Accelerating Societal Demographics: Lessons from Japan on Business Longevity

31st July 2025, 16:00 IST (19:30 JST) Thursday

About the Organizer

Mizuho India Japan Study Centre (MIJSC) is a Centre of Excellence at the Indian Institute of Management Bangalore, established in 2017, dedicated to promoting deeper economic, cultural, and strategic ties between India and Japan. Chaired by a career diplomat Amb. Jaideep Sarkar and led operationally by an Industry Veteran Mr. Saideep Rathnam, MIJSC's mission is to foster mutual understanding and build expertise in areas such as manufacturing, corporate governance, start-ups, innovation, and cultural exchange. Through collaborative research projects, executive education programs, student and faculty exchanges, and regular webinars and seminars, the Centre serves as a dynamic hub for knowledge-sharing and capacity building in India–Japan relations.

About the Initiative

The Webinars and Seminars Initiative is a dynamic platform that brings together global experts, practitioners and policy-makers to share insights on pressing challenges and opportunities. Its core themes include Science, Technology & Sustainability; People, Art & Culture; Innovation, Entrepreneurship & Society; and Leadership, Management & Business Culture. A special focus of this series is to deepen India–Japan ties, fostering bilateral dialogue through joint sessions, case-study exchanges and collaborative research. By leveraging each country's strengths—India's vibrant startup ecosystem and Japan's cutting-edge technologies—the initiative aims to catalyze new partnerships, policy alignment and capacity building across both nations.

About the Speaker

Professor Hiroshi Ono is a globally recognized scholar at the intersection of human capital, workplace productivity, and demographic transformation.

Prof. Ono holds a Ph.D. from the University of Chicago and currently serves as Professor of Human Resource Management at Hitotsubashi University Business School, one of Japan's premier institutions for business education. He is also an Affiliated Professor of Sociology at Texas A&M University, reflecting his deep interdisciplinary reach across sociology, economics, and organizational behavior..

Prof. Ono is not only a prolific academic, with publications in leading journals such as the American Sociological Review, Oxford Economic Papers, and Social Forces, but also a respected voice in public discourse. He is a frequent contributor to global and Japanese media, providing commentary on labor markets, social policy, and demographic change.

Among his key publications are Human Capital and the Economic Analysis of Human Behavior (Nikkei Press, 2024) and Redistributing Happiness: How Social Policies Shape Life Satisfaction (Praeger, 2016, co-authored with K.S. Lee).

Context:

