

Burdens and Uncertainty for the “Ice Age Generation”

—Urgent Action Needed from the Government and Business Sector as Ice Agers Emerge as the Core Generation for Consumption and Household Formation—

Yusuke Shimoda

Contents

Current Situation:	Ice Agers Emerging as the Core Generation for Consumption and Child-Raising
Employment:	Slow Improvement in Employment for Males
Income	Income Environment for Males Deteriorating due to Downtrend in Employment Quality
Consumption:	Downswing in Disposable Incomes, Consumption Propensity also Weakening
Responses:	Revitalize Family Budgets by Alleviating Burdens and Anxiety Associated with Child-raising
Responses:	Improvement of Employment Income for Males to Alleviate Labor Shortages
Responses:	Demand Stimulation Measures Focusing on Limited Disposable Time

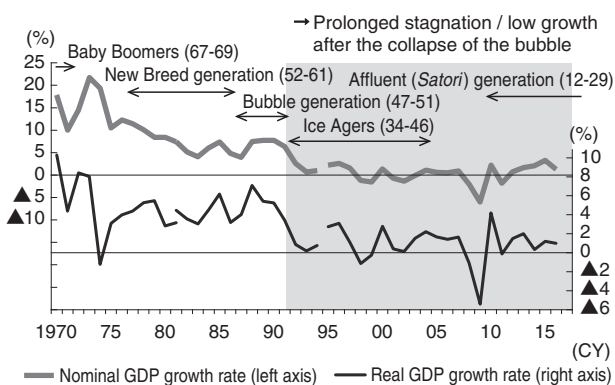
Summary

1. There have been increasing calls in Japan for measures targeting working households and families with children, including support systems and workstyle reforms. Adult university graduates from the “Ice Age” generation, which consists of people born between 1970 and 1982, now have a major influence on the Japanese economy as the mainstay of the workforce and core contributors to consumption expenditure and markets relating to child-raising. In this article we will identify issues and consider solutions by analyzing the environment for the Ice Age generation from various perspectives, including trends in employment incomes and consumption.
2. There are signs of improvement in the overall employment environment for Ice Agers, including a rising employment rate. Of course, a feature of the Ice Age generation is the high percentage of people in informal employment, compared with the previous generation. The informal employment ratio is especially high for males. In many cases, people appear to be taking informal jobs reluctantly. Evidence of the slow pace of improvement includes limited progress toward the reduction of the long-term unemployment rate.
3. An analysis of the income environment shows that some Ice Agers achieve substantial wage increases by moving from informal to formal work. However, the percentage of such cases is low, and many Ice Agers remain in informal employment. Even those who find formal employment face the double handicaps of inter-generational wage gaps and wage inequality within the same generation. In households with two or more persons, the income of the spouse may increase as a result of finding work, but this is not enough to offset a decline in the income of the head of the household, with the result that household income is actually reduced.
4. Consumption is being affected by the erosion of disposable income due to rising taxes, social security levies, and other costs at a time when incomes are weakening. Personal consumption is also under pressure from growing anxiety about the future of household finances because of stagnating incomes and rising costs. A more detailed analysis based on age groups indicates that the consumption environment could be relatively tough for young Ice Agers in informal employment. Consumption levels are falling in all household categories, but there has been a conspicuous slump in consumption of all types, except educational expenditure by households with children.
5. The solutions needed include the reduction of the burden of and anxiety about child-raising through financial assistance for education, and the reduction of childcare waiting lists through workforce expansion. It will also be necessary to move people from informal to formal employment. Government-industry initiatives, including employment assistance for unemployed people, are needed to improve the employment and income environment for male Ice Agers. Because Ice Age households have limited time to spend on housework and childcare, the key to increased consumption will be the development of consumption and demand in ways that help to save time.

