direct care work such as communication and toilet assistance. In a 20-day work month, this equates to a five-hour increase in time spent on interacting with elderly patients.

Measure 2 **Personnel development**

Task shifting and task sharing does not work without personnel. As such, efforts are underway to develop personnel who can play active roles. Yokohama Chuo Hospital, for example, is promoting the development of Nurses pertaining to Specified Medical Acts*2, and in doing so is shifting doctors' tasks to these advanced practice nurses and shifting nurses' tasks to technicians and assistants. This shift is helping to streamline frontline medical work and reduce the burden on nurses.

Conventionally, Yokkaichi has struggled to prevent doctors, nurses, and other medical professionals from leaving the region to work in Nagoya. In response, the Yokkaichi Digestive Disease Center is focusing on the development of young nurses and having them accumulate experience across multiple departments from an early stage. This is helping to develop nursing practitioners*3 and specific nurses who can take on some of the medical procedures undertaken by doctors. By reducing the frequency of night shifts and supporting employees' growth by encouraging them to take part in academic conferences, the Center has successfully reduced turnover rates.

Chart 18 **Breaking down direct and indirect tasks**

Direct tasks	1	Moving, transferring, changing body positions
	2	Toilet assistance
	3	Meal support
	4	Bathing, hygiene, changing
	5	Communication with patients
	6	Functional training and rehabilitation
	7	Medical treatment
	8	Other direct tasks
Indirect tasks	1	Patrols, moving
	2	Producing records and documents
	3	Liaison and coordination
	4	Patient assessment
	5	Collecting information, producing care plans
	6	Reviews
	7	Worker guidance and education
	8	**Preparation and cleaning of meals and snacks, etc.**
	9	**Preparation of bathing tasks, etc.**
	10	**Replacing sheets, making beds**
	11	**Cleaning rooms**
	12	**Disinfection, etc.**
	13	Other indirect tasks

Care assistants who work three days a week from 7 am to 11 am are in charge of the indirect tasks in bold

Source: Compiled by author based on materials from Hokuyoukai

A Chiisuke lecture to develop care assistants across the region (Chiiki no gakkou)

Elsewhere, the Social Welfare Corporation Hokuyoukai has teamed up with the NPO Chiiki no gakkou to develop care assistants across the region and address labor shortages in the caregiving industry. Specifically, senior citizens are being trained as care assistants and matched with care providers through a program known as Chiisuke. Commissioned by Mito City, the Chiisuke program is being hosted alongside other local governments and being implemented in 28 municipalities across Ibaraki Prefecture. Moreover, since 2023, Chiiki no gakkou has held the Chiisuke Youth lecture for high school students during summer holidays and weekends to encourage them to volunteer at care homes (see **Chart 18**).

Measure 3 **Introducing technology**

We have also seen examples of frontline reforms that are using technology to improve task productivity. However, although various technological tools and systems already exist, simply introducing them is not enough for the reforms to succeed. This is something we learned at organizations that have not used these tools and systems since their introduction. In organizations that have successfully done so, frontline discussions have already taken place in advance on the reasons and goals.

At the Wakatake Minami care home, cameras and microphones have been set up in each unit. When a patient calls for a nurse, the staff can use their smartphones to monitor the patient's room. When there are multiple calls simultaneously, the tool can be used to determine which call to prioritize by looking at the images. Moreover, remote patrols using the cameras is helping to reduce the burden on night-shift workers.

Organizational culture has a huge bearing on the success or failure of new tools and systems and whether workers resist the reforms. Since its establishment in 1989, management at Wakatake have placed the utmost importance on workers' wellbeing, even introducing hoists when they were still a rarity to prevent workers from injuring their backs. The current care home manager says the following: "Throughout our history we have proactively made use of new equipment, and we have always had a proactive organizational culture in which we are open to trying new things if they will make us better."

Elsewhere, the Mokusei nursing home has introduced a tool called Nemuri Scan to gauge patients' sleep and significantly reduce the time spent on patrolling patients' rooms at night. Prior to the tool's introduction, patients would be awoken at specific times to encourage them to go to the toilet. Now, however, staff can assist patients with their toileting needs when they wake up, reducing the average time spent on the task from 180 minutes to just 90 minutes. As nightshift workers now have much more time freedom, the home has removed the role of the emergency night staff who would be on call in case of a hospital emergency.

But getting there was not straightforward. Mokusei introduced the tool in all 70 of its beds in 2021, but in 2022 bed occupancy rates fell from the previous 98–99% to 96%. A representative at Mokusei says, "We had gotten too familiar with one another, and naively thought that we didn't need change because everything was working as is. We were very negative about trying to change our ways." In response, the organization sought to visualize its unreasonable, wasteful, and inconsistent tasks by having workers write down their roles and the time spent on each. In this case, frontline reforms began by developing the right workplace culture, and as a result occupancy rates have recovered to the 99% target.

There have also been cases where reforms have transformed conventional processes. For example, through the implementation of an AI-led shift creation tool, the Yokkaichi Digestive Disease Center is now entrusting third-year nurses with the creation of shifts. At many hospitals, shift creation is a task often given to experienced nurses, who collect written requests and use spreadsheets to complete the working schedule. The whole process can take between a week and 10 days. The AI tool, however, can create shifts in just a few seconds. Moreover, as there is no risk of any self-interest impacting the creation of the working schedule, complaints about shifts have decreased.

Nurses can use their smartphones to monitor the patient's room when called (Wakatake Minami)

The key here is timing. Workers have their hands full with their own tasks, and so asking them to deal with the initial system setup required to introduce a new tool would simply not work. In these cases, it's important that back-office departments at headquarters oversee the initial setup and, rather than simply providing workers with a manual, have someone available to deal with queries on how to deal with the system or any issues that arise.

Effort alone is not enough for frontline reforms in essential work

Essential work is key to the maintenance of our daily lives. In the caregiving domain, where services are increasing in line with the rise of the senior population, there is expected to be a shortage of 210,000 care workers and home-visit caregivers by 2030 and 580,000 by 2040. According to a simulation by the Recruit Works Institute, in 2040 there will be a 25.3% shortage in relation to labor demand (2,297,000). Through our research, however, we have confirmed that reforms on the frontlines of essential work are underway.

On the other hand, we have also found out that frontline efforts alone are not enough. While in some medical institutions work is ongoing to introduce electronic medical records, there are still around 40% who have not done so. Preventing them from doing so are the high costs involved. For the security guards patrolling highway construction sites, due to the nature of the work, there are no real solutions in terms of the mechanization or breaking down of tasks. While some companies have engaged in their own initiatives and proceeded with steady improvements to enhance understanding among clients of labor shortages, there have been limits to what individual companies can achieve.

Improvements in essential work are significantly impacted by the scope of work that can be achieved by qualified personnel and compensation and other legal systems. This is why frontline reforms alone are not sufficient. That said, the starting point for these reforms must come from the frontlines. As such, to properly respond to social changes such as the growing number of senior citizens and a declining population, the hard work of essential workers must go hand in hand with appropriate policymaking.

*1 A numerical measure of mechanics' operational efficiency that indicates the ratio of man-hours to working hours
*2 Nurses who have undergone practical training and who are qualified to conduct specific tasks that previously required doctors' instructions. These nurses must undergo training for each specific category such as for respiratory or circulatory systems
*3 Nurses who have completed graduate school, accumulated practical experience, and who are qualified to conduct specific medical tasks

2 The looming limitations for public services

Beyond the Reiwa turning point caused by aging and demographic movement, labor demand in essential services will soar. How will this change impact the public services that support daily life in regional communities? What measures must be implemented to ensure the sustainability of public services?

Kenji Hashimoto

Rising demand for public services

Public servants underpin the foundations that enable us to live our lives in safety and with peace of mind. Municipalities, which are the smallest administrative divisions, are fundamental local public bodies that provide public services such as education, welfare, and infrastructure maintenance. The work of municipalities is undertaken by municipal workers at city, town, and village halls. How is demographic movement affecting the work of municipal workers? To understand these changes, we conducted a survey of actual business conditions*1 with a focus on municipal workers.