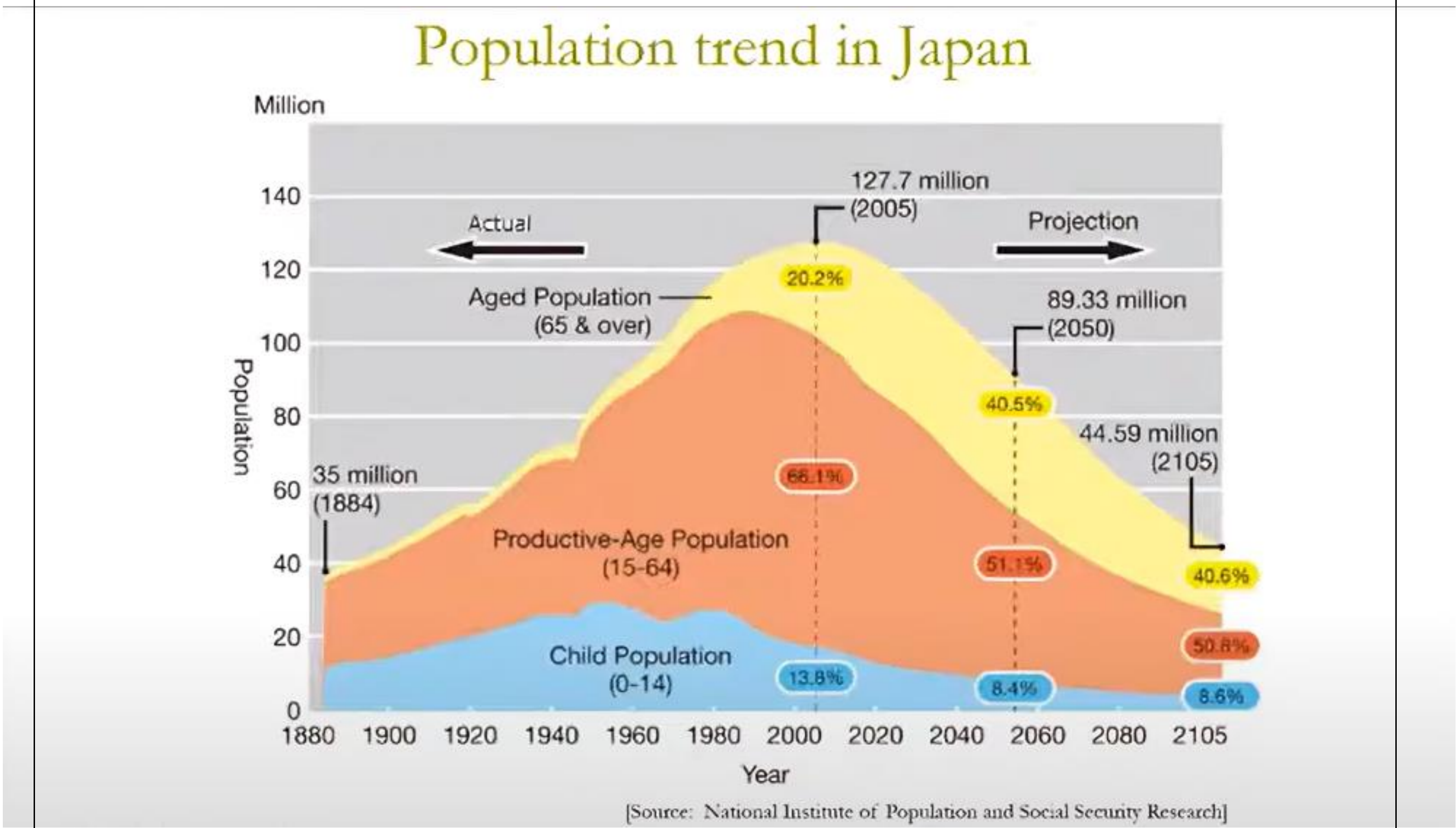
Across the world, countries are confronting an unprecedented demographic shift. Populations are aging rapidly while workforce numbers decline. By 2030, one in six people globally will be aged 60 or older; the number, which stood at 1 billion in 2020, is projected to reach 1.4 billion by 2030 and 2.1 billion by 2050. The share of people aged 65 and above is expected to rise from 10% today to 16% by 2050, with countries like Japan projected to have 30–40% of their population in this age group. In the EU, the labor force could shrink by up to 20 percentage points by 2070.

This seismic demographic change is reshaping both macroeconomic and microeconomic landscapes. Japan stands at the forefront. Nearly 30% of its population is over 65, and it faces a potential shortfall of 11 million workers by 2040. Policymakers have responded with a mix of strategies. How can countries respond? Let's turn to Japan, often referred to as a "super-aging" society, navigating major economic and societal adjustments. With nearly 30% of its population over age 65, Japan has implemented a range of strategies. In this webinar, we will examine what Japan is experiencing, analyze the effectiveness of its strategies, and identify gaps. By learning from Japan's experience, we can shape our policies and business responses with foresight and resilience. Let us listen and learn from our distinguished speaker, Professor Hiroshi Ono, as he shares insights from Japan's front-line experience in navigating demographic transformation.

