Aging Society: Challenges and Implications for the Future

July 7, 2026

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Part I

Aging Society & Demographic Trends

Definition of the Aging Society

An **Aging Society** means that the people aged **65 and older** exceeds **7%** of the total population. (“***Aging Rate***”)

(Definition by the UN and the WHO)

Super-Aged Society : Over 21%

Aged Society : Over 14%

Aging Society : Over 7%

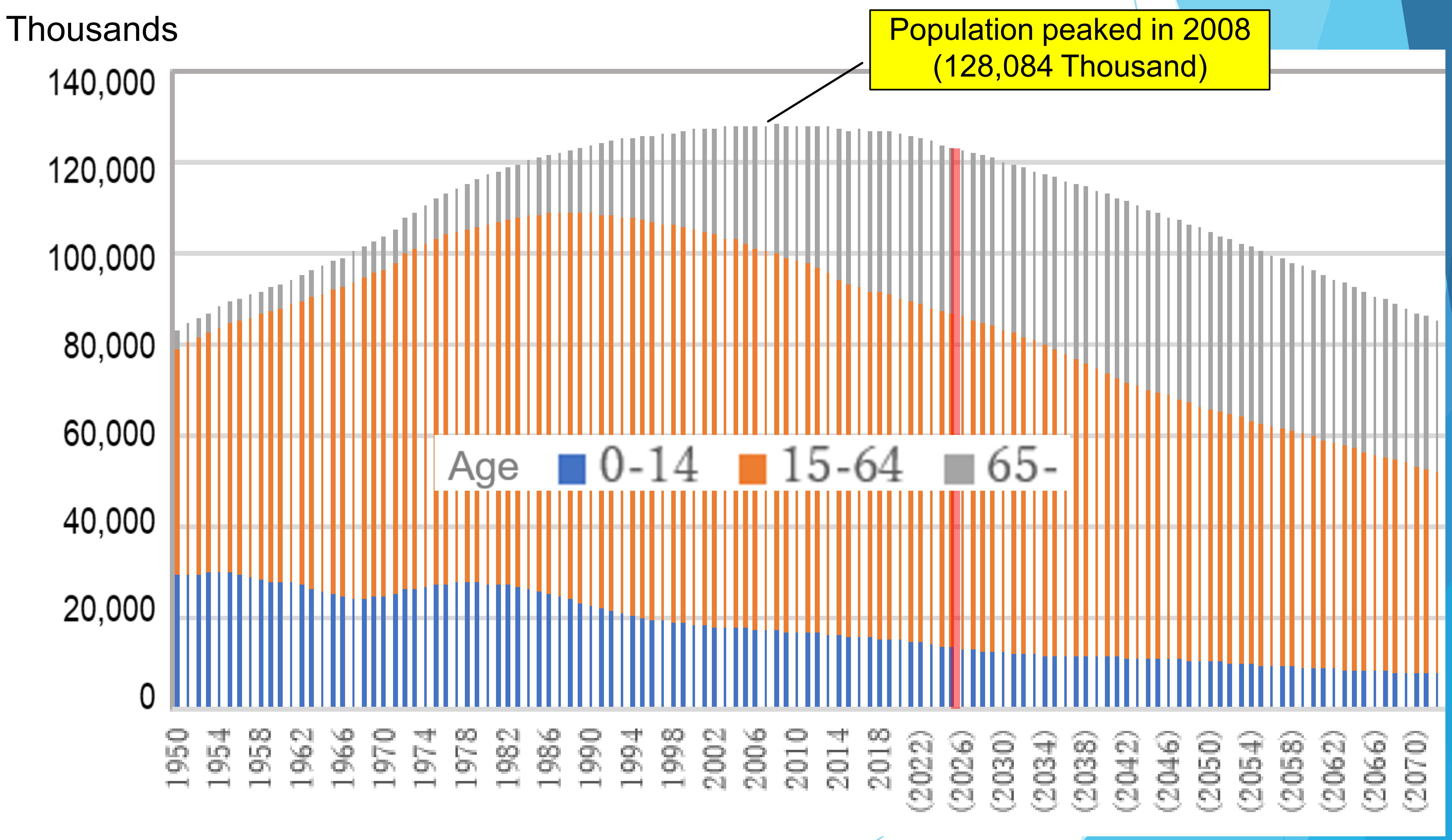
Aging Rate Trends (2005-2025)

Country/Region	2005	2010	2015	2020	2025
Cambodia	3.5%	3.8%	4.2%	4.8%	6.0%
China	7.7%	8.9%	10.1%	12.6%	14.9%
Indonesia	4.8%	5.1%	5.4%	6.3%	7.4%
Kazakhstan	7.4%	6.9%	6.8%	7.5%	8.9%
Nepal	4.1%	4.6%	5.3%	6.0%	6.8%
Philippines	3.9%	4.3%	4.7%	5.2%	5.9%
South Korea	9.0%	11.0%	12.8%	15.8%	20.3%
Sri Lanka	7.2%	8.5%	9.8%	11.2%	12.8%
Taiwan	9.7%	10.7%	12.5%	16.0%	20.1%
Turkey	5.7%	6.1%	7.7%	8.8%	10.2%
Uzbekistan	4.7%	4.6%	4.5%	5.4%	6.3%
Japan	20.2%	23.0%	26.6%	28.6%	29.3%

Source: United Nations World Population Prospects

Case of Japan:
Rapid Aging and the Population Trends

Year	Aging Rate
1950	4.9
1955	5.3
1960	5.7
1965	6.3
1970	7.1
1975	7.9
1980	9.1
1985	10.3
1990	12.1
1995	14.6
2000	17.4
2005	20.2
2010	23.0
2015	26.6
2020	28.6
2025	29.3