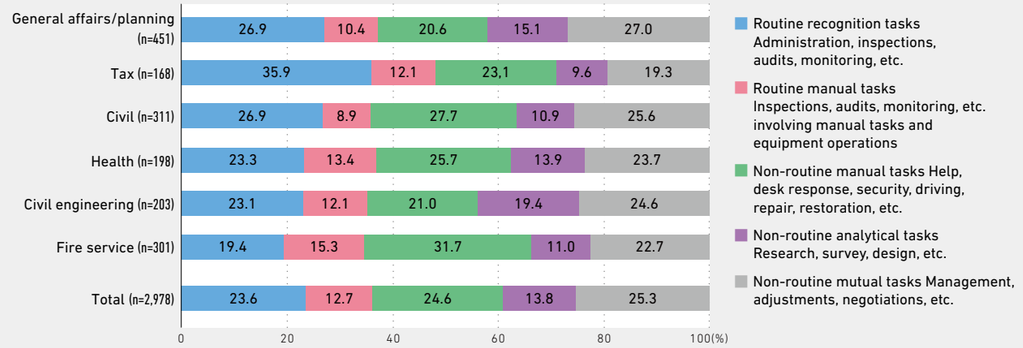
We first examined changes in workloads compared to two years ago*2. When looking at results depending on the size of the population, although slight, the smaller the municipality, the more workers there were from civil departments, civil engineering departments, and health departments who felt that their workloads had increased. This is no doubt down to the rising demand for public services (**Chart 19**).

Increasing complexity of public services

What types of tasks are increasing at these municipalities? To delve into the details, we classified municipal workers' operations based on a task model (Autor, Levy, & Murnane, 2003), and discovered that although some were routine tasks that follow predetermined manuals and procedures, more than 60% were non-routine tasks that require on-the-spot decisions (**Chart 20**).

Chart 19 How workloads have changed in the past two years by size of population and public service department

Chart 20 Types of municipal worker tasks by department



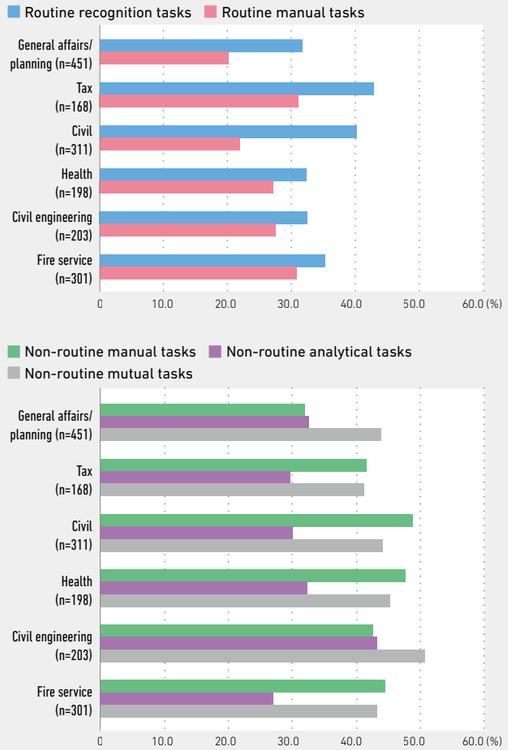
Further, if we examine the increases for each task, we can see that there are different characteristics depending on the department (**Chart 21**). Compared to other departments, tax and civil departments are seeing a greater increase in "routine recognition tasks"—that is, administrative tasks that require the accurate achievement of predetermined criteria. Elsewhere, civil and health departments are seeing a greater increase in "non-routine manual tasks," which are physical tasks that require flexible and individual response. In the civil engineering department, compared to other departments there has been a larger increase in "non-routine analytical tasks," which address abstract challenges, and "non-routine mutual tasks," which provide value through interpersonal communication.

Civil departments oversee welfare, health departments oversee health, and civil engineering departments oversee infrastructure maintenance and management. All departments are directly linked to ensuring safety and peace of mind for local citizens, and often engage in non-routine tasks that require specialist expertise and communication skills. As such, a certain level of training is required to ensure these tasks are executed without delay. Accordingly, when acquiring personnel who can work in these departments, in addition to short-term recruitment and staffing, it is also important to ensure their medium- to long-term development.

Limited worker availability

To address this increase in number of tasks, one solution is to deploy more workers. According to the Survey on Local Public Body Capacity Management by the Ministry of Internal Affairs and Communications, the number of local public servants was at its lowest ever in 2018 at 2,727,000, but then increased slightly to 2,812,000 in 2024. We calculated the changes in worker numbers

Chart 21 Municipal workers' perceptions of increasing workloads by department



Example 1

The repair and maintenance of roads is a typical example of civil engineering work, and for this work the understanding of road conditions (level of deterioration) is essential. Soka City in Saitama Prefecture, which manages around 600 km of road, is aiming to save labor by introducing automotive systems that can gauge road conditions through regular patrols. However, to get a detailed understanding of road conditions, this data must be combined with other surveys and visual inspections. Moreover, the budget assigned to road administrations is by no means generous, and so the challenge for these administrations is how to efficiently manage roads with a limited budget and workforce. As such, it is paramount that these organizations make routine administrative work as efficient as possible.

by department between 2018 and 2024 based on each size of population*3. Across all local government sizes, the number of workers in civil departments has increased, but this rate of increase has been lower in smaller-scale local governments. Moreover, the number of civil engineering department workers has decreased in local governments of less than 100,000 people (**Chart 22**). With even private-sector companies struggling to acquire technical personnel, wage levels in the private sector have increased and made recruitment difficult for local governments. The smaller the local government's population, the more challenges they are facing with staffing.

The hardships facing small-scale local governments

We next examined the measures that workers thought might help in reducing workloads*4. Interestingly, the smaller the local government, the more workers there were who thought numerous measures could be applied (**Chart 23**). Particularly in local governments with populations of between 20,000 and 100,000, there was a higher ratio of workers who were optimistic about "reorganizing, rearranging, abolishing, or integrating administrative and business operations," "developing and deploying specialist personnel," and "utilizing data acquired by government." This shows that the more challenges local governments are facing with staffing, the more proactive they are about adopting new measures, which they might have been reluctant to do so before.

It is next important to find out whether any of these measures are actually being used. We therefore investigated*5 to what extent the measures that workers think can help reduce workloads are in fact being implemented. In response to measures related to the use of personnel, such as "staffing in line with workloads," "developing and deploying specialist personnel," and "utilizing non-public-sector personnel," there were many workers who responded, "not being used at all" (**Chart 24**). The smaller the local government, the more workers responded that they were not adopting "staffing in line with workloads" and "developing and deploying specialist personnel." In small-scale local governments, the rate of increase in workers in departments where workloads are rising is by no means high, and in some cases the number of workers is decreasing. From workers' perceptions, we can see that personnel utilization within public organizations is inadequate.

Of these three measures related to the use of personnel, **Chart 25** shows that there were a high percentage of workers from tax and civil departments who responded that such measures were not being adopted. This demonstrates that the measures are not being implemented even though workers want to see them, and that there is plenty of room to implement them in tax and civil departments. Tax departments engage in many "routine recognition tasks," and so slight adjustments to personnel deployment and development could increase operational

Chart 22 No. of workers by department in 2024 compared to 2018 for each population size

Population size \ Department	General affairs/ planning	Tax	Civil	Health	Civil engineering	Fire service
More than 1 million	7.5%	-1.5%	4.9%	2.4%	1.8%	1.4%
More than 500,000 but less than 1 million	4.9%	0.0%	7.3%	-0.5%	0.9%	3.8%
More than 200,000 but less than 500,000	6.2%	-1.4%	8.6%	1.0%	2.0%	3.9%
More than 100,000 but less than 200,000	6.8%	-2.5%	8.0%	-1.1%	0.9%	1.5%
More than 50,000 but less than 100,000	6.9%	-2.9%	5.9%	-0.5%	-1.7%	1.2%
More than 20,000 but less than 50,000	5.8%	-4.3%	1.5%	0.1%	-1.5%	0.0%
Less than 20,000	3.8%	-6.3%	1.6%	2.4%	-2.3%	0.4%

Compiled by author based on "Survey on Local Public Body Capacity Management" by the Ministry of Internal Affairs and Communications