Prof. Hiroshi Ono's Presentation

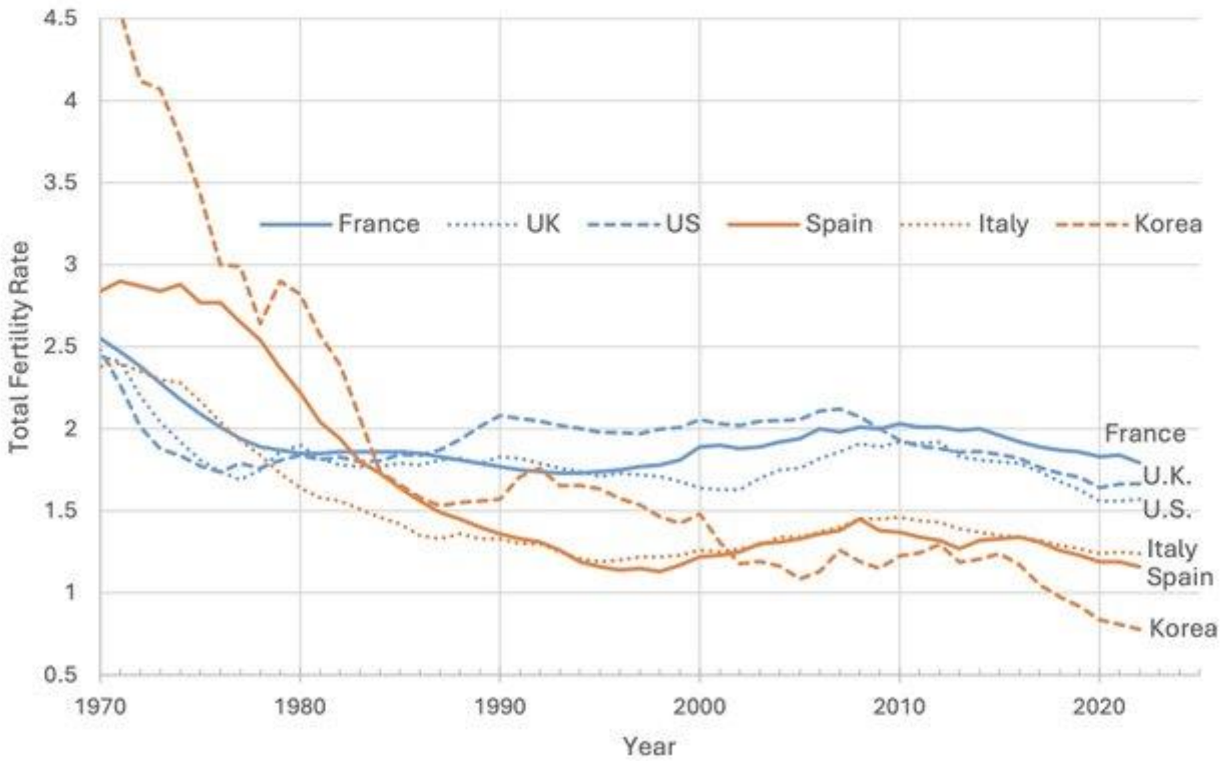
This is what our population looks like over the last century. The population peaked around 2005 and has been declining since. The orange part is the productive-age population, the working-age population, which is disproportionately shrinking. The labor force in Japan is getting smaller. The aging society puts a lot of pressure on the working-age population, while the 65+ population is getting bigger.

Why is this important? If you look at the equation of output equals productivity times input—output like GDP, input as population times participation times working hours—today I'll focus on the input part. Productivity is a huge issue, but we won't get into it. The input is shrinking, which puts pressure on improving productivity. Could we increase input by raising fertility, increasing participation of women and older workers, opening immigration, or increasing working hours? Each has big complications. Fertility is declining across OECD countries. Working hours are already long, and the government is pressuring companies and workers to reduce hours. The declining population is the biggest macroeconomic problem today, not just in Japan but in other advanced economies as well. Today we focus on the aging population.



We had a very robust population pyramid in 1930 with a solid young base. By 1970, the proportion over 60 started to expand. In 2025 and by 2050, Japan will be very top-heavy. Looking at other countries: India has a median age of 28, a pretty young population, compared to Japan's 49. In parts of Africa, the median age is 18–19, meaning half the population are teenagers.

Figure 1: Total fertility rates for selected OECD nations, 1970 to 2022



Source: 1961 to 2022: World Bank Group: World Development Indicators. Last Updated: 06/28/2024; accessed 09/08/24.

Japan became a super-aging society at the fastest rate in the world, a combination of low fertility and increased life expectancy. Japan has the longest life expectancy in the world, approximately 85 years. That's good, but with declining fertility, we have an aging structure. Across OECD countries, fertility is below the replacement level of 2.0.