Source: National Institute of Population and Social Security Research

Causes of the Aging Society

Aging Society

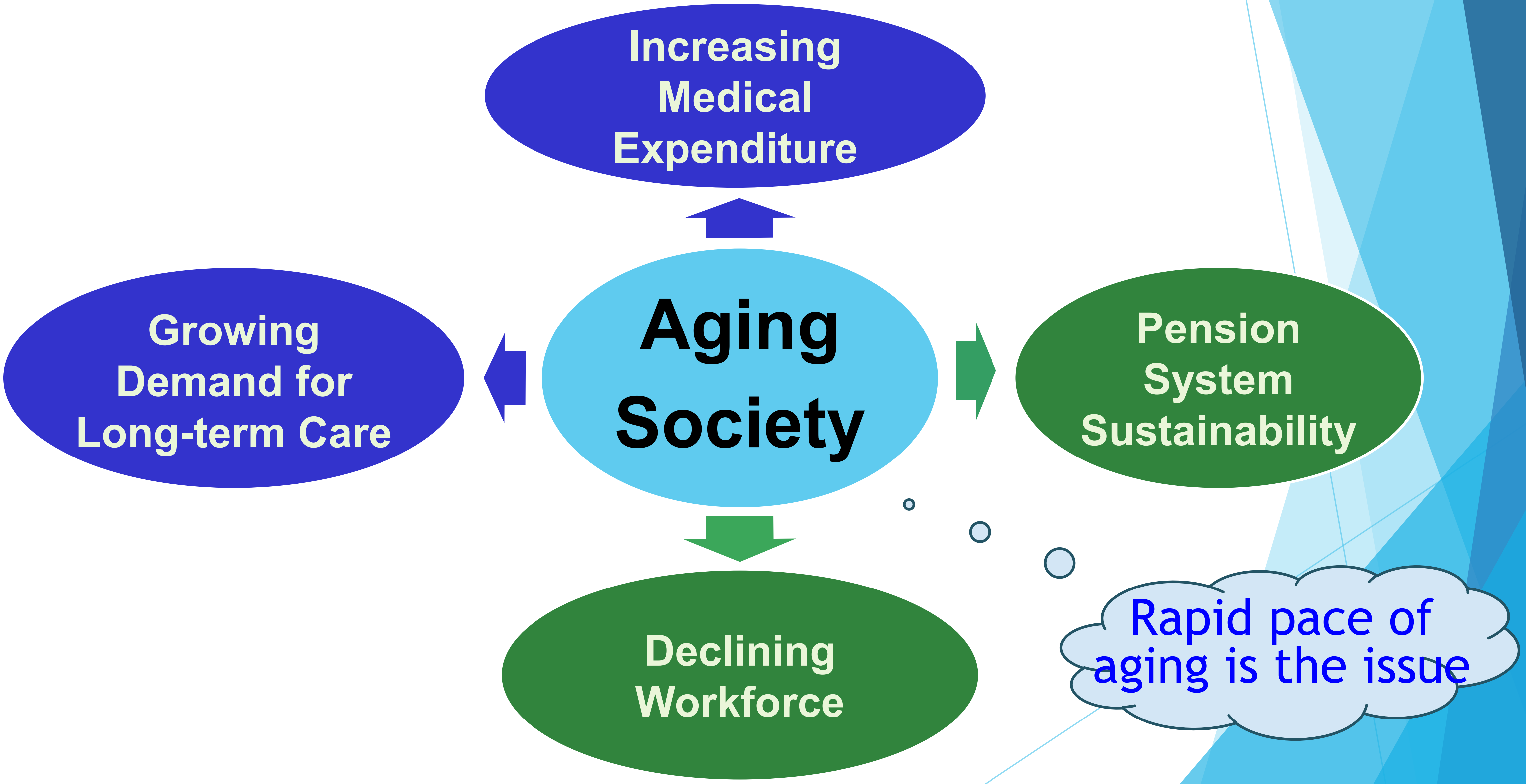
Longer Life Expectancy

- Advances in medicine
- Better nutrition
- Improved sanitation
- Public health improvements

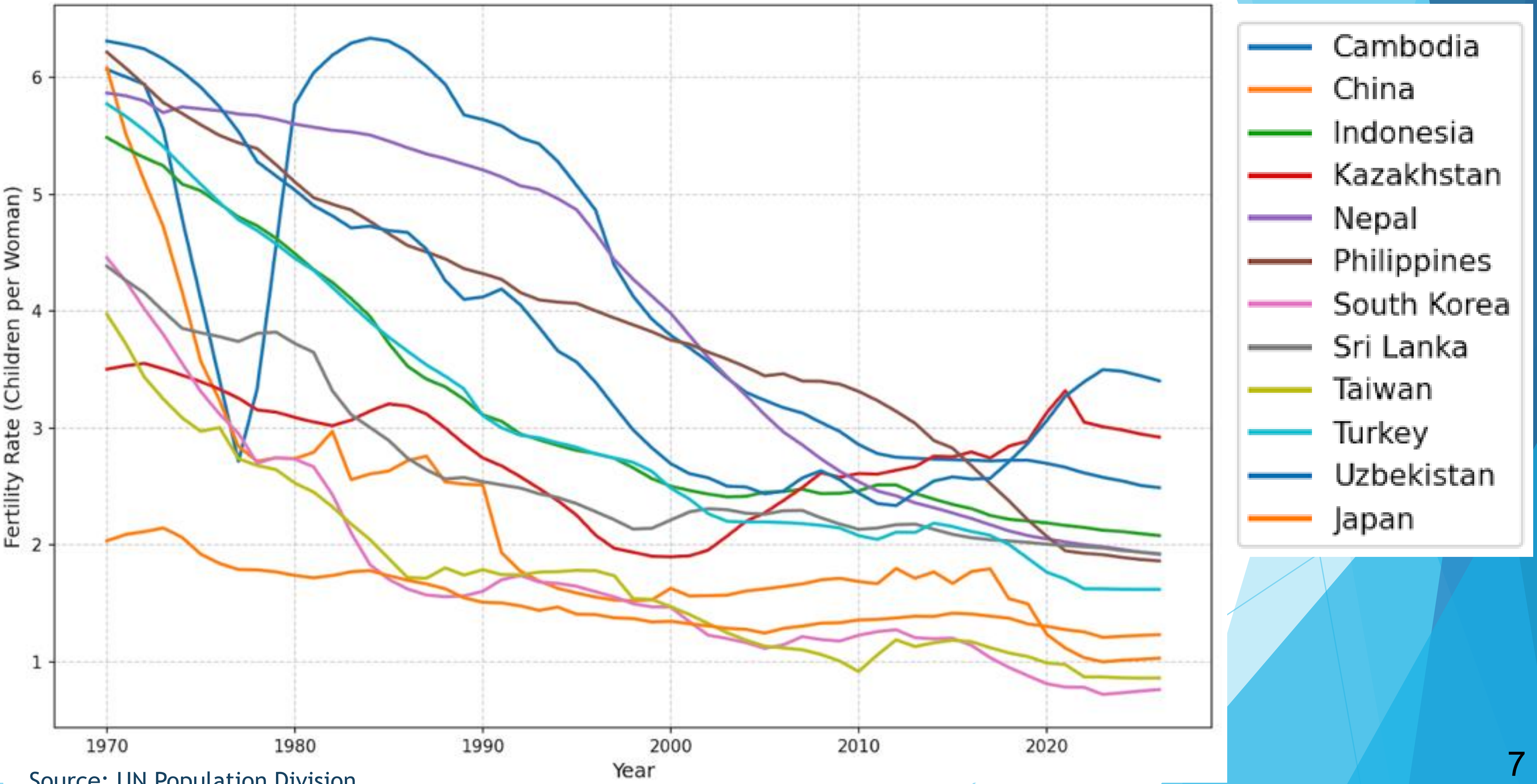
Declining Fertility Rate

- Delayed marriage and childbirth
- Urbanization
- Rising education and employment of women
- Higher cost of raising children