Current Situation: Ice Agers Emerging as the Core Generation for Consumption and Child-Raising

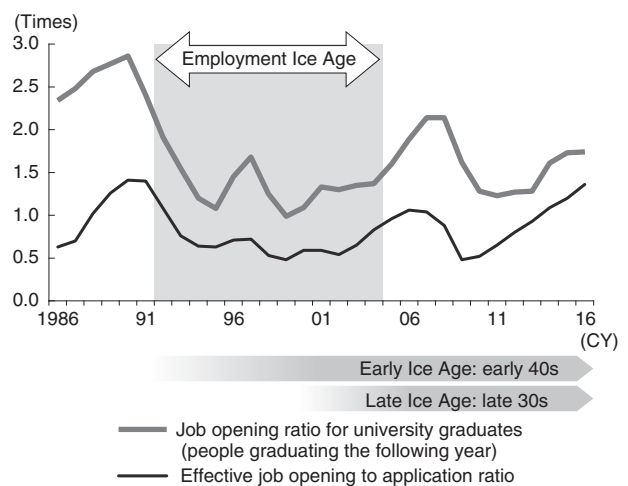
- (1) There is growing pressure in Japan for measures to strengthen the economic recovery trend through support and workstyle reforms targeting the generation that has emerged as the main driving force for economic and social change, as well as support for households with children.
- (2) The current core working and child-raising generation consists mainly of people who became adults during the period of prolonged stagnation and low growth that followed the collapse of Japan’s bubble. These people have never known high growth, and their experience of this period has been radically different from that of the previous generation (Fig. 1). Previous JRI reports have analyzed trends among younger members of this generation, who are now in their twenties and thirties, from various perspectives, including the harshness of the employment environment, as well as their role in creating new consumption styles through the spread of smartphones and sharing.
- (3) In the forefront of this generation that has never known high growth are the Ice Agers. This group, which partly overlaps with second-generation baby boomers, accounts for a large share of the population. Currently aged between their mid-thirties and mid-forties, these people went through the tribulations of the employment “Ice Age” and now make up the core of Japan’s working population¹ (Fig. 2). In terms of life cycles, they are at the stage when consumption activity tends to be most diversified, in part because they are the main child-raising age group. Ice Agers are becoming increasingly influential at the macro-economic level through personal consumption expenditure and other indicators.
- (4) In the following pages, we will examine this situation further and consider both the problems affecting Ice Agers, and the actions that are needed in response to those issues, by analyzing the environment surrounding the Ice Age generation from various perspectives, including employment income, consumption behavior, and life stages.

Fig. 1 University Graduation/Work Force Entry Period and Growth Rates by Generation



Source: Compiled by JRI using quarterly GDP estimates from the Cabinet office
 Notes 1: Figures in parentheses next to each generation indicate approximate ages as of 2016.
 Notes 2: Gaps in the growth rate lines result from the partial use of figures based on previous standards.

Fig. 2 Job Opening to Application Ratio



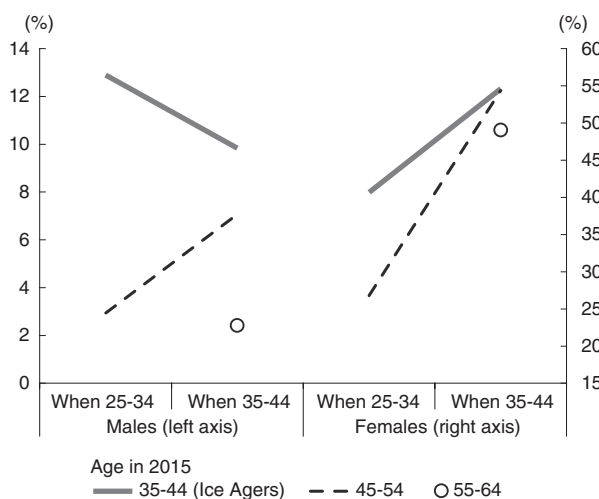
Source: Ministry of Health, Labour and Welfare, *Employment Referrals for General Workers*, *Recruit Works Institute*, *Graduate Job Vacancy Ratio Survey*

¹ There are various approaches and concepts concerning the classification of generations. For the purposes of this article, the Ice Age generation is defined as adult university graduates born between 1970 and 1982 (people now aged between 34 and 46). Because of limitations relating to the treatment of age groups in various statistics, people currently aged between 35 and 44 are treated as Ice Agers in the charts and analyses.