A key problem is the old-age support ratio: how many working-age people support one older person. The OECD average is about 4.0; in Japan, it is around 2.4 already. Projections for 2050 show the OECD average at 2.0, and Japan close to 1.3, putting significant stress on social insurance and the pension system. Many would say this is not sustainable.

Aging society is expensive. Annual medical expenditures: roughly half of medical costs are used by the 70+ population. Distribution is debated: should older people pay more for medical costs? It is income-based, but it is very political.

From a management perspective, consider convenience stores like 7-Eleven. Customer age profiles from 1989 to 2023 show young customers shrinking and older customers in their 40s–50s growing. Over 20–30 years, businesses had to adapt: inventory shifts (less alcohol, more groceries), fewer 24-hour stores because older people sleep earlier, more older and foreign workers at the counter. Another striking example: adult diapers now outnumber baby diapers in Japan.

On social insurance systems (Esping-Andersen): market-based (US), state-sponsored (Scandinavia), and conservative/family-based (family provides care). Japan used to be family-centered: mothers stopped working to care for children; children cared for aging parents. Now, intergenerational dependence is weakening. Japan is shifting towards a Scandinavian model with greater state intervention and services. The percentage of 65+ living with children fell from over 50% in the 1980s to about 10% recently.

To wrap the population change: increasing population, participation, and working hours each poses challenges and will take time. Countries around the world want to learn from Japan's experience. The last part of my talk is on aging and small businesses/CEO succession.

Japanese companies are known for large conglomerates like Toyota, Sony, Hitachi, Nissan, but 90% of Japanese companies are small and medium enterprises. Family/CEO succession is a pressing issue in an aging society. The CEO age distribution in SMEs has shifted; the peak is now over 60, even 65–70. CEOs are very old. With an aging and shrinking young population, there's a lack of successors, a pressing concern.

Looking at profit/loss composition one year prior to closures/dissolutions: in 2021, 56.5%—more than half—were operating with profit prior to closure. It's not that they were losing money; they closed because they could not find a successor.

Entry into new business fields by CEO age: companies with older CEOs are less likely to enter new businesses. At age 80+, fewer than 10% actively enter new fields; 72% are not even looking to enter new fields. Mindsets become more conservative and less risk-taking.

There is some hope. The percentage of businesses without a successor has improved: from around 65% to 53.9% in 2023. Reasons include shifting toward non-family succession, and more mergers and acquisitions supported by enhanced tax measures. M&A activity has become more frequent to avoid closures despite profitability.

I'll stop there and be happy to discuss with Saideep.

Discussion

1. Japan as a Super-Aging Economy: Impact on the Market

Saideep: Thank you very much, Professor Ono, for a bird's-eye view of aging and business implications. Each graph paints a thousand words. I'd like to probe more on super-aging. How much have shifts in spending and industry growth been driven by demographic aging versus broader economic trends? Could over-reliance on aging-related industries make Japan less adaptable to future demographic shifts?

Hiroshi Ono: There's a huge macroeconomic component. A study by American economists examined the effect of conventional economic stimulus in an aging society. Textbook monetary and fiscal policy assumes a robust working population. In an aging society, for example, lowering interest rates to stimulate consumption can adversely affect retirees who depend on interest income. With long periods of near-zero rates here, it dampens consumption among the elderly. From the 1990s to the 2020s, Japan's stagnation and precarious consumption reflect that. Fiscal stimulus like infrastructure investment doesn't affect retirees much either. These are macroeconomic challenges.

2. Labor Force Shrinkage and Workforce Aging

Saideep: With fewer young people entering the workforce and more retirees, Japan faces labor shortages and potential productivity and competitiveness impacts. Which sectors see the greatest productivity losses due to fewer young workers, and how are businesses adapting? Are delayed retirement and automation closing the labor gap or masking structural weaknesses? Will evolving norms like work-hour limits, mental health checks, and even half-day leave after hangovers be enough, or are deeper systemic changes needed?

Hiroshi Ono: The GDP equation pressures productivity when input shrinks. Japan's productivity has been low; Japan is low on productivity and high on input. There is inefficiency in how work is organized. By industry, manufacturing—especially automakers—does relatively well (think Toyota Production System, just-in-time, continuous improvement). But food services, services, and retail have extremely low productivity comparatively. The service sector is a key area needing improvement.