Major Challenges of the Aging Society

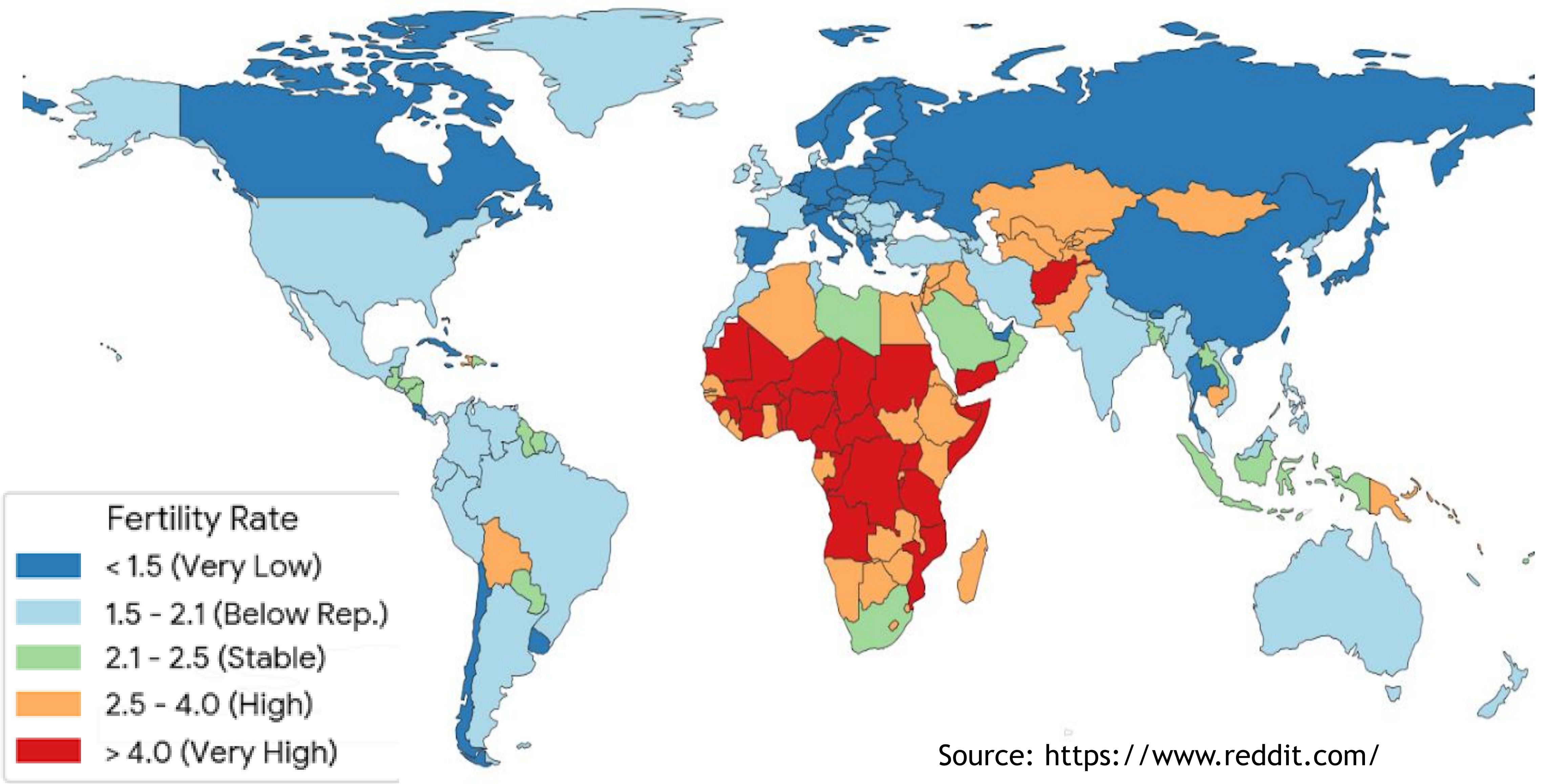


Fertility Rate Trends by Country/Region (1970 Onwards)