Chart 23 Measures to reduce workloads by population size

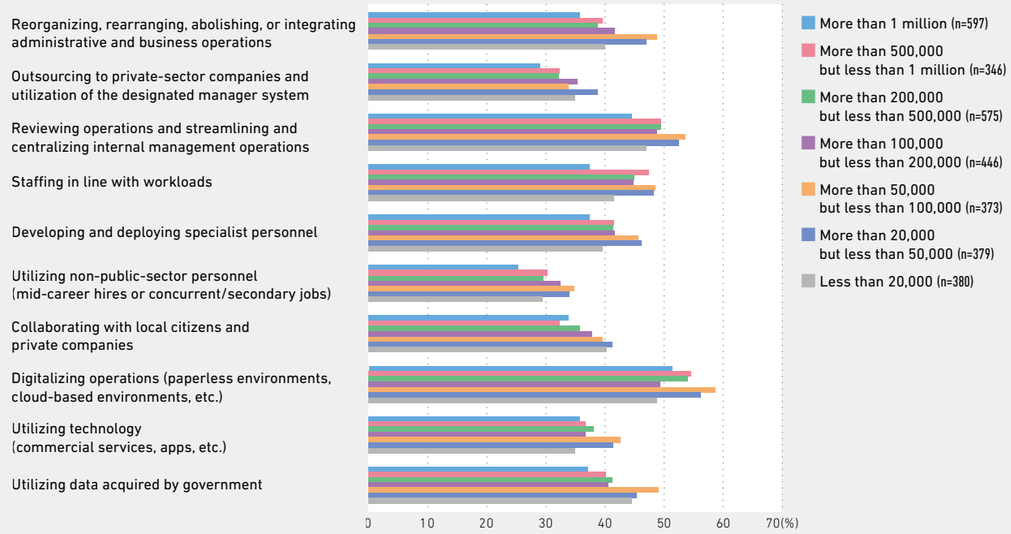


Chart 24 Percentage of workers who said measures are "not being used at all" by population size

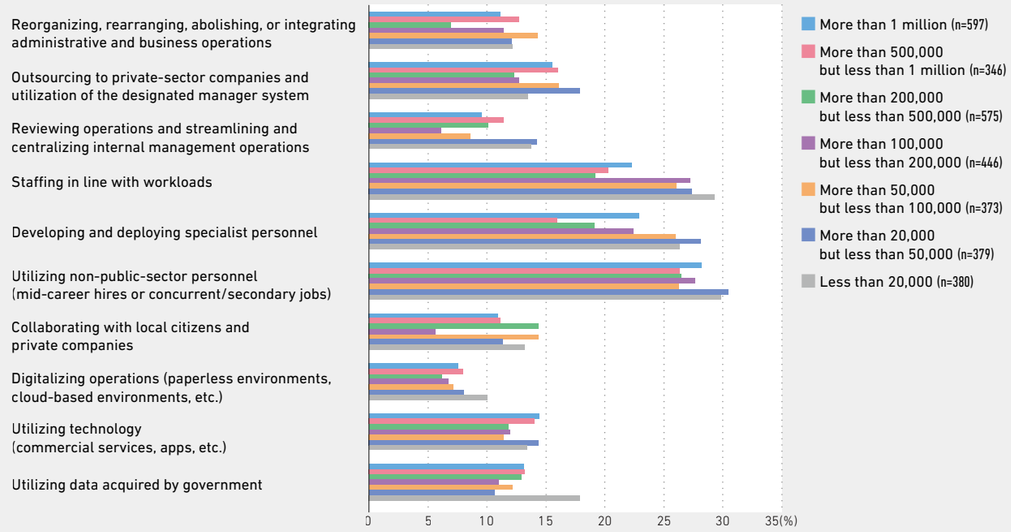
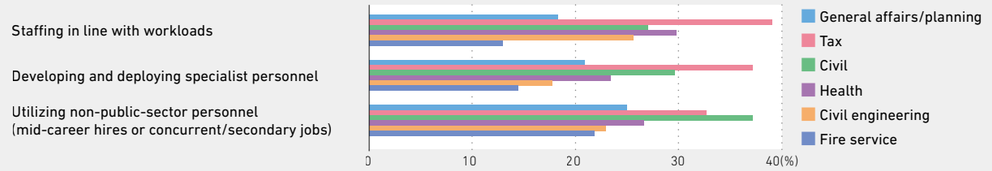


Chart 25 Percentage of workers who said personnel measures are "not being used at all" by department



Example 2

Shijonawate City in Osaka Prefecture is proactively promoting workstyle reforms and the utilization of non-public sector personnel. The city's basic policy for personnel strategies is "endeavor, empathy, and collaboration," an easy-to-understand approach that has been well-received by both current workers and prospective mid-career hires. All its personnel measures are tied to this basic policy, and by implementing the necessary improvements while measuring worker engagement, the city is simultaneously strengthening its organization and enhancing services for its citizens. It is precisely because the city is using facts to define the work it must carry out, as well as the organization it aims to become, that it is able to flexibly and quickly implement improvement measures with the understanding of its workers. Unlike the private sector, the public sector tends to be bound by fixed ideas, but there are still many measures that can be used.

efficiency. Civil departments, meanwhile, engage in tasks that require collaboration with specialists in regional welfare and healthcare, and as such could make use of non-public sector personnel with similar experience. Moving forward, as personnel become scarce, it will be essential to think about utilizing personnel from outside the public sector in addition to internal resources.

Limitations in public-sector operations

On the other hand, when looking at the measures that are being adopted in each department, we can see that there are some issues that cannot be overcome with effort alone (**Chart 26**). "Outsourcing to private-sector companies and utilization of the designated manager system" is far more prevalent in the fire services department and civil engineering department than anywhere else. In fact, the civil engineering department is more proactive with every measure, and is engaging in so many initiatives to reduce workloads that there is limited room for further improvements. The civil engineering department engages in many non-routine tasks that require specialist expertise and communication, making it much harder to acquire personnel than in other departments. The extent to which the civil engineering department is engaging in such measures suggests that there is a strong understanding within the sector of the need to reduce workloads. Despite this hard work, however, there are still many workers who feel as though their workloads are increasing. Perhaps this shows that, while implementing all the measures they can, these workers are doing everything within their power to meet the expectations of local citizens.

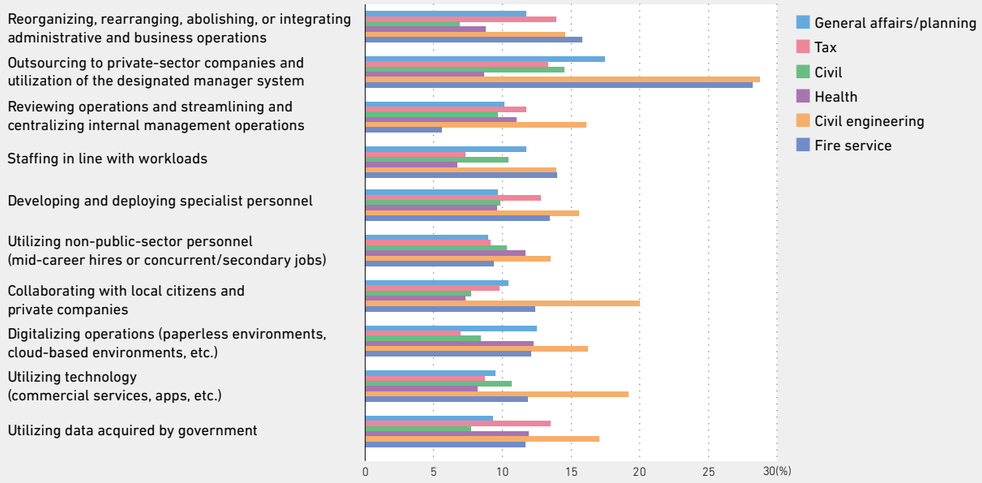
The crossroads of sustainability

The survey revealed that the aging population, increasing frequency of natural disasters, and chronic labor shortages are increasing workloads and the complexity of tasks for local government employees. The results were a clear indication that small-scale local governments in particular are struggling to ensure the sustainability of their public services. Unfortunately, however, it is these small-scale local governments that are at the forefront of labor supply limitations caused by the aging population. In a question that asked about the sustainability of public services in 2030 (that is, to what extent public services will be able to respond to regional demands in 2030)*6, 49.2% responded "It's difficult to say," 30.2% said "We'll find it difficult to meet demand," and 20.6% said "We'll be able to meet demand," showing that more than 30% of local government employees are already pessimistic about keeping up with current demand in just a few years' time. This suggests that the sustainability of public services is at a crossroads between a bright future or a dark future. To those that responded, "We'll find it difficult to meet demand," we followed up with another question: "How do you think it'll be possible to get out of this situation?" The responses are below.

- We will have to eliminate pointless tasks, work hard to reduce workloads, and update administrative methods so that they are in line with the times.
- We cannot wait for the population to rise so we must carefully examine what businesses to downsize or eliminate completely.
- We will have to review the level of the services we provide and lower them to within an acceptable level.
- We will have to gain the understanding of locals as to what demands we can and cannot meet.

