

Study of Future Population Dynamics and Simulation of Public Pension Scheme with Practical Scenarios for Incorporating Foreign-Born Care Workers

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In Japan, the quantitative evaluation of the impact of the incorporation of a foreign-born population as a solution to population aging has not been sufficiently analyzed, since the immigration policy in Japan has been comparatively conservative. This study aims to evaluate the impact of the incorporation of foreign-born care workers on future population dynamics and the financial status of the public pension scheme assuming practical scenarios for incorporating foreign workers engaging in long-term care. We refer to various comparative experiences for other countries.

From the results in this study: in Case A, where immigrant long-term care workers are insured by the Employees' Pension Insurance (EPI), the replacement ratio for the EPI reaches 52.6%, which is a 10.5% point increase compared to 42.0% in the base case. In Case B, where one-half of immigrant workers are insured by the EPI and the other half by the National Pension (NP), the ratio is 49.9%, only a 7.9% rise over the base case. The share of the increase consists of 2.6% points by the earnings-related benefit and 8.0% by the basic pension benefit in Case A. In Case B, the share increase is 2.3% points by the earnings-related benefit and 5.6% points by the basic pension benefit. These results show that the magnitude of the basic pension in the increase of the benefit is striking, especially in Case A.

This kind of issue is often discussed shortsightedly in the context that foreign workers are needed only to make up for the immediate shortage of the labor force. However, the financial status of the public pension scheme is noticeably affected by the population dynamics in the long run. Furthermore, we observed that insuring the foreign workers by the EPI mitigates the enduring decline of the basic pension level, which is effective in solving the problem so-called the "diminishing basic pension level." It would be desirable for discussing the related policy to make long-term and comprehensive evaluations based on the demographic viewpoint, applying the simulations presented in this study.