Source: UN Population Division

Actual Global Fertility Rates 2025

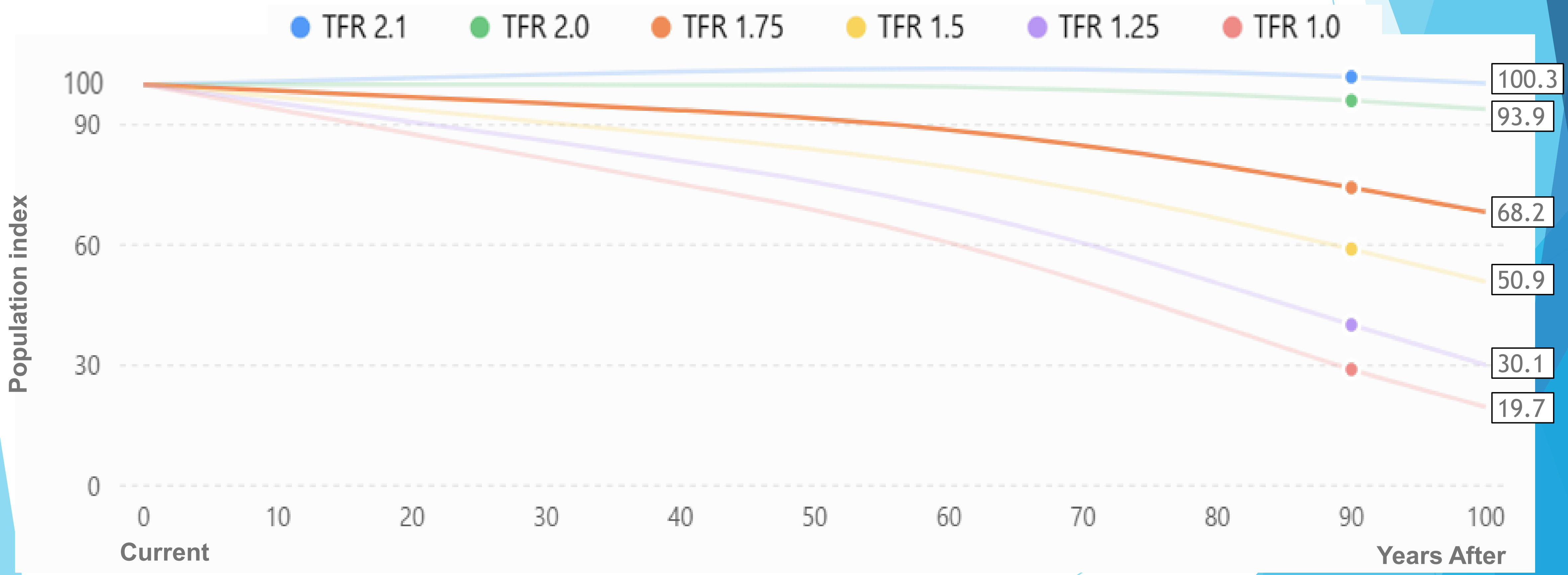


Source: https://www.reddit.com/

Population Simulation over 100 years by the TFR

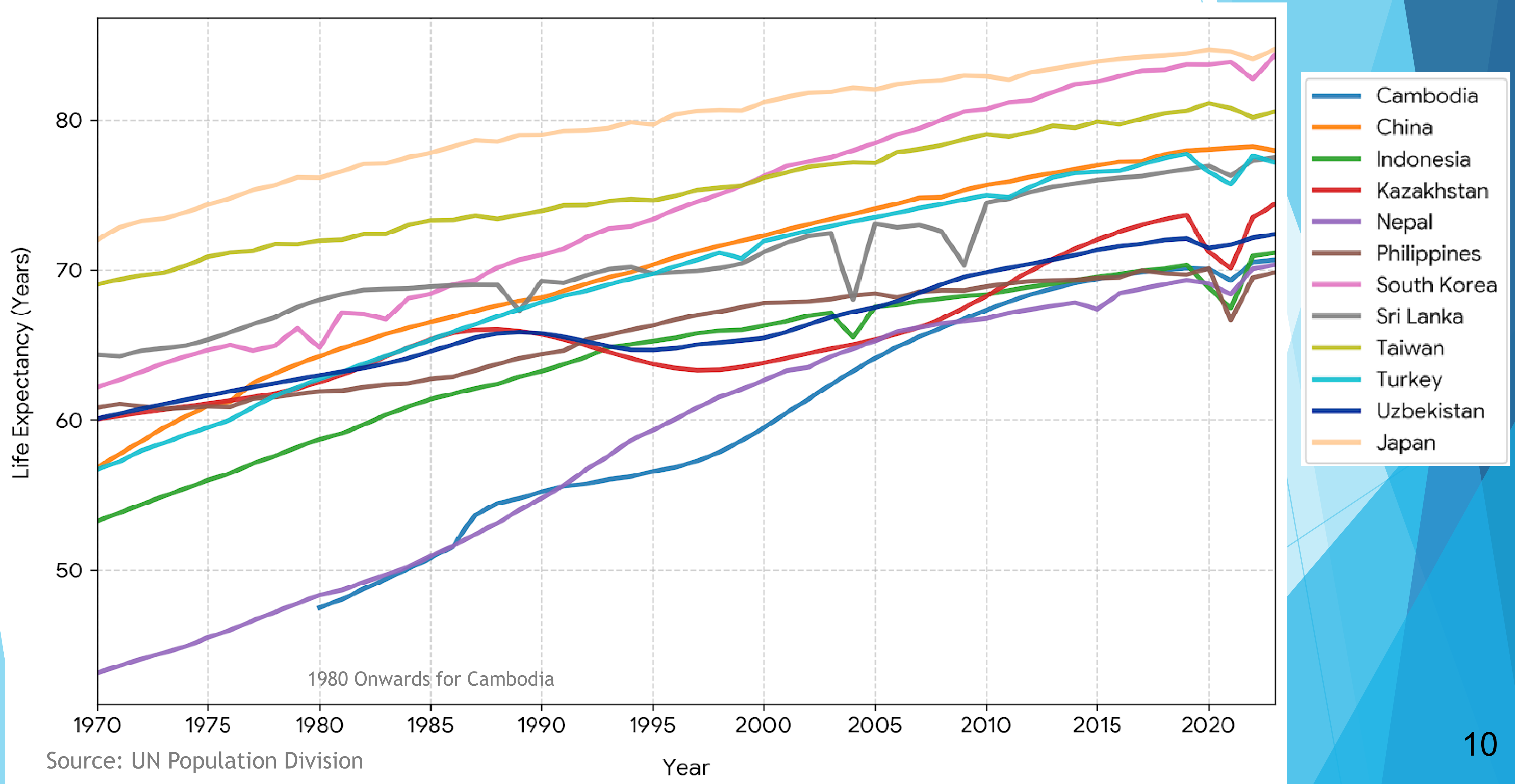
TFR (Total Fertility Rate) : The average number of children born to women aged 15–49.

Future population simulation based on hypothetical TFRs, by simplified assumptions (life expectancy set at age 80, TFR remains constant, zero migration).



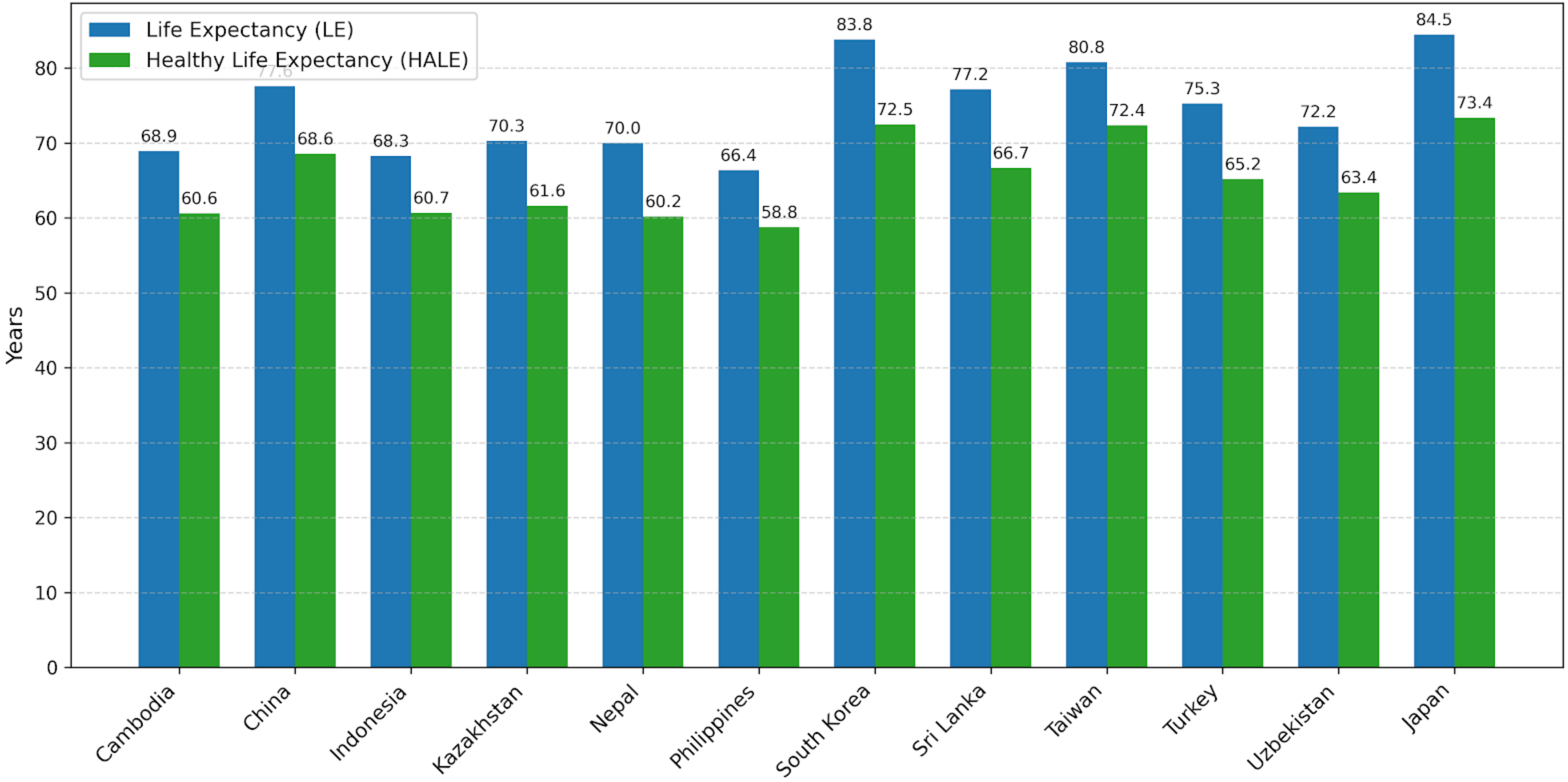
Simulation prepared by FALIA

Life Expectancy Trends by Country/Region (1970 Onwards)