Of course, it is important that public services move forward with initiatives such as operational improvements, streamlining, and digitalization, but there are limits to what public organizations can do through independent efforts alone. To ensure the sustainability of public services that are fundamental to maintaining daily life, it is becoming increasingly important to, as the above responses suggest, lower service levels and gain the understanding of locals about worker limitations. For both providers and recipients of public services, everyone living in the region must look at that they can do to contribute. The urgent circumstances facing departments related to natural disasters, civil engineering, and fire services show that there is little time left to make a change.

Chart 26 Percentage of workers who responded "It is being used increasingly but room for improvement is limited" by department



Example 3

For 15 years, Tajimi City in Gifu Prefecture has hosted a citizen-led discussion group through which citizens discuss proposals to address city challenges. The proposals at these meetings often concern challenges which citizens themselves are facing, and the meetings are said to be increasing the number of people with a desire to take over regional activities due to their growing interest in the city itself. In societies with labor supply limitations, in which it will become increasingly difficult to expect local government to address regional challenges, it is paramount to consider the role that local citizens can play in solving any issues. Citizen-led discussion groups like these that promote understanding among locals, boost interest in the region, and increase the relevance of regional issues are essential to generating action that can help solve local challenges.

*1 Survey name: "Basic Survey on Actual Working Conditions for Local Government Workers;" Scope: Regular regional public servants from special wards and municipalities who are registered with an online survey company (3,096). For sample collection, we assigned numbers so that they would be the same for each gender and age range based on the results of the "2023 Fact-finding Survey on Compensation of Local Government Employees" by the Ministry of Internal Affairs and Communications. As we did not expect to be able to collect the assigned number of samples from the 18–27 age range for men and women and the 52–61 age range for women, the shortfall was spread across other age ranges. As we could not collect the assigned numbers for the above genders and age ranges, there are a greater number of samples from the 28–61 age range for men and the 28–39 age range for women. Survey period: November 20 (Wed) to 27 (Wed), 2024. If not specified otherwise, the source for information between P24 and P29 is this survey

*2 The question asked "Compared to two years ago, how have the following tasks in your current role changed?" For tasks 1 to 5, respondents chose their answer from (1) It has decreased (by 20% or more); (2) It has decreased slightly; (3) It has not changed; (4) It has increased slightly; (5) It has increased (by 20% or more); and (6) I don't know/it is a new task. Results were aggregated without (6) I don't know/it is a new task.

*3 The number of workers in each department has been taken from the 2018 and 2024 "Survey on Local Public Body Capacity Management" by the Ministry of Internal Affairs and Communications and classified and compared based on the municipal populations from the 2020 Population Census.

*4 The question asked, "In your current role, could any of the following measures be used to reduce workloads? Regardless of whether the measures are being used or not, please tell us whether they could or could not be used." Respondents chose their answer from (1) No, it could not be used; (2) Yes, it could be used; and (3) I don't know/It doesn't apply.

*5 For those that responded (2) Yes, it could be used in 4 above, we asked, "For the measures below to which you responded 'Yes, it could be used,' to what extent are those measures actually being implemented?" Respondents chose their answer from (1) It is not being used at all; (2) Examinations and trials have begun for its use; (3) It is being used but there is room for improvement; (4) It is being used increasingly but room for improvement is limited; and (5) I don't know. Results were aggregated without (5) I don't know.

*6 The question asked, "In your current role, if current conditions were maintained, to what extent do you think you will be able to meet regional demand in 2030?" Results were aggregated without "I can't think ahead to 2030/I don't know" (n=2,685). "We'll be able to meet demand" is the total for "We'll be able to meet demand" and "We'll be able to meet demand sufficiently." "We'll find it difficult to meet demand" is the total for "We'll find it difficult to meet demand" and "We'll find it incredibly difficult to meet demand."

Reference:

Autor, D., Levy, F., & Murnane, R. J., 2003, The Skill Content of Recent Technological Change: An Empirical Exploration, Quarterly Journal of Economics, 118 (4): 1279-1333.

3 Post-turning point social models developed in Japan's rural regions

Driven by ongoing changes in Japan's demographics, the Reiwa turning point marks a critical change in the structure of the labor market. In some regions, senior citizens already make up more than 50 % of the population, while in others the 70 s and 80 s age groups make up the majority. Here we look at what is happening in these aging regions and what types of initiatives are underway.

Takashi Sakamoto

Road clearing support

Snow damage rescue workers

The increasingly severe shortage of successors in Japan's region

What will happen to regional communities as the population continues to decline? To find out, we visited some rural regions with declining populations to look at what is happening in areas where there is a shortage of workers.

In this section, we consider the futures of regions with falling populations using examples from the areas in which we conducted on-site research: Kawakami village in Nara Prefecture, Sakae village in Nagano Prefecture, and Hida City in Gifu Prefecture. The populations in all three regions are falling. When looking at demographics, senior citizens make up 55.6% of the population in Kawakami, 54.4%*1 in Sakae, and 40.4%*2 in Hida, and all have a much higher percentage than the national average of 29.3%. Moreover, the over 70s age group is already the largest age group in all three regions.

One of the biggest economic concerns when populations decrease and the number of senior citizens increase is the loss of agglomeration economies. If we take the example of retail, when a company sets up a store in a certain location, the population density has a huge impact on that company's profits. The denser the population, the more efficiently the company can generate profit. The same goes for logistics. If the number of depopulated regions increases and residences become more scattered, it will have a hugely detrimental effect on the efficiency of stocking and delivery for the store. It is the same for the medical and caregiving domains. The word efficiency might sound too businesslike, but a drop in efficiency means that private services will no longer reach certain regions.

Example 1 Sakae, Nagano Prefecture

Left: Getabaki Helper
Below: A collaborative project between the region and local government

Rising inconvenience in regional daily life

To better understand this issue, we asked residents in depopulated regions how their daily lives have changed.

- One typical consequence of a declining population and the aging of locals is the curtailment of public transport. Depopulation can lead to a deterioration in profit for public transport operators, and as a result the number of train and bus services decreases. This reduction in number of services can sometimes have no benefit for falling profits, and ultimately many routes are cancelled entirely. Another challenge here is the recruitment of drivers. Many locals told us how some bus services had disappeared completely.
- Daily shopping environments are also changing. Althoughpreviously locals were able to visit nearby supermarkets, they now have to travel by car to supermarkets in neighboring cities, towns, or villages. In this way, the number of stores required for day-to-day life will certainly decrease. In this environment, some senior citizens have taken to online shopping to cover their daily needs, and so a further challenge will be the maintenance of regional logistics networks.
- In medical and caregiving services, regions where the population is falling rapidly are suffering from a shortage of workers and it is becoming more and more difficult to provide a complete range of services. In rural areas, senior citizens are finding it difficult to receive care from home-visit nurses several times a week, which is the norm in urban areas. One caregiver said, "We are spending more time traveling than actually caregiving."

Creating systems through which locals can address regional challenges

As worker shortages become increasingly severe and the provision of private-sector services becomes a challenge, it is essential to think about systems that can counter the reduction in services.

In some depopulated regions, trials are already underway on how to use the capabilities of locals to solve regional challenges. The village of Sakae, for example, is looking at how to provide services that cannot be covered by private companies using internal capabilities. As part of something called the Getabaki Helper service, local senior citizens are being paid to cover the shortage and sustain local caregiving services. Moreover, Sakae is an area of heavy snowfall and several meters of snow in winter is an ordinary occurrence. In response, by deploying snow damage rescue workers and road clearing support staff, the village has

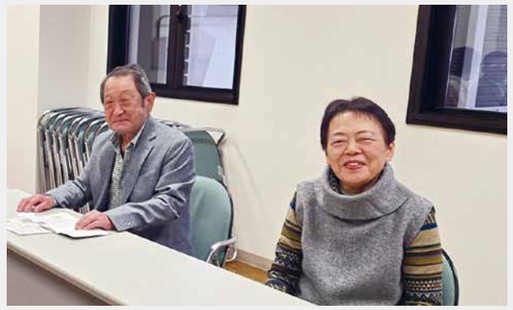
Example 2 Kawakami, Nara Prefecture

A mobile supermarket operated by Kawakami Life

Example 3 Hida, Gifu Prefecture

Left: Mutual Helper training course
Middle: Caregiving supporter system
Right: Hidasuke!

An interview with locals from Kawakami



An interview with locals from Hida

created a model through which locals provide assistance to senior citizens whose lives have been made difficult by the snow.