Employment: Slow Improvement in Employment for Males

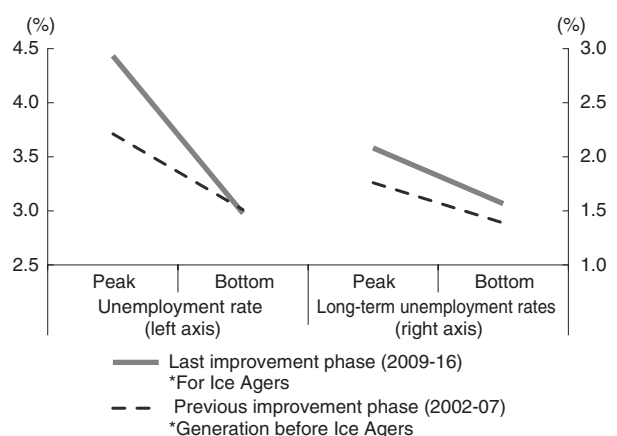
- (1) The employment environment for Ice Agers is generally improving. In terms of changes in the employment structure, the percentage of workers has risen over the past 10 years, while that of non-workers has shrunk. A breakdown by gender shows that the employment rate for males aged 25-34 has fallen substantially, but that the rate for males aged 35-44 has risen to the same level as the rate for the previous generation (45-54). The rate for females aged 25-34 has improved to above the level for the previous generation.
- (2) Of course, another characteristic of the Ice Age generation is the high level of informal employment compared with other generations. The informal employment ratio for males is especially high compared with the ratio for the previous generation, and it is possible that many Ice Agers are reluctantly taking informal jobs (Fig. 3). Informal employment is also expanding among females, but this reflects time limitations caused by life stage changes, including household and childcare responsibilities, as more women move into the workforce. In reality, the informal employment ratio is currently not especially high compared with that for people of the previous generation when they were in this age group.
- (3) In addition, the unemployment rate for Ice Age males entered a downward phase after the 2007-8 global financial crisis and has fallen to roughly the same level as that for the previous generation during the last improvement phase between the early 2000s and the global financial crisis. However, the long-term unemployment rate has not fallen as far as during the previous improvement phase (Fig. 4). This could be the result of supply-demand mismatching between industrial sectors. As indicated by these trends, the improvement of the employment environment for Ice Age males has been conspicuously slow.

Fig. 3 Informal Employment Ratio



Source: Compiled by JRI, using data from the Labor Force Survey conducted by the Ministry of Internal Affairs and Communications

Fig. 4 Unemployment Rate and Long-term Unemployment Rate for Males Aged 35 to 44



Source: Compiled by JRI, using data from the Labor Force Survey conducted by the Ministry of Internal Affairs and Communications

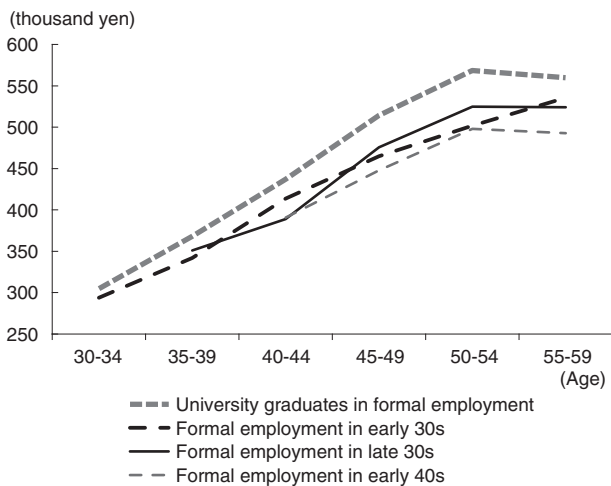
Notes 1: A long-term unemployed person is a person who has been unemployed for one year or longer. The peak for long-term unemployment occurs one year after each unemployment rate peak.

Notes 2: During the previous improvement phase, people in the pre-Ice Age generation were aged between 32 (2002) and 37 (2007) and were therefore mostly younger than the 35-44 age group.