One way to view the Toyota system is eliminating waste. Many activities in how people work here are full of waste and inefficiencies. To achieve higher productivity, we need to identify and remove that waste.

On delayed retirement and automation: Japan's mandatory retirement age is 60, while life expectancy is 85. That's 25 years on pensions, making people nervous. Retirement moved from 55 to 60; 60 is outdated now, and there's pressure to elevate it to 65 to delay pensions and raise older worker participation given labor shortages. On automation: despite a reputation for robots, Japan has been behind on digital transformation; there is room for improvement, and it can help efficiency and the labor supply problem.

On cultural norms: there has been a shift from quantity to quality of work. The previous approach was to increase hours to get results. Now younger generations prioritize work–family balance and flexibility—work from home, flexible hours. The focus is moving to quality of work.

3. Immigration, Not Integration: Native Backlash on Immigrants

Saideep: Japan's homogenous society struggles with integrating immigrants despite labor needs. How are locals responding—welcoming or resistant? Is the lack of social and legal integration undermining labor market stability and competitiveness?

Hiroshi Ono: Japan is very homogeneous. Foreign residents were about 1%, now about 3%—a tripling, but still 97% homogeneous. Tokyo feels different, but remote areas are absolutely homogeneous. Opening up immigration is a natural debate to increase labor supply. Social surveys suggest people are generally accepting of foreign workers and immigrants, with a generational divide: younger people are more open (as with LGBTQ and diversity), older people more conservative. A recent "Japan First" party was openly anti-immigrant, attracting attention, but with only 3% immigrants, it raises the question. Generally, the country is open to immigration.

Saideep: How is legal integration (citizenship, permanent residence) evolving? If there's no support, will it undermine labor market stability and competitiveness, especially if Japan is slow in automation?

Hiroshi Ono: Generally, legal guidelines for immigrants and non-Japanese residents have become more relaxed to encourage more to come. Ten to twenty years ago it was very strict for permanent residence and citizenship; now the government is trying to relax rules. However, Japan tends to react slowly; by the time we act, immigrants may go elsewhere. The wage gap with other Asian countries has closed significantly, making Japan less attractive. We may be open, but whether they will come is another question.

Saideep: With favorable exchange rates, tourists are very attracted to Japan now; it no longer feels exclusive or very expensive.

Hiroshi Ono: International surveys put Japan as a top tourist destination. The favorable exchange rate is a big factor.

Saideep: That's good, but immigrants sending money home may not like the weak currency. Ups and downs will continue. Note that our center works to bring technical and management talent into Japan; we offer Japanese language courses with emphasis on speaking skills. We are happy to see the government working on legal aspects.

Hiroshi Ono: That's right. At least for now, the United States is in a difficult situation for non-US citizens, so we might see an uptick in high-skilled workers in Japan because of the US situation.

4. Dependency Ratio & Social Cost

Saideep: An increasing number of elderly dependents strain pensions and healthcare. Are Japan's reforms sufficient, or is a fiscal crisis inevitable? How are innovative financing or partnerships implemented, and is there evidence of success? Can lessons from Germany or Italy—empowering female employment, pension reform, blue card systems—offer solutions, or are they too different to be relevant?

Hiroshi Ono: I'm not a macroeconomist, but Japan already has a huge debt-to-GDP ratio and an expensive social welfare system due to aging. In the long run, a larger younger working population would improve the old-age support ratio, but that requires increasing fertility. Japan has invested heavily in this area for a long time, including creating a ministry for low fertility in the 1990s, but fertility has not recovered.

In terms of infrastructure, Japan now has a social welfare system comparable to Sweden's: subsidized parental leave pay, childcare facilities, and family support. Resources have been poured into infrastructure, but behavior hasn't changed. One encouraging sign: women's parental leave is around 86%, and men's parental leave is reportedly up to 40%, a big increase from just a few percent several years ago. Younger people's perceptions appear to be changing.

Saideep: Some Indian states, especially in the south, face similar issues of shrinking population and are debating whether encouraging families to have more children is right in the broader demographic context.