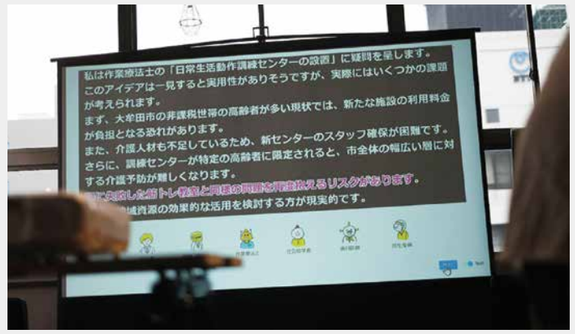
Elsewhere, Kawakami village in Nara Prefecture is working with the organization Kawakami Life to offer a mobile supermarket to supplement the shortage of shopping services in depopulated areas. However, the mobile supermarket does not only help locals with shopping. In addition to keeping watch over local senior citizens, the mobile supermarket also brings nurses and dental hygienists, who are municipal workers, along to connect locals with the necessary medical services. It also brings a form of recreation with many locals gathering around when the mobile supermarket arrives. Kawakami Life also employs numerous senior workers part time, and many are playing an active role.

There are also unique initiatives underway in Hida City. In addition to working with technical schools from outside the city on the mutual development of caregivers, the city operates its own unique helper system, the Hidasuke! workish act*3 platform that is linked to local currency, the AnkiNet essential daily support service for senior citizens, a caregiving supporter system, and more. In this way, the city is working hard to create systems whereby locals can play active roles.

In some cases, it is not the local government that is responsible for regional management. Centre for person-centred ningen,Omuta—based in Omuta City, Fukuoka Prefecture—was established through a collaboration between the public and private sectors. Alongside management of two comprehensive regional support centers in the city, the Center has also created the Omuta Living Lab as a platform from which locals, local government, and businesses can work together to create services required in the region. It has developed a short-term “focused prevention” service for preventive care*4 and an ultra-short-term employment system*5 for senior citizens and people with disabilities, and is also trialing an AI-led “Conference Singularity” approach to consensus building.

Example 4 Centre for person-centred ningen,Omuta

Ultra-short-term employment



Conference Singularity

Communities are helping to make up for the lack of services

As the population declines, the convenience of everyday life falls with it. To make up for this lack of convenience, there must be mechanisms in place to make use of the capabilities of local citizens. In addition to initiatives to supplement the lack of private-sector services, another important factor is community. Through our interviews with locals, we learned that senior citizens’ inability to access the required services in depopulated regions does not always make their lives more difficult. In fact, while of course there are many inconveniences, the lack of dependable services can encourage locals to start exercising to improve their day-to-day health and to deepen their relationships with other locals. That is, the inconvenience forces them to proactively and independently incorporate habits to maintain their health and relationships.

In terms of social isolation, too, locals can work together to keep watch over one another, and any regional challenges like this can naturally come to be resolved. It could be said that the provision of highly attentive, detailed services in line with past economic development has served to weaken regional functions. As such, it is possible that as these services fade, the necessity and strength of these regional functions will grow.

What happens, then, if there are individuals within a depopulated region who really need access to a certain service? With caregiving services, for example, if there are no caregivers to provide care and the facilities needed in that region disappear, seniors who need access to care have no choice but to be admitted to facilities in neighboring cities, towns, or villages. Through our interviews, we learned that this movement—that is, the gathering of individuals around the services they require—is already taking place.

Establishing ways in which regions can shrink in a positive manner

In these regions in the future, various living costs will increase and ultimately the lack of workers will limit the provision of necessary services. To ensure that these regions shrink in a positive way, in addition to creating mechanisms like those above through which locals can play a key role, it will be important to look at how to rebuild communities. In the regions we covered through our on-site research, despite the rapid decrease in working population, the communities were independently working to solve any problems and create more fulfilling everyday lives.

In the post-turning point society, there will be regions where people from other regions gather, and regions that will slowly shrink as people move out. In the future, it may be that these shrinking regions become models for how to live happy lives.

*1 As of 2020
*2 As of April 2024
*3 A phrase put forth in the Recruit Works Institute’s Future Predictions 2040 in Japan report to refer to activities outside of primary jobs that assist others
*4 In addition to helping senior citizens live their lives independently, the service aims to reduce the need for ongoing support and reduce long-term service costs. Senior citizens in need of support work with rehabilitation professionals and engage in focused exercise for between three and six months
*5 An employment model advocated by Professor Takeo Kondo of the Research Center for Advanced Science and Technology (RCAST) at the University of Tokyo whereby workers can be remunerated for as little as 15 minutes of work per day

4 Living in Dual Roles: The Impact of Being a Consumer and a Worker

As chronic labor shortages drive up the percentage of people in work across all genders and age groups, people will have no choice but to take on multiple roles at the same time.What changes will we see in a society in which residents and consumers become part of the working population?

Shoto Furuya

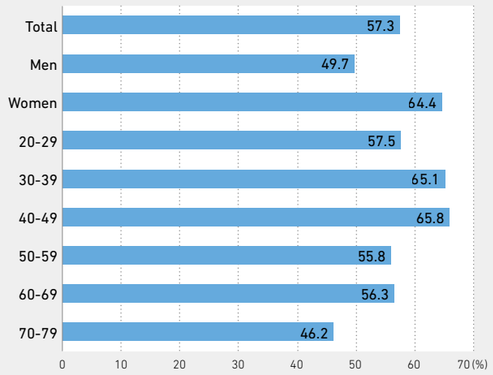
The increasing number of roles per person

The current working generation are both consumers and workers. To further understand their traits, at the Recruit Works Institute we conducted the 2025 Survey on Life and Work*1. Using the results of the survey, here we clarify what happens in a future society in which current consumers will have to become part of the working population.

First, we asked survey participants what they do in their day-to-day lives (what roles they have). Specifically, the question asked about primary and secondary jobs; housework, childcare, and caregiving; neighborhood associations and other regional community aspects; and participation in hobby or recreational groups*2. Overall, 5.0% responded that they had no roles to play, 37.8% said one role, 30.1% said two roles, and 27.2% said three or more roles.

These results show that most people have some sort of role to play in their everyday lives. **Chart 27** shows the details of those who have two or more roles to play by gender and age group. We can see that more women (64.4%) have two or more roles than men (49.7%) and that many of these individuals are in their 30s (65.1%) and 40s (65.5%). Among all genders and age groups, however, around half of respondents have two or more roles to play, be it at work and in the home; in the home and in the community; or in the community and in hobby groups.

Chart 27 **Percentage of people with two or more roles in their lives**



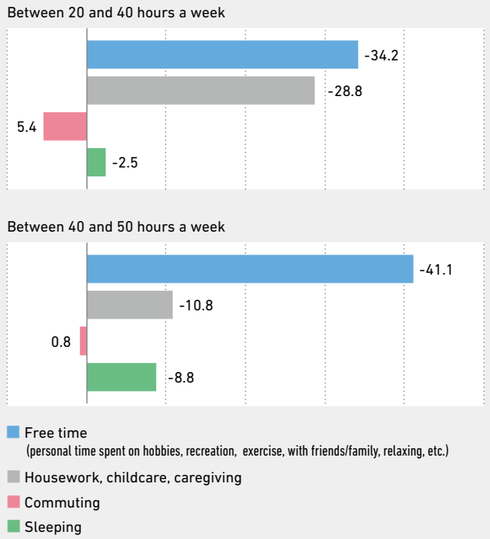
What happens when time at work increases?

Overall, the number of people in work across all genders and age groups is increasing. Let us now take a look at what happens as time spent at work increases.

Chart 28 shows an analysis of what happens to time spent on other roles when time spent at work increases by one hour. Among those working between 20 and 40 hours a week (part-time to full-time roles), there is a 34.2-minute reduction in free time and a 28.8-minute reduction in time spent on housework, childcare, or caregiving. Among those working between 40 and 50 hours a week (full-time workers with significant overtime), there is a 41.1-minute decrease in free time and 10.8-minute decrease in time spent on housework, childcare, or caregiving. In other areas, the length of time spent at work had almost no bearing on time spent sleeping or commuting.

There are, of course, significant differences for men and women. The length of time men spend at work has almost no impact on the length of time they spend on housework, childcare, or caregiving (in a 40-hour week, men spend 1.59 hours a day on housework, childcare, or caregiving, and in a 50-hour week, 1.70 hours a day. Women spend 2.80 hours a day on housework, childcare, or caregiving in a 40-hour week, and 1.80 hours in a 50-hour week). Across both genders and all age groups, it is mainly disposable time (free time outside of the time required for work, sleep, housework, and other daily necessities) that is sacrificed to increase time spent at work. There has also been an increase in number of households that can no longer depend on women for housework, etc. Parents in rural regions sometimes question why there are not enough nursery schoolteachers even though birthrates are declining. However, this could stem from the fact that although previously these children could be looked after by family members in the same household or nearby relatives, grandparents and women are no longer able to do so because of work commitments. In other words, as the percentage of people in work increases, lives get busier. When time for housework or free time decreases, people have no choice but to seek help elsewhere.