Income: Income Environment for Males Deteriorating due to Downtrend in Employment Quality

- (1) We will look next at the income environment for the Ice Age generation. Ice Agers who have made the transition to formal employment have enjoyed substantial wage growth over the past five years. Of course, the percentage who have shifted to formal employment is low at around 20% even for males, only 20% of whom choose informal employment in preparation for changes in their living environment. The income environment for the majority who are still in informal employment has improved little over the past five years.
- (2) The income environment for those in formal employment is under pressure on two levels. First, there is intergenerational wage inequality. Compared with the previous generation, Ice Agers (male university graduates) in all age groups have experienced a downward shift in the wage curve. Second, there is wage inequality within the generation. While those who have made the transition from informal to formal employment have enjoyed substantial income growth compared with when they were informally employed, they are still behind those who entered formal employment immediately after graduation from university (Fig. 5). Far from shrinking this income gap has expanded.
- (3) The income environment has worsened for households with two or more members, and working couples with children. Household incomes are benefiting from an increase in the number of households in which spouses are also working. Reasons for this change include growing workforce participation by women, and labor shortages. Of course, while spouses' incomes are tending to rise, this is not enough to cover declines in the incomes heads of households, with the result that total household incomes are tending to fall (Fig. 6).

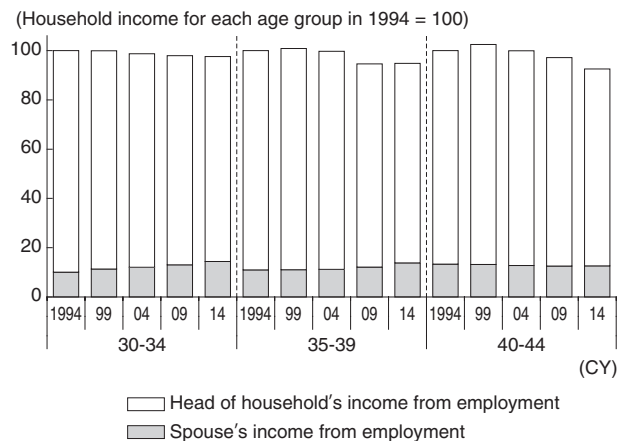
Fig. 5 Wage Curve by Timing of Transition to Formal Employment



Source: Compiled by JRI using data from the *Basic Survey on Wage Structure* conducted by the Ministry of Health, Labour and Welfare

Notes: Wage curves were calculated based on wages for ordinary hours, according to years of service after formal employment as new graduates and a shift to formal employment in 2015. The period of employment as permanent employees in business corporations or other organizations is not specified in the data.

Fig. 6 Real Income from Employment of Heads of Households and Spouses



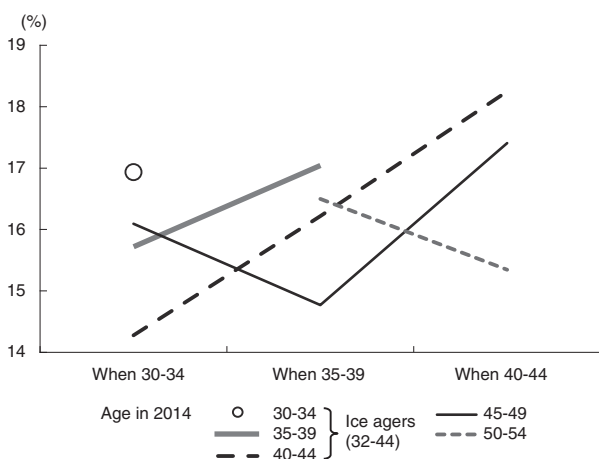
Source: Compiled by JRI based on data from Ministry of Internal Affairs and Communications, *National Survey of Family Income and Expenditure and Consumer Price Index*

Notes: Converted to real figures using the consumer price index for all items, excluding imputed rent on owner-occupied houses.

Consumption: Downswing in Disposable Incomes, Consumption Propensity also Weakening