Source: UN Population Division

Gap Between Life Expectancy and Healthy Life Expectancy



Source: WHO (as of 2021) and others

Gap Between Life Expectancy and Healthy Life Expectancy

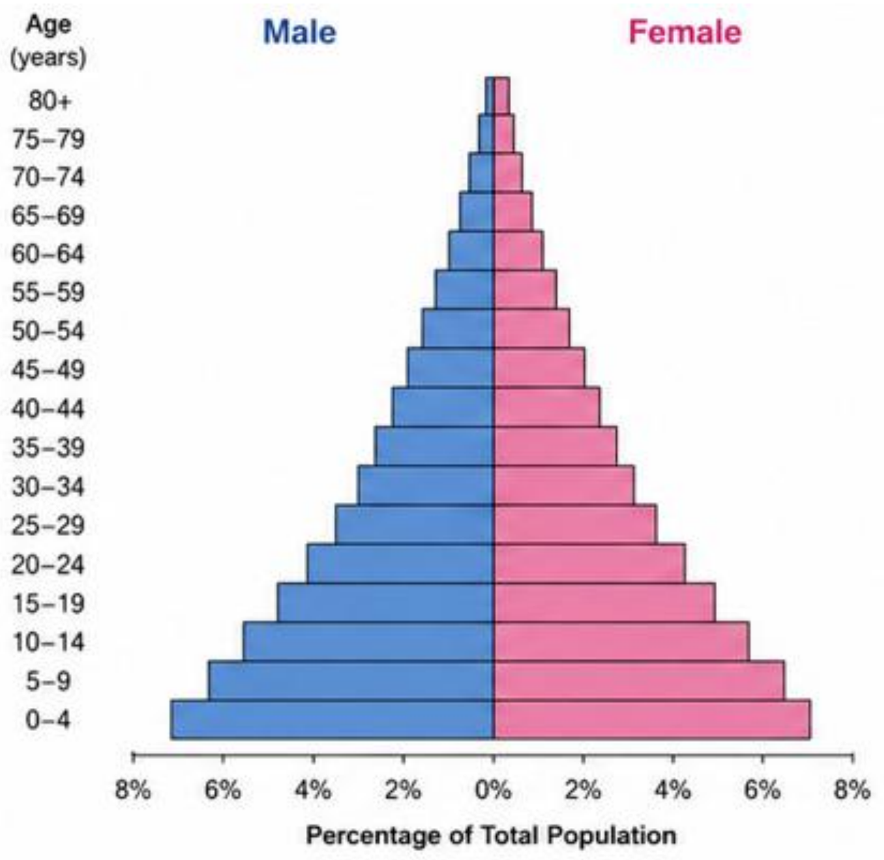
Shown in the Table

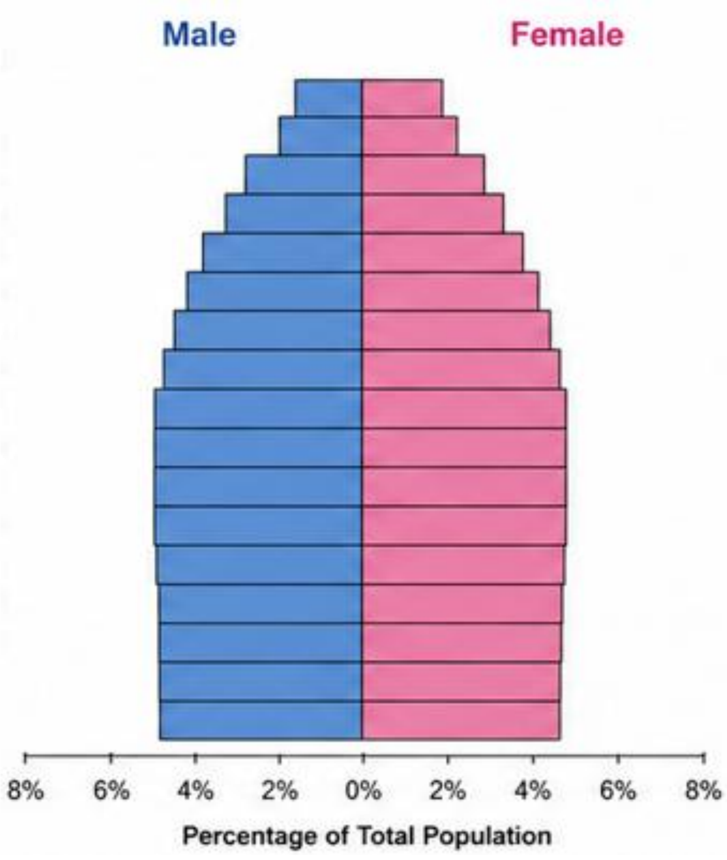
	Life Expectancy			Healthy Life Expectancy (HALE)			Gap (LE - HALE)		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Cambodia	68.9	66.4	71.5	60.6	59.3	62.0	8.3	7.1	9.5
China	77.6	75.0	80.5	68.6	67.2	70.1	9.0	7.8	10.4
Indonesia	68.3	66.4	70.2	60.7	59.9	61.5	7.6	6.5	8.7
Kazakhstan	70.3	66.4	73.9	61.6	59.2	63.8	8.7	7.2	10.1
Nepal	70.0	68.3	71.8	60.2	59.8	60.7	9.8	8.5	11.1
Philippines	66.4	63.4	69.9	58.8	57.1	60.8	7.6	6.3	9.1
South Korea	83.8	80.7	86.7	72.5	70.7	74.1	11.3	10.0	12.6
Sri Lanka	77.2	74.2	80.1	66.7	65.1	68.3	10.5	9.1	11.8
Taiwan	80.8	77.4	84.3	72.4	69.7	74.0	8.4	7.7	10.3
Turkey	75.3	72.5	78.1	65.2	64.5	65.9	10.1	8.0	12.2
Uzbekistan	72.2	70.2	74.1	63.4	62.7	64.0	8.8	7.5	10.1
Japan	84.5	81.7	87.2	73.4	71.9	74.8	11.1	9.8	12.4