Chart 28 **What decreases as time spent at work increases? (minutes)*3**



Senior citizens living alone

Let us now switch our attention to single-senior households. 15.1% of senior citizens aged 65 or over who live alone say that "I have no one to depend on when I'm in trouble*4." This is nearly double the 8.2% average for senior citizens aged 65 or over.

One feature of single-senior households is the low employment rate. Of senior citizens aged 65 or over (65–79) who live alone, only 25.6% are in employment, compared to 32.9% of overall senior citizens aged 65 or over who are in employment (by gender, this is 33.3% and 41.0% for men, and 21.8% and 25.6% for women). Of senior citizens aged 70 or over (70–79) who live alone, it is 18.9% compared to 28.3% overall. In single-person households it can be difficult to balance time between home and work life . It is important to note that senior citizens who live alone in particular find it difficult to interact with society both through their families and through work. This suggests that the ongoing rise in single-senior households could potentially reduce labor supply.

An appreciation for working people

In a society of working consumers, it is interesting to note people's warm impressions of working people (**Chart 29**). For example, 85.4% of people in a survey said that "I want to convey my thanks to the drivers and delivery workers who deliver packages to my house." This suggests that many consumers understand frontline conditions and are thankful for the work that is being done. Moreover, 74.9% of people said that "I think it can't be helped that waiting times are longer than usual in shops where there aren't enough workers." While the length of waiting times is a key factor in the provision of services, this response perhaps shows that consumers are becoming more understanding of frontline pressures. Interestingly, there was

Chart 29 **Feelings about work*5 (total percentage of "I agree" responses)**

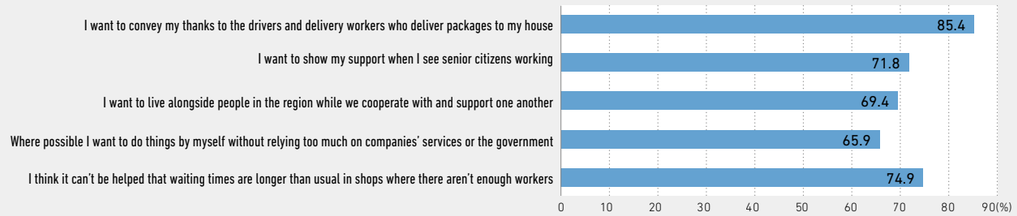


Chart 30 **Sense of self-importance, number of roles, and satisfaction with life**[*7]

	I feel as though the region needs me		I know that some people would be in trouble if I wasn't there	
	No. of roles	Percentage satisfied with life	No. of roles	Percentage satisfied with life
I always feel that way (every day)	2.38	81.4%	2.31	65.7%
I often feel that way (every week)	2.10	66.7%	2.11	65.8%
I sometimes feel that way (every month)	1.92	62.4%	1.84	60.0%
I don't really feel that way (once every half a year)	1.87	57.7%	1.77	53.1%
I never feel that way	1.65	43.2%	1.43	34.9%

almost no difference in this level of appreciation and understanding across age groups, genders, and employment statuses.

A sense of self-importance and happiness

Even when the number of workers falls and individuals are forced to undertake various roles, there is a positive. That is, as these roles increase, people have a growing sense that they are an indispensable presence in others' lives (a sense of self-importance or self-efficacy[*6]) and as a result they have a greater level of satisfaction with life. We also asked to what extent people felt that they were indispensable—"I feel as though the region needs me" and "I know that some people would be in trouble if I wasn't there"—and organized the results by number of roles and level of satisfaction with life. Those that said, "I always feel that way (every day)" to "I feel as though the region needs me," had an average of 2.38 roles and a satisfaction rate of 81.4%. The frequency with which people felt they were indispensable was linked to the number of roles, and the higher the frequency the higher the level of satisfaction with life.

As the current working generation become both consumers and workers, the number of roles they have to take on alongside their primary jobs will increase. But this doesn't necessarily mean that they simply get busier or unhappier. When demand leads to new roles and these roles seamlessly become a part of our lives, it may be that we see a new model for regional societies that goes beyond conventional wisdom.

*1 Survey conducted between January 10–14, 2025. Sample size of 4,268, covering residents of Japan between the ages of 20–79. Responses were collected after assigning demographics by gender, age group, and employment status based on the "Population Census" and "Labor Force Survey" conducted by the Ministry of Internal Affairs and Communications.
*2 Paid work (primary job)/paid work (secondary job)/daily housework/daily childcare/caregiving or nursing for family or relatives/activities related to regional government or education (member of neighborhood association or management association, PTA, etc.)/social contribution or volunteering activities (NPO activities, volunteering, sports team coaching, etc.)/labor union activities/student activities (commuting, ongoing home-based study, etc.)/activities related to the management or maintenance of hobby or recreation groups/activities other than those above that require certain roles to be fulfilled
*3 Comparison of responses by those working less than 20 hours, between 40 and 45 hours, or 50 and 60 hours across a week period
*4 Those who responded "None apply" to a multiple-choice question asking who/what organization they can depend on when in trouble (ten options including family/relatives, neighbors, welfare commissioners, friends, government, and family doctors)
*5 Total responses for "I agree" and "I agree to some extent" from a total of four possible responses between "I agree" and "I don't agree." Respondents could also choose "I don't know," but these have not been included. Between 9.6% and 15.7% of respondents chose "I don't know"
*6 A quote from an interview with Junya Tsuzuku, mayor of Hida City in Gifu Prefecture
*7 The number of roles has been calculated using the same logic as Chart 27. Satisfaction with life was calculated using the percentage of those who said "I agree" and "I agree to some extent" (from a total of five possible responses between "I agree" and "I don't agree") to the statement, "I am currently satisfied with all aspects of life"

Solutions and Breakthroughs

Demographic change has led to a turning point for Japanese society.What are the potential solutions and breakthroughs to counter the various issues created by labor shortages? This section describes some keywords that have emerged from our research.

1 A sense of self-importance and the New 3Ks

In regions where those aged 65 or over make up more than 40% of the population (where the rate of aging is over 40%), the ratio of the working population (15–64) to the population of over 65s is almost equal. Essential to sustaining daily life in these regions is the creation of mechanisms whereby over 65s can play an active role. The key here is a sense of self-importance or self-efficacy. A regular sense that they were playing an indispensable role in others' lives was an important factor in the level of happiness and fulfilment that senior citizens felt in their own lives. As such, instead of simply categorizing people as actively in work or retired, which was possible when there was a sufficient working age population, it will now be important to create systems through which retirees can work or be useful in some way. At the same time, this will mean thinking about systems that allow those in work to take a break[*1]. When considering what it means to live happily after the Reiwa turning point, it is important not to generalize labor as something that is tough or that requires hard work. Rather, the essence of labor must be examined in more detail, and one focal point could be the above sense of self-importance.

Labor shortages are changing perception of people in work, and increasing the so-called New 3Ks of *kanshin*, *kyokan*, and *kansha*, or "interest," "empathy," and "appreciation." This stands in contrast to the traditional Japanese "3K" jobs, known for being kitsui (demanding), kitanai (dirty), and kiken (dangerous). The New 3Ks may also be essential in the postturning point society.

2 "Problem-solving collectives"

The decrease in number of people per household and the ensuing outflux of people from that region or village will inevitably cause residences to become more scattered. In turn this will increase the number of regions that do not have access to private-sector or government services. The community's capabilities will be key to addressing the resulting challenges, but it is not as simple as just getting along with your neighbors. Rather, there needs to be communal jobs or tasks such as snow clearing or grass cutting. It is through these jobs and tasks that mutual understanding develops. There must be an awareness that government and private-sector services cannot be accessed immediately, and instead regional challenges must become collaborative tasks. These collaborative tasks will in turn serve to revitalize the community. This "depopulated area mindset[*2]," in which new ideas provide solutions to some of life's problems, will be essential to ensuring the sustainability of regions after the Reiwa turning point. Problem-solving collectives that share everyday challenges and work together to find solutions can become the most basic units of community life.