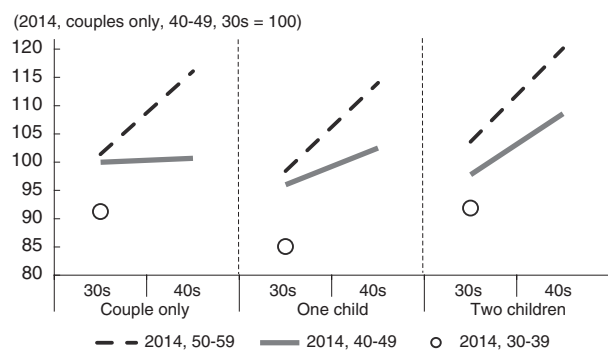
- (1) Ice Agers' consumption behavior is also distinctive. With their incomes already under pressure in a harsh employment environment, Ice Agers are also facing increases in taxes, social insurance levies and other costs. Ice Agers in every age group are spending more of their income on non-consumption expenditure, including these items, than those in the previous generation, with the result that their disposable incomes are stagnating (Fig. 7). Personal consumption expenditure is also being impeded by increasing uncertainty about future household finances because of a stagnating income environment and rising costs. Ice agers in all age groups have a lower consumption propensity (an indicator of the percentage of disposable incomes devoted to consumption expenditure) than those in the previous generation.
- (2) The consumption behavior of ice agers also varies between the different age groups. At all income levels, consumption expenditure by those in their 40s has fallen by about 10% compared with the same generation 10 years earlier. This indicates that consumer confidence is in decline regardless of the income level. Among those in their 30s, the size of the decline is greater at lower income levels, which suggests that young ice agers in informal employment could be facing a relatively harsh consumption environment.
- (3) Whether households consist of couples or couples with children, ice agers' consumption levels have fallen compared with the same generation 10 years earlier, regardless of age group (Fig. 8). As discussed later in this article, increased expenditure on children's education has a significant boosting effect on consumption expenditure by households with children. If educational expenditure is excluded, the stagnation of consumption expenditure by households with children becomes more conspicuous.

Fig. 7 Non-consumption Expenditure as a Percentage of Real Incomes (All Households)



Source: Ministry of Internal Affairs and Communications, *National Survey of Family Income and Expenditure*

Fig. 8 Real Consumption Expenditure by Household Type



Source: Compiled by JRI using data from Ministry of Internal Affairs and Communications, *National Survey of Family Income and Expenditure and Consumer Price Index*

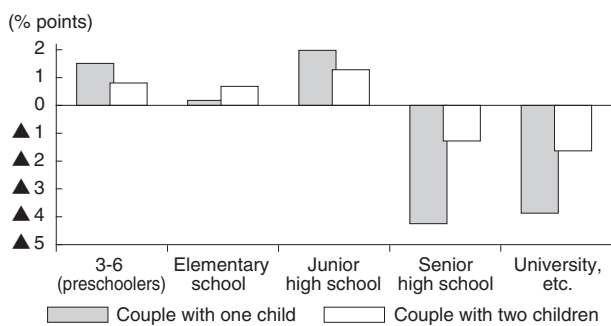
Notes 1: Converted to real figures using the consumer price index for all items, excluding imputed rent on owner-occupied houses.

Notes 2: Households with children are households consisting only of a couple and unmarried children in which only the head of the household is employed.

Responses: Revitalize Family Budgets by Alleviating Burdens and Anxiety Associated with Child-raising

- (1) Both the government and private sector need to take urgent action in response to the harsh income and consumption environment affecting Ice Agers. Since Ice Agers are now the core generation for child-raising, those actions should begin with support in that area. The children of Ice Agers span multiple age groups, from infants to junior high school students. The percentage of disposable income spent on education for these age groups has climbed in recent years² (Fig. 9), while expenditure in other areas has stagnated. To boost total expenditure in non-educational areas, there is a need for educational support and income support focusing on the child-raising generation.
- (2) In addition, there is wide regional variation in childcare and medical costs. The burden tends to be heavier in rural areas compared with the 23 wards of Tokyo proper, and there is a risk that this will impede consumption expenditure (Fig. 10). We need to find a balance by looking for ways to reduce childcare costs, while also updating medical subsidy systems, which are putting pressure on government finances due to what many see as the excessive use of medical consultations.
- (3) In the Tokyo area, waiting lists for childcare facilities have become a serious problem. In addition to a shortage of places for babies and one-year-olds, there are many other problems, such as the difficulty of enrollment part-way through a year, and a lack of places for babies born in the first three months of the year. Central and local governments are responding to these problems by encouraging people to reserve childcare places or submit enrolment applications during pregnancy, or by providing support for the creation of childcare facilities in business establishments. However, measures such as these fall far short of solving the problems, and there is also a need for efforts to expand the supply of people to work in childcare services. This will require not only the improvement of wages and conditions, but also urgent steps to integrate qualifications and improve their compatibility as part of moves toward the centralization of the education and welfare sectors, while also bringing latent childcare workers back into employment.