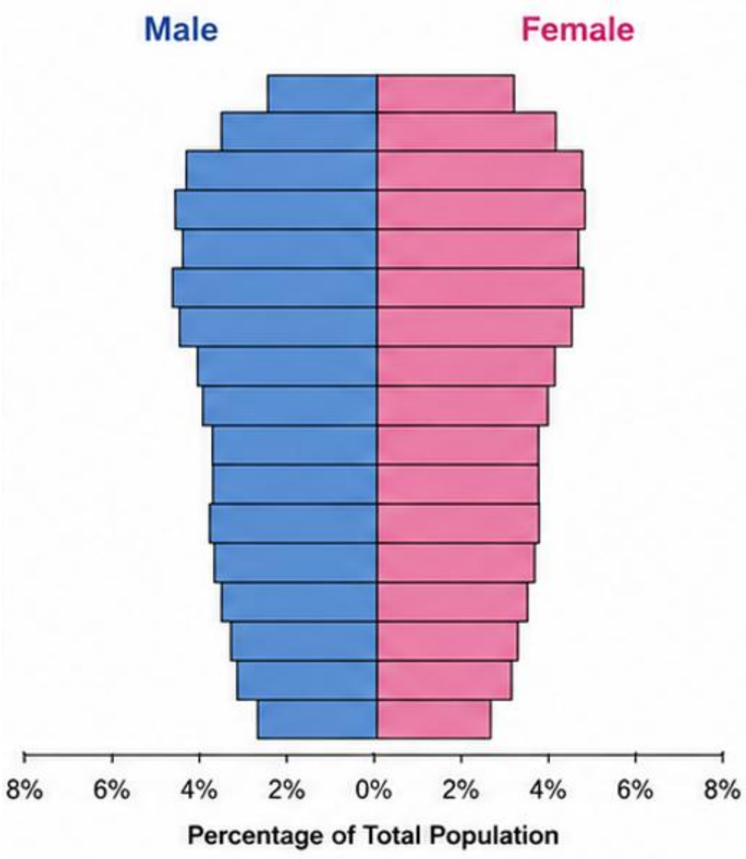
Source: WHO (as of 2021) and others

Typical Population Pyramids for Each Stage of Population Growth

1. Growth Stage	2. Stable Stage	3. Decreasing Stage



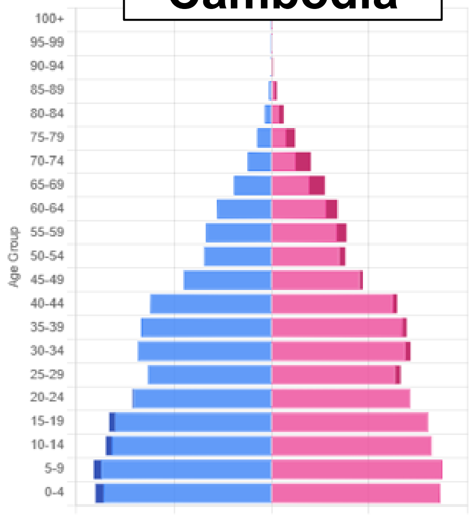




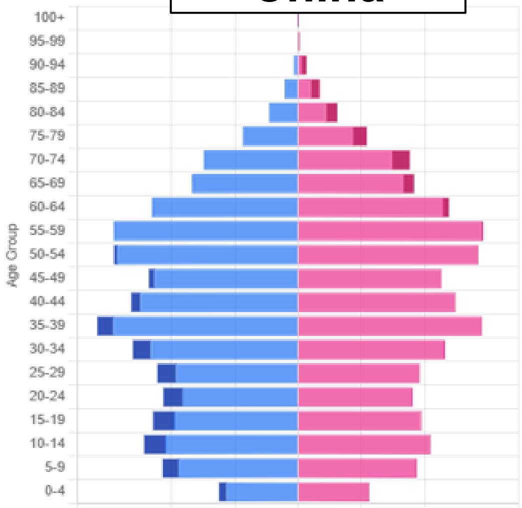
Conceptual Population Pyramid created by FALIA

Which stage is your country/region in ?

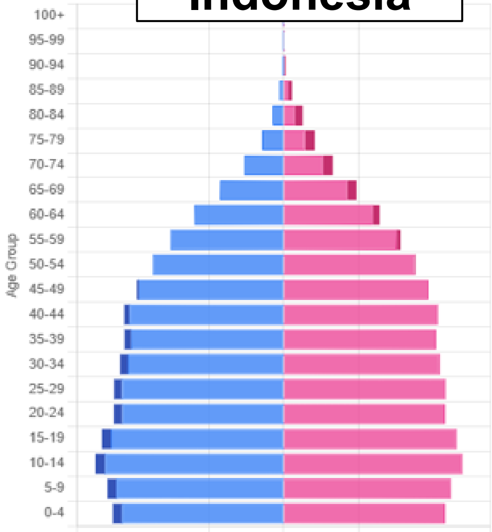
Cambodia



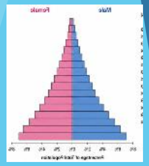
China



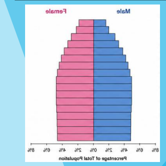
Indonesia



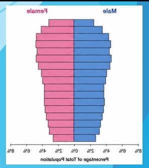
Stage 1



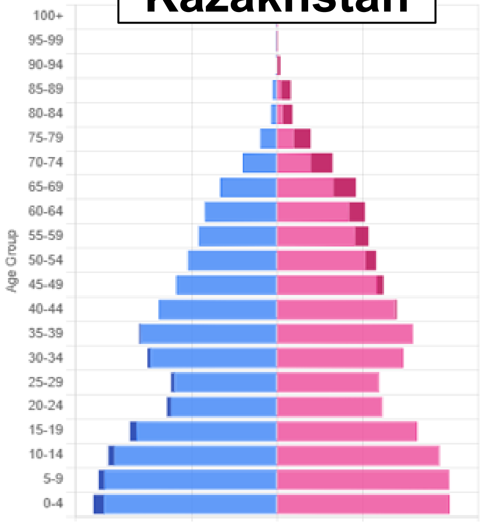
Stage 2



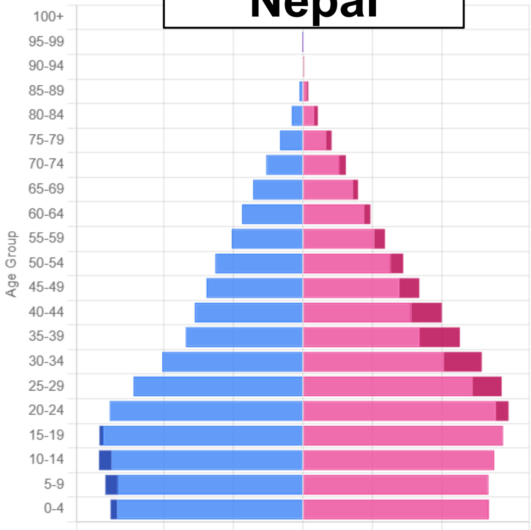
Stage 3



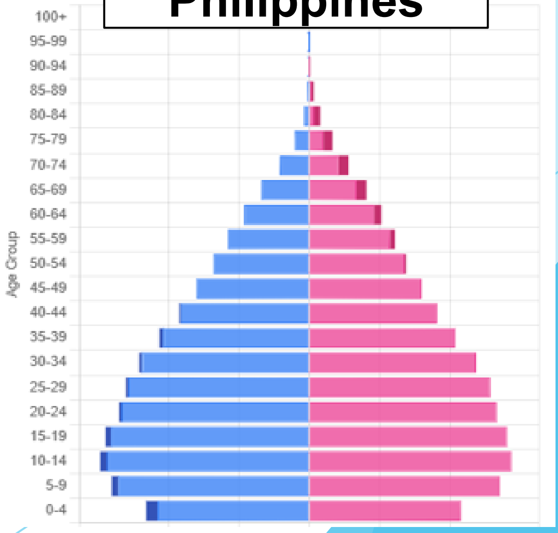
Kazakhstan



Nepal

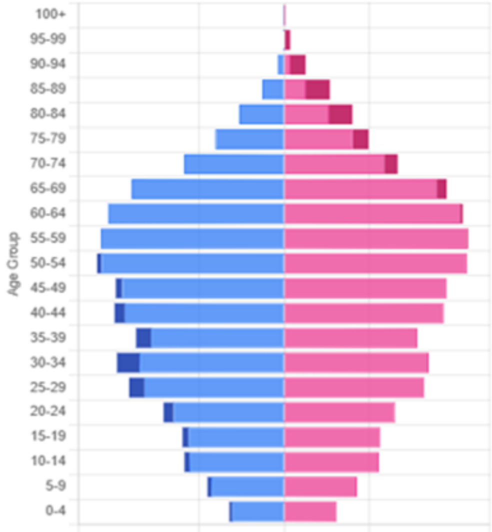


Philippines

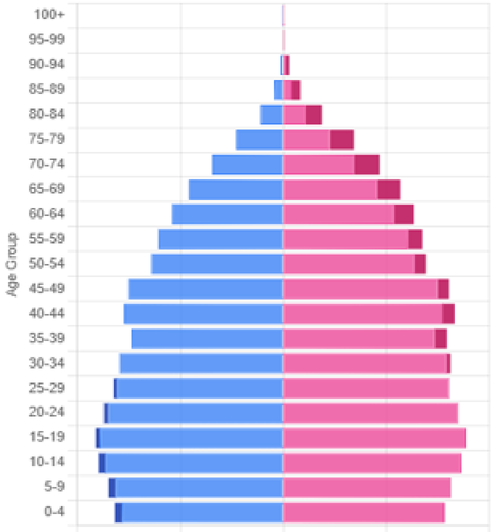


Which stage is your country/region in ?

