Challenge of Ageing: Japan and the Netherlands
Structure:

• Challenge of Ageing
• Policy responses
• Conclusion
Challenge of Ageing

Demographic changes result in:
- Increasing dependency rates
- Lower GDP growth
- Fiscal sustainability issues
Demographic change:
Population

[Graph showing population change for Japan and Netherlands from 1950 to 2050]
Demographic changes: elderly dependency rates

Sources: OECD 2005, CPB 2001
Ageing and economic growth

NL: 2.7 (1970-2000), 1.7 (2000-2050)

Source: OECD 2001, OECD 2005
Ageing and economic growth (2000-2050)

Source: OECD 2001
Ageing and welfare growth

GDP per capita 2000-2050

Source: OECD 2001
Replacement rates

Source: Social Insurance Agency
Budgetary consequences

Age related spending (% GDP)

Source: OECD 2001
# Summary Challenge 2000-2050

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>Netherlands</th>
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</thead>
<tbody>
<tr>
<td>Population</td>
<td>-21%</td>
<td>+9%</td>
</tr>
<tr>
<td>Labor force</td>
<td>-33%</td>
<td>-6%</td>
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<tr>
<td>Elderly dependency</td>
<td>28 =&gt; 72</td>
<td>22 =&gt; 43</td>
</tr>
<tr>
<td>Age related spending</td>
<td>+3%</td>
<td>+4% (net)</td>
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Policy options

• Increasing fertility
• Foster immigration
• Higher participation
• Foster productivity
• Budgetary measures
Fertility and immigration

Fertility:
• Yes, it mitigates, but youngsters are expensive
• Difficult to influence

Immigration:
• Huge migration flows needed to improve dependency rates (in NL: yearly 2% to stabilize age-structure)
Labour Market (1)

Japan:
- High participation rates
- High effective retirement age (70 for men, 66 for women)

Netherlands:
- Medium participation rates
- Low effective retirement age (62 for men)
Labour Market (2)

Participation rates by age and gender

- **25-49**: Male (Netherlands), Female (Japan)
- **50-64**: Male (Netherlands), Female (Japan)
- **65-74**: Male (Netherlands), Female (Japan)
Welfare gap NL with US
GDP/capita 2003

Source: Staat van EU 2005
Productivity as main source of future GDP-growth in Japan

Policy options:
• Regulatory Reform
• Strengthening competition, especially in network industries
• Openness to trade and investment
## Budgetary situation (2004)

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<thead>
<tr>
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<th>Japan</th>
<th>Netherlands</th>
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<tbody>
<tr>
<td>Deficit (% GDP)</td>
<td>6.5%</td>
<td>2.5%</td>
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<td>Debt (% GDP)</td>
<td>164%</td>
<td>56%</td>
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Source: OECD 2005, CPB 2005
## Conclusions

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<thead>
<tr>
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<th>Japan</th>
<th>NL</th>
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<tr>
<td>Demographics</td>
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<tr>
<td>Labour market</td>
<td>++</td>
<td>0</td>
</tr>
<tr>
<td>Working Hours</td>
<td>+</td>
<td>--</td>
</tr>
<tr>
<td>Productivity</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Budgetary</td>
<td>-</td>
<td>+</td>
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