3 Frontline advisors

The process of eliminating muri, muda, and mura (unreasonable, wasteful, and inconsistent tasks) in essential services and essential work holds some important pointers to improving corporate productivity, to creating more fulfilling roles and increasing wages, and to ensuring the sustainability of our daily lives. In this regard, capital investment is essential to minimizing worker challenges and concerns and reducing difficult tasks, but simply introducing advanced technologies that have been developed externally rarely leads to success. Essential to the efficient introduction of advanced technologies is the presence of a frontline advisor with high-level expertise in frontline operations who works alongside management. In manufacturing, a frontline advisor could be a former factory director with extensive knowledge of manufacturing line operations. In the restaurant industry it could be someone with rich experience as a manager involved in day-to-day operations. And in the medical and caregiving domain it could be someone with a strong awareness of the challenges in the industry. It is these people, or teams of these people, that must develop an understanding of the technologies or work alongside people who are well-versed in these technologies to consider the best ways to make them work. Combining advanced technologies with frontline expertise is the first step to addressing the gap between supply and demand in Japan's essential services. Moreover, there may be hidden opportunities in these initiatives to develop global services or spark innovation.

4 Frontline reforms led by cross-over personnel and systems

Many essential services and essential work roles require manual tasks, and to date they have been carried out in a sustainable manner using methods based on past experience. That said, with frontline workers in limited supply, continuing with these methods is becoming a challenge, and some of these workplaces are in dire need of a helping hand. Quietly underway, however, are frontline reforms being led by cross-over personnel and systems . In some medical settings, for example, we have seen successful examples of reduced worker burden and improved patient satisfaction by incorporating hospitality systems from airline companies and methods used on the frontlines of production in the automotive industry. Elsewhere, the long working hours of car mechanics have been reduced using expertise from sales. This shows that combining the frontline experience of essential workers with expertise from different fields can create sustainable, fulfilling, and stress-free working environments. To develop "advanced essential workers*3" with high-level frontline expertise, it is first necessary to promote the use of these cross-over personnel and systems. To successfully do so, it will be important to facilitate flexible and safe worker transfers and cross-industry personnel development.

5 Easing the burden on government

Public services could be called the last bastion for responding to local feedback and needs. In regions where the population is declining and private sector services are no longer available, these public services are becoming the only thing that locals can rely on. However, local governments themselves are struggling with chronic recruitment challenges, and we are seeing an increase in number of public services that are almost at breaking point with rising demand but falling personnel numbers (road and bridge repairs, water pipe maintenance, disaster response, welfare, policing and firefighting, and more). While previously there may have been the notion that public servants had it easy, we must now focus on how to ease the burden on public servants if we are to ensure sustainability in future regional development. The key is to focus on reducing the burden of the specialist workers who are central to running these public services by encouraging DX in operations and participation by local citizens, and promoting secondary jobs and mid-career hires. Moreover, eliminating wasteful tasks in the process can ensure more efficient use of taxpayers' money. This in turn can increase the quality of life for locals and increase the attractiveness of the area for new residents and public services. Regions in which public service workers are exhausted will never be sustainable.

6 Time freedom

Working people in society are both residents and consumers. As labor supply limitations cause chronic labor shortages across Japanese society, there will be an increasing need for people to take on the role of worker. At the same time, as it becomes more difficult to fully rely on external essential daily services, the time that people will have to spend on their own lives will also increase. When we reach a stage in which many people are simultaneously residents, consumers, and workers, what types of workstyles will enable these people to lead fulfilling lives? In the case of senior citizens, although working full time might not be feasible, there may be some who are interested in working just a few hours or days a week to use up their spare time and make their days worthwhile. Moreover, among those who have had to leave their jobs to care for a family member, there might be some who are willing to work fixed hours if the opportunity arose near the family home. We have reached the end of the era in which people either exclusively worked or looked after things at home, and people across society will now have to take on multiple roles. In this new era, work will exist as part of life.

The most important indicator in this era will be the amount of disposable time people have. A loss of free time due to work and home pressure will take away the time that people can spend on community building, hobbies, recreation, or cultural activities, and could ultimately impact society overall. As such, we must look at how to maintain or even increase the amount of time that people have at their disposal.

*1 The "career break" theory is one proposed by Nobutaka Ishiyama, Akiko Kataoka, and Takahiro Kitano
*2 A phrase developed by Professor Shin Aiba at Tokyo Metropolitan University
*3 A phrase developed by Professor Hisashi Yamada at Hosei University. Also known as "essential white-collar workers" (Shoto Furuya, Recruit Works Institute, *The Impact of a Shortage of 11 Million Workers* (President Inc., 2024) etc.

Proposals

Creating a Japan in which no one is left behind

What policies will be required in the post-turning point Japanese society? Here we propose a number of measures that are unique to a limited-labor supply society and that will enable us to create a society in which no one is left behind.

1 Policy KPIs

(1) From measuring unemployment rate to measuring wage increases: The unemployment rate in Japan during the pandemic showed little increase compared to during the collapse of the Lehman Brothers. With Japan's future labor supply-and-demand structure, too, it is unlikely that changes in business confidence will have a major impact on the unemployment rate. It will therefore be difficult to use the unemployment rate as criteria for a policy's success, and we will therefore need a different indicator to gauge social conditions. If inflation continues, real wage levels will be a key indicator of social conditions, and so it will first be important to increase the number of workers benefiting from nominal wage growth. To ensure that no one is left behind, the percentage of all workers whose income rises over the previous year (the "wage increase achievement rate") will be an essential indicator of social challenges.

(2) From measuring GDP to measuring GDP per hour worked: As the ratio of the senior population increases, the number of senior citizens within the working population will also increase. As these senior workers will work fewer hours, the number of working hours per person will fall. As a result, labor input (the number of hours worked by all workers) will not increase and it will be difficult to push up potential growth rates. Demographically, Japan will be at a significant disadvantage in terms of the level of GDP. The same goes for GDP per capita, with a higher ratio of seniors in the population pushing GDP per capita down. What cannot decrease, however, is GDP per hour worked (labor productivity in the narrowest sense). As the number of consumers who are also workers increases, earning more in the same amount of time will not only enrich people's daily lives but the resulting free time will also help to revitalize local communities and facilitate interaction between people.

2 Policies for disposable time

When consumers take up work, people's overall free time (disposable time) will decrease. How to maintain people's disposable time will be a key challenge for the future of Japanese society, in which it will be difficult to sustain regional communities with private- and public-sector services alone. Personnel policies that focus on people's disposable time could contribute to more fulfilling everyday lives. For example, companies that introduce remote working systems to reduce commuting times, which can take around 90 minutes a day, could increase employees' effective wages and their disposable time. Moreover, four-day work weeks and full-time employment but with reduced hours could also be used more proactively. Government must look at increasing these types of companies and commit to securing and even increasing people's disposable time.

3 Take-home pay reforms

No matter how much companies increase wages, actual take-home pay (especially for employed people) is impacted by taxes, social security, and other costs. As the number of workers becomes a major bottleneck for economic and social activity, government must re-examine tax and social security systems with a view to increasing incentives for people to work. To create systems from which workers benefit rather than make a loss, government must look to address problems with the income threshold, which could be causing a reluctance to work harder, as well as issues with senior citizens' contribution rates to old-age pension for active employees and health insurance systems. It is essential to look at whether there are any systems that see working people lose money compared to people who are not. Moreover, outside of wages, taxes, and social security, approximately half of the younger generation are repaying student loans, and this is having a major impact on their take-home pay. In this sense, there needs to be a set of cross-cutting measures that take a comprehensive view of both income and expenditure.

4 Support for single-person households

There is no doubt that the increase in ratio of the senior population will lead to a rapid rise in single-person households. While previously so-called standard households may have been the norm, with single-person households coming close to accounting for almost half of all households, it is essential to design essential daily support measures for people living alone. As shown in this report, government's response to the needs of single-person households (lack of people to speak to when in trouble, shortage of medical and caregiving services, shopping challenges, etc.) cannot be regarded as sufficient. In fact, the lack of people to speak to in itself makes it difficult to communicate any support that may be on offer. Instead of making people wait, it will be important to provide more meaningful assistance by combining the delivery of more proactive support with the development of places where people can gather.

5 Redevelopment of policies for senior workers

In her book *Life Shift*, Lynda Gratton suggests that the three-stage life (education, work, and retirement) is over. Previously, after the first two stages of education and work people would go on and enter their retirement period. Now, however, we have realized that life can be more fulfilling if the retirement period is not completely separated from work. By combining the retirement and work periods, people can find greater happiness through increased interaction with others and the opportunity to feel valued. When re-examining the concept of work as an activity, instead of assisted housing for seniors, it may be useful to think, for example, about housing for seniors with work opportunities*1.