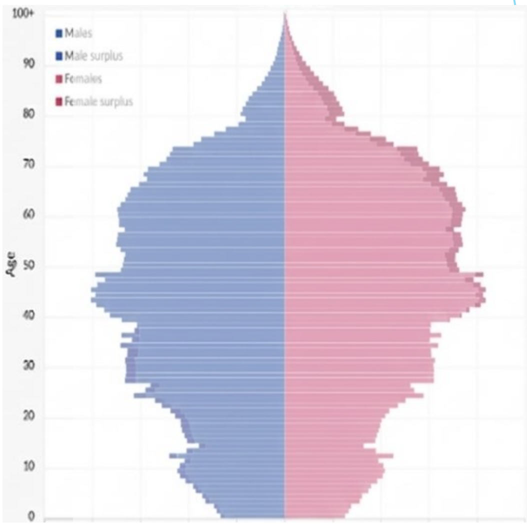
South Korea



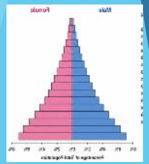
Sri Lanka



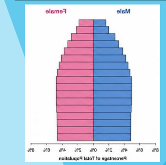
Taiwan



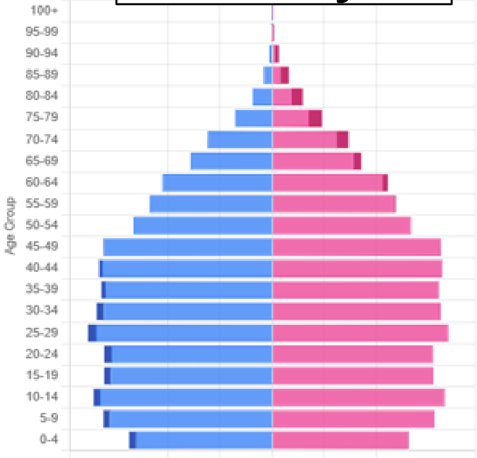
Stage 1



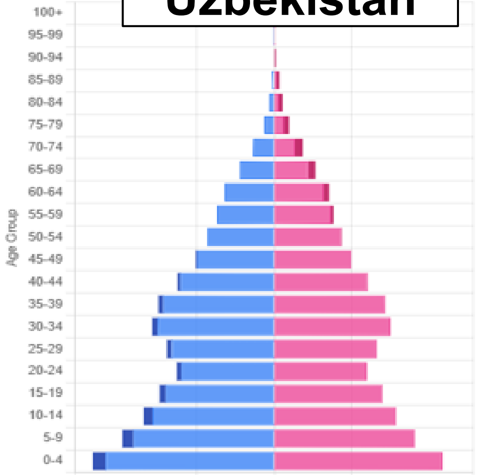
Stage 2



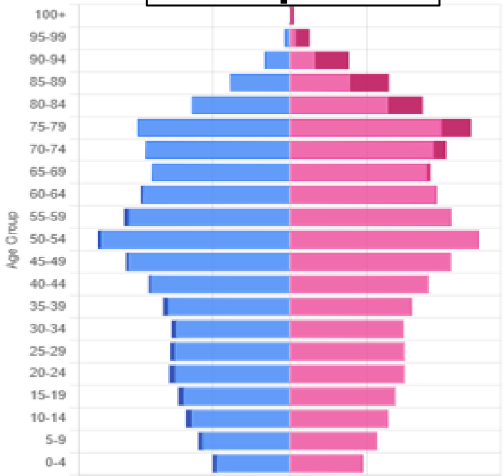
Turkey



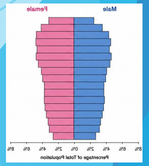
Uzbekistan



Japan



Stage 3



Part II
Social Security Systems in Japan

- Overview
- Health Insurance
- Pension System
- Nursing Care Insurance

Overview of the Social Security System in Japan

Common Coverage for All Residents

- **Health Insurance**
- **Pension**
- **Nursing Care**
- Public Assistance
- Child Allowance

+

Employee Benefits for Employees

- **Employment Insurance**
- **Workers Compensation**

Non-covered

Persons such as short-term visitors are not covered by the social security system

Health Insurance (1) Enrollment

- All residents shall be enrolled in one of the 3 Types of the Health Insurance plan

Employment based plan	Residential based plan	Plan by Age group
• Employees' Health Insurance (private company) • Mutual Aid Health Insurance (public sector) *Their Dependents are also covered*	• National Health Insurance (self-employed, retiree, non-employed, and others)	• Elderly Healthcare Service (age 75+)

Health Insurance (2) Benefits and Contributions

Benefits from the plan

- Typically, **70%** of the medical cost is covered by the health insurance (**30%** out-of-pocket copayments. 10% or 20% copayment may apply to young children and the elderly)
- Out-of-pocket copayments is subject to monthly cap based on income

Contributions to the plan

- Approx. 8% to **10%** of the income shall be contributed to the plan.
- **Employer and employee share the cost** for employment-based plans.
- Elderly Healthcare Service requires smaller contribution.

Pension System (1) Enrollment

- 1st layer of the Public Pension plan is common. All residents of working age (age 20–59) shall be enrolled.
- 2nd layer is mandatory for employees of private and public sectors.

3rd Layer	Additional/Private Pension	Optional pension
2nd Layer	Employees' Pension	Mandatory for employees
1st Layer	National Pension	Mandatory for all residents

Pension System (2) Benefits and Contributions

Pension Payments

- Pension payments begin at **age 65** (Basic Rule)
- Layer 1 pension : **Flat amount** (847,300* Yen/year, after 40 yrs enrollment)
- Layer 2 pension : **Income proportional** amount.

Contributions to the plan

- Enrollees of Layer 1 Only: **Fixed amount** contribution. (17,920* Yen/Month)
- Enrollees of Layer 2: **18.3% of the income**, shared by the employer and employee. This contribution covers Layer 1 and 2.