Hiroshi Ono: Fighting population decline is a natural policy response, but delivery matters. In Japan, some conservative politicians used phrases like "women are reproductive machines," which is the wrong message. What's missing is happiness and quality of life. In Sweden, where I spent eight years, policy aims to improve quality of life and well-being, not fertility as an explicit goal. If people are happier, they will naturally want to have children and start families. Without happiness and quality of life, people won't want babies. Pressuring women is not the right approach; improving quality of life is a better investment. Many politicians don't want to hear this, but it's a long-term investment.

Saideep: On European comparisons like Germany and Italy: empowering female employment, pension reform, and the EU Blue Card system—are these solutions applicable in Japan, or are they too context-specific?

Hiroshi Ono: Japan ranks consistently low on the World Economic Forum's gender equality index, especially in business and politics leadership. It's not only discrimination; women often don't want leadership roles because top management working conditions are not desirable for men or women. This is not purely a gender issue; work must be made more attractive so people naturally want to progress.

Saideep: The EU Blue Card is a residence and work permit for highly skilled non-EU nationals. Could something similar work for Japan?

Hiroshi Ono: Japan did try to attract high-skilled workers, but for a long time we were somewhat arrogant, assuming people would want to come. That didn't pan out. Now we must make extra efforts to attract talented, high-skill professionals because we need them.

5. Corporate Longevity (Shinise) and Digital change

Saideep: Japan's oldest companies, Shinise, have unique practices sustaining them across generations. Are they surviving due to tradition and government support, or genuine adaptability and innovation? What pressures threaten their long-term resilience amid societal change? Is digital transformation creating new forms of longevity or exposing traditional practices as unsustainable?

Hiroshi Ono: With so many older people, businesses must alter product portfolios to meet their needs. Examples: simplified cell phones for older people; tablets and gadgets adapted to seniors. I take MBAs to Cyberdyne, which makes robot-assisted gear to help lift heavy objects—useful in eldercare facilities where staff lift people from beds to baths or wheelchairs. The aging society has expanded industries around caring for the elderly. Over 30 years, businesses like 7-Eleven show significant adaptation to demographics.

Japan has the highest number of 100-year-plus companies. Will demographic changes and digital disruption test their adaptability and survival for the next 100 years? By the natural law of evolution, the one that survives adapts to change. There is a reason 100-year-old companies exist in Japan: they have adapted to ongoing changes. If they've survived 100 years, chances are they can continue. They will also need to solve succession—earlier we discussed that over 65% had no successors, now down to about 53–54%. M&A and non-family successors are survival tactics; many SMEs are looking at MBAs as successors due to their skills.

6. Japan's Social Insurance Transformation: From Family to State

Saideep: On social insurance transformation from family to state: did the shift to a state-centered model anticipate change, or was it a reaction to the erosion of the traditional family unit? Was it structured intervention or a reaction to reality?

Hiroshi Ono: A bit of both. From 2000 to 2008 in Sweden, I received many delegations from Japan—politicians, policymakers, academics, businesspeople—studying the Swedish welfare model. Japan debated whether to go market-based like the US or state-sponsored like Scandinavia. The decision was to go with the Scandinavian model; the market model creates too much inequality, and Japan dislikes inequality. It was a conscious decision, and reactionary as well. Women started to work, but there weren't enough childcare facilities; at the same time, women's labor force participation needed to rise. The government had to create more public facilities. Similarly, with elderly care, multigenerational living fell to about 10% of households, so older people needed places to go, and the government had to build infrastructure. The transformation came quickly; there's now a long queue of older people waiting for facilities because we cannot build enough.

Saideep: How do Japanese companies look at foreign direct investment? Positive, neutral, or negative?

Hiroshi Ono: Starting in the early 2000s with the Koizumi administration, Japan really tried to launch inward FDI. The administration created momentum. The short answer: we do welcome FDI, and we are trying to encourage investment.

Saideep: Thank you very much, Professor, for a very enlightening and insightful session. Your presentation style is powerful and speaks volumes through the slides. We would be very happy to host you again for interactions like these and further research with our faculty.