6 Thorough support for labor-saving investments

In Japan in the future, in which it will be difficult to increase labor input, it will be important to eliminate *muri*, *muda*, and *mura* (unreasonable, wasteful, and inconsistent tasks) among frontline workers and carry out capital investments to improve productivity—in other words, invest in labor-saving measures. Using return on labor input (ROLI) as an indicator, it will be key to assess the extent to which companies have increased revenue with fewer working hours (by industry and scale) and provide further support to companies who improve ROLI. This in turn will create a platform for companies to develop better working environments for their employees. In particular, the accumulation of expertise in labor-saving investments for essential services could lead to the development of products and services that address needs in other advanced nations with aging populations. There is the potential for post-turning point Japan to spark global innovation in the field.

7 Development of a regional personnel market, including for public roles

The *kyojo* concept in Japanese is akin to "mutual aid," but it goes without saying that simply relying on others' good faith is not sustainable. The key is to create systems and platforms. For example, there are platforms under development that aim to ease the burden on government workers through help from various sources. In Hida City in Gifu Prefecture, the Hidasuke! platform has almost as many registered personnel as the total population, and these personnel are helping with various regional activities. Rather than wasting energy trying to separate government roles and non-government roles, moving forward it will be more important to look at how to generate interest in regional roles and increase the number of participants.

8 Personnel development based on regional labor demand forecasts

Demographic change is the most reliable indicator of the future. We cannot avoid the fact that an increase in demand from seniors mainly for essential services will tighten labor supply and demand. In industries and professions that are already suffering from chronic labor shortages, the situation will only get worse. However, we have learned that the level of progression depends on regional conditions such as the rate of aging and number of people per household. Moving forward, there will be significant regional differences with the number of personnel required for different fields. As such, these regions must create their own labor demand forecasts and strategically provide the necessary curricula to students and working people through local educational institutions. This will enable individuals in the region to learn the required expertise ahead of time to benefit their careers down the line. To achieve reforms on the frontlines of essential work, there is a particularly urgent need to develop advanced essential workers with expert knowledge on advanced technologies and frontline operations. These advanced essential workers will need to be developed ahead of time in line with the number of workers in the region.

9 Building a Caring Labor Market

In response to labor shortages, the number of company managers who are increasing wages is growing, but this doesn't necessarily mean that everyone's wages are rising automatically. Elsewhere, the ratio of labor unions engaging in wage negotiations with company managers continues to be low, and the members of these unions are mainly regular employees from major companies. In recent years we have also seen a rapid rise in the number of people seeking job transfers. In this sense, labor market flexibility is no longer just a concept but an actual situation in terms of worker behavior. But workers are not sufficiently prepared for this change. In post-turning point Japan, a key concept to ensure that society's benefits reach all workers is an "caring labor market."

Our concept for this so-called caring labor market includes four specific measures to ensure that no one is left behind. In other words, to ensure that workers are not left in isolation for the sake of independence or autonomy.

(1) Consulting functions for individual wage increases: Creating platforms for managers and employees to talk directly about compensation is difficult. Although this is the very reason labor unions exist, it is unrealistic to expect labor unions alone to ensure that workers in regional SMEs and other forms of employment are compensated properly. The Japanese government recently set up a helpline for subcontractors to deal with any issues between contracting companies and subcontractors. One idea is to give Hello Work (a government-run employment service) a new function as a helpline for wage increases. Elsewhere, although on the one hand Japan has seen a rise in resignation proxy services, there has been a clear lack of support to help individuals negotiate the conditions of their resignation. We therefore propose the establishment of consulting functions like these which individuals can use to negotiate their compensation.

(2) Sophistication of career consultants: Japan has more than 70,000 career consultants with national qualifications*2. However, 50% of those working as full-time career consultants only receive an annual salary of between 2 million yen and 4 million yen, and only 20.3% of career consultants say they can make a living through career consultancy alone*3. One reason why career consultant qualifications generate low returns is that there are not many career consultants who are able to make concrete career proposals. As such, for workers who cannot make the career change they want due to gaps in their capabilities and experience, it will be important to develop and increase the number of consultants who can make specific proposals for different professions (such as reskilling or opportunities to accumulate practical experience through secondary jobs). We therefore propose the development of specific career consultants who have the expertise to make concrete proposals for specific professions.

(3) Integrated support for employment, placement, and professional skills development: Both Hello Work and private-sector employment services have different points of contact for employment support and professional skills development support. When looking at ways to enhance a worker's professional life, career changes are but one way to do so—another option is professional skills development. Moreover, when people look to change careers, there are often issues with qualitative mismatches, such as a lack of expertise or experience. In this sense, there are many cases in which professional skills development could be an important step prior to a career change. We therefore suggest giving Hello Work and other organizations the necessary functions to provide integrated employment and professional skills development support.

(4) Outreach-based professional skills development: One idea to ensure ongoing wage increases could be to develop outreach-based professional skills development programs and deliver them directly to individuals (through a subscription-based learning service). This could work when looking for work, changing careers, and during unemployment, as well as during time off work or specific timings in line with different ages. The idea would involve introducing different professional skills development programs and providing opportunities for reskilling using education and training subsidies.

However, for Hello Work employees, who could play a core role in the "caring labor market," there is insufficient employment stability to enable them to acquire the necessary expertise and experience (knowledge of the frontlines of regional companies or specific support programs) to provide the right support. It is therefore essential to engage in discussions on fundamental system reforms.

*1 Shoichi Mochida, Development Engineering, Vol. 39 (1), P29–33, "Housing with Work (EHW) — The design of the area sheep utilization resources by which the continuation is possible. —" (2019)
*2 As of November 2024
*3 Japan Institute for Labour Policy and Training, JILPT Research Report No. 200, "Survey on Activities, Etc. of Nationally Licensed Career Consultants" (2019)

Conclusion

— Japan now stands at a crossroads in the valley

大缺工

餐廳沒有店員、宅配沒有司機

工地沒有工人、長照沒有看護

我們如何因應迫在眉睫的缺工問題？

The above is the title and foreword from the traditional Chinese translation of a book we published in 2024: *The Impact of a Shortage of 11 Million Workers* (Shoto Furuya, Recruit Works Institute, President Inc.).
It translates into English as, "Large-scale Labor Shortages: There are no restaurant staff, delivery drivers, construction workers, or nurses. How can we address this imminent problem?"

Discussions are underway on the book's translation into other languages, and we have been amazed at the level of interest from overseas in the strange labor shortages occurring in Japan in line with our declining population.

Netherlands: "How to prepare for labor shortages: The growth of the working population is expected to drop significantly in the next few years. While previously roles were hard to find, in the future it will become increasingly difficult to fill roles*1"

Spain: "The shortage of workers in technology, medicine, and services is down to low wages and lack of qualifications. Funcas says that labor shortages will prove a major problem for labor markets in advanced nations*2"

As can be seen from the above news titles, labor shortages in essential services are becoming increasingly apparent in advanced nations, too. In this report, we have shown that these shortages are driven by aging and the ensuing structural changes in the labor market. With the number of people per household also decreasing, we have also looked at the high probability that these labor shortages will continue over the long term.

The difficulties we have seen in sustaining essential services and public services show that the current labor shortages in Japan will impact our way of life and make even thinking about work a challenge. Labor shortages are therefore an issue that affects all of us. No matter what jobs we work in, we will always need to rely on others.

During Japan's so-called lost three decades, which were characterized by a prolonged period of economic stagnation, society faced various challenges including low birth-rates and an aging population. Japan was on a downward slope, but we may have just reached a crossroads. While in one direction there is no doubt that the downhill journey will continue, in this report we have shown that in the other direction there is the potential for a brighter future. After a 30-year descent, Japan has hit the bottom of the hill with the first phase of the population decline (an overall population decline but an increase in ratio of the senior population), which in turn has created labor supply constraints. This limited-labor supply crisis has created a crossroads for major change. After decades of economic stagnation and demographic decline, the nation finds itself not at a dead end, but at a moment of choice — a quiet but profound turning point.

*1 The Dutch Bank; 08/02/2024: "Hoe we ons op personeelstekorten kunnen voorbereiden: De groei van de beroepsbevolking neemt de komende jaren stevig af. Voorheen waren banen schaars; in de toekomst wordt het juist steeds lastiger om personeel te vinden."

*2 RTVE (Spanish Broadcasting Corporation); 25/09/2024: "Funcas advierte: la falta mano de obra en tecnología, salud y servicios se debe a bajos sueldos y falta de cualificación."

Works Report 2025

Beyond the Lewis Turning Point:

How Japan's Aging Population Is Reshaping Work

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