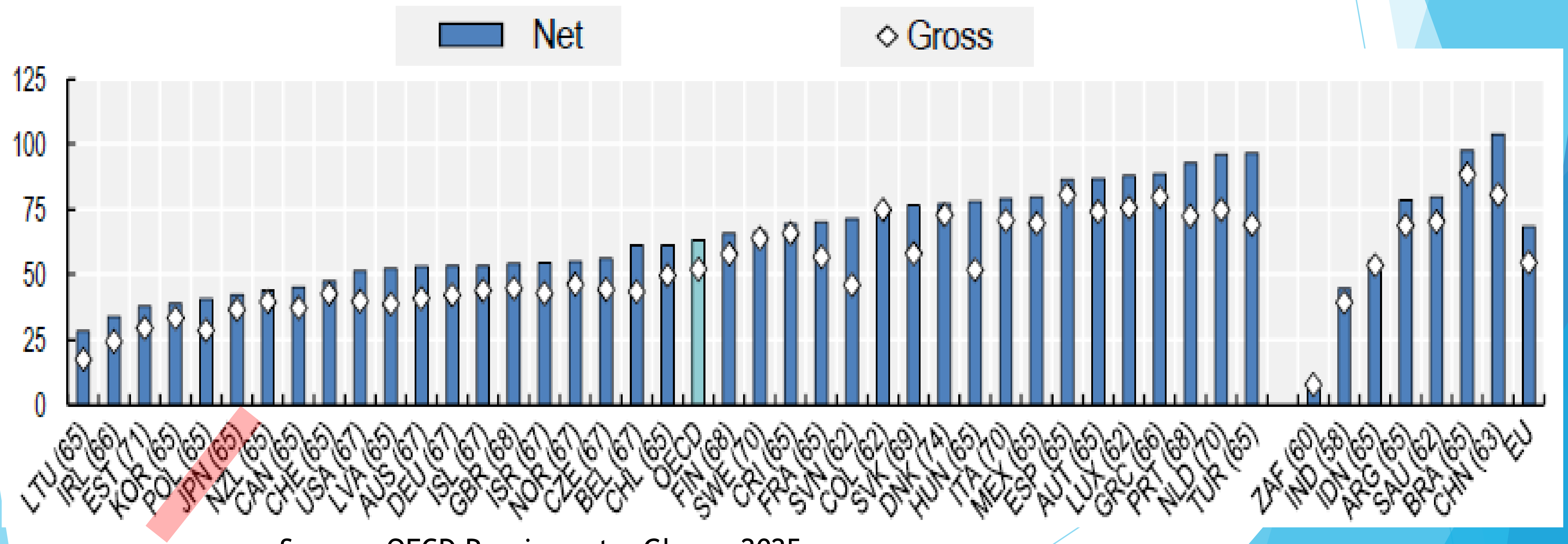
*Amounts for 2026

Pension Replacement Rate Comparison (1)

Net and Gross pension replacement rates for Average earners

Pension replacement % = $\frac{\text{Pension amount}}{\text{Previous income}}$

The difference between Net and Gross is caused by income taxes and social security contributions.



Source: OECD Pensions at a Glance 2025

Pension Replacement Rate Comparison (2)

Gross pension replacement rates for **Low** and **High** earners

Low earners: Less than 50% of the average earnings High earners: More than 200% of the average earnings

Source: OECD Pensions at a Glance 2025

Pension Benefits other than Old Age Pension

Disability Pension:

- If an insured person becomes **disabled** due to illness or injury, disability pension will be paid to oneself.
- The amount of benefit depends on the severity of the disability (and the insured's previous income for the Employees' Pension).

Survivor's Pension:

- In case an insured person is **deceased**, and dependent family members are left, the survivor's pension will be paid to such **family members**.
- The amount of benefit depends on the number and age of family members (and the insured's previous income for the Employees' Pension).

Nursing Care Insurance (NCI)
(1) Backgrounds

Care-needed elderly people rapidly increasing → **Traditional family-based caregiving become less feasible** → **The public nursing care insurance started in 2000**

- Public Nursing Care Insurance (Long-Term Care Insurance) is not yet a global standard.
- Most countries still rely on welfare subsidies or private out-of-pocket spending to cover these costs.

(2) Insured Persons

Category 1 Individuals aged 65 and over	Category 2 Individuals aged 40 to 64
Coverage for any condition requiring long-term care.	**Coverage** is limited to care-needed cases due to an age-related conditions.
Contribution is income based. 6,300 Yen per month in average.	**Contribution** is approx. 1.6% of the income. For employment-based plan, it is shared by the employer and employee.

(3) Types of Services

In-Home Services

- Home-visit long-term care
- Home-visit nursing
- Equipment rental service

Facility Services

- Day-care service
- Short-term stay
- Residential Daily life long-term care
- Intensive care home

The Path to Receiving Service

1. Application

Apply for the certification of needed long-term care or support at your municipal office.

2. Investigation for Certification

Investigation officials will check your physical and mental conditions. Also ask your doctor for an opinion.

3. Certification Results

The necessity of long-term care is rated as **Care Level 1 to 5**, or **Support Level 1 or 2**.

4. Draw your Care Plan

A care manager will coordinate your customized care plans.

Service Prices and Out-Of-Pocket

- Service prices are determined by the government (MHLW) and expressed in units (1 unit ≈ 10 yen, varying by region).
- Nursing Care Insurance covers 90% of the cost **(10% out-of-pocket).**
- Higher-income individuals shall pay a higher out-of-pocket (20% or 30%).

Example of units of care services
(for care level 1 person)

- Facility care service (3hours): 338 units
- Home visit care service (30 min.): 250 units

Monthly Benefit Amount (Cap)

- Monthly benefit amount payable by the Nursing Care Insurance is capped based on the level of care/support for each person.

Level	Maximum monthly unit (in yen)
Support Level 1	5,032 units (50,320 yen)
Support Level 2	10,531 units (105,310 yen)
Nursing Care level 1	16,765 units (167,650 yen)
Nursing Care level 2	19,705 units (197,050 yen)
Nursing Care level 3	27,048 units (270,480 yen)
Nursing Care level 4	30,938 units (309,380 yen)
Nursing Care level 5	36,217 units (362,170 yen)

Coverage and Out-Of-Pocket (O-O-P) Sample Case [1]

**For "Care Level 5" Person,
Monthly Charge for Intensive Care Facility**

Approx. cost, Yen

Item	Estimated O-O-P Cost	Cost Sharing
Long-Term Care Facility Service Fee	28,650	90% is covered by the NCI. O-O-P is 10% of the total fee (286,500)
Room Accommodation Fee	61,980	100% O-O-P
Meal Expenses	43,350	100% O-O-P
Daily Living Expenses	10,000	100% O-O-P
Total	143,980	

Coverage and Out-Of-Pocket (O-O-P) Sample Case [2]

For "Care Level 2" Person,
Monthly Charges for In-home and Facility Services

Approx. cost, Yen

Service	Purpose and Details	Monthly Cost	O-O-P Expense (10%)
Home-Help Services (3 times/week)	A home helper visit for physical care and housework support.	30,000	3,000
Day Care Services (2 times/week)	One day facility care, including daily activities, rehabilitation and bathing assistance. Transportation included.	40,000	4,000
Rental of Assistive Devices	Rental of equipment at home, such as wheelchairs, nursing care bed.	10,000	1,000
Total	When using the above services for one month.	**80,000**	**8,000**

Funding and Premiums

- Funding source

50% from taxes	12.5% Municipalities	12.5% Prefectures	25% National government
50% from premiums	23% Premium by Category 1 insureds		27% Premium by Category 2 insureds

- Premiums for Category 1 Insureds (Age 65+):

  Premiums are set by each local government, based on the income.

  Average monthly premium per person is around 6,300 yen (2026).

- Premiums for Category 2 Insureds (Age 40–64):

  Premiums are collected together with the health insurance premium.

  Typical contribution rate is 1.62% of the salary (2026), shared by the employer and employee.

Thank you for your attention.

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