Fig. 9 Changes in Educational Expenditure as a Percentage of Disposable Income (2004-2014)

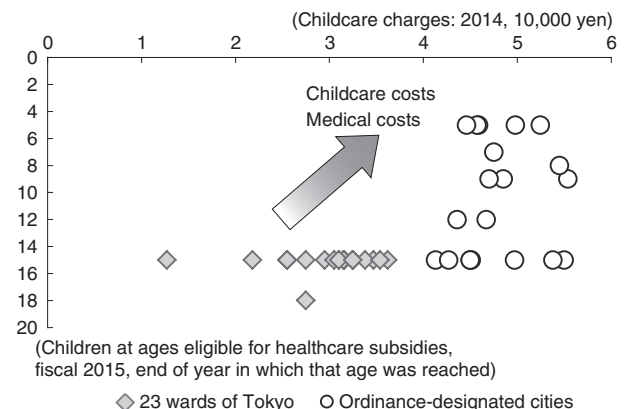


Source: Compiled by JRI using data from *the National Survey of Family Income and Expenditure and Consumer Price Index* conducted by the Ministry of Internal Affairs and Communications

Notes 1: Disposable income was converted to real figures using the consumer price index for all items, excluding imputed rent on owner-occupied houses, and the CPI for educational expenditure.

Notes 2: Households with two children were classified based on the age of the older child.

Fig. 10 Age Eligibility for Subsidies for Childcare Charges and Outpatient Medical Fees for Babies and Infants, etc., by Region



(Children at ages eligible for healthcare subsidies, fiscal 2015, end of year in which that age was reached)

Source: Compiled by JRI using data from Parents Concerned with Nursery Schools, and the *Asahi Shinbun*

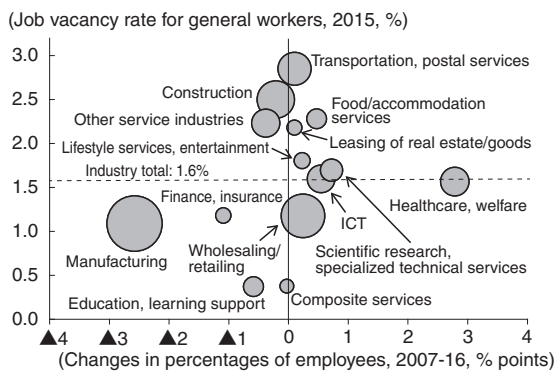
Notes: Childcare costs were based on charges for children aged under three from middle-income households (median).

² Educational expenditure includes enrollment and tuition fees for private, national and municipal elementary schools, junior and senior high schools, and universities, childcare fees for private and public daycare facilities (for children aged three and older), and the cost of supplementary education for preschoolers and children at elementary schools, and junior and senior high schools.

Responses: Improvement of Employment Income for Males to Alleviate Labor Shortages

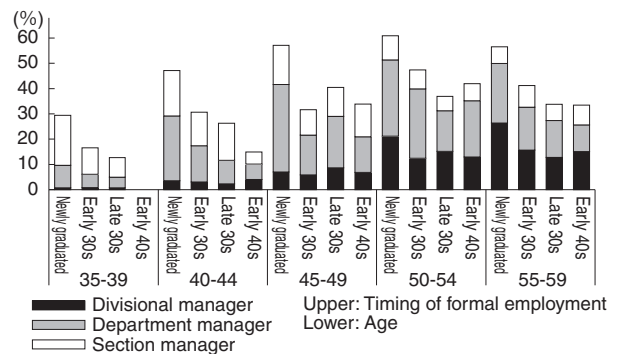
- (1) Another priority is the improvement of the employment and income environment for male Ice Agers through specific measures. First, efforts should be made to facilitate a shift from informal to formal employment for those who wish it. Effective tools for this process include participation in external training and study groups, and the use of the Hello Work job introduction service. Of course, there have been few cases of initiatives based on career counseling by private organizations or the provision of subsidies. Increased support and public information efforts are needed to improve access to these initiatives.
- (2) Second, support should be provided for job changes across industries, and for job seeking by unemployed people. Compared with 10 years ago, a higher percentage of those in the Ice Ager age groups are employed in the healthcare and welfare areas, but there has been little change in the percentages employed in transportation, postal services, food services, and accommodation, which have high job vacancy rates (Fig. 11). There is still inter-industry mismatching in labor supply and demand. We need to develop rules and support systems to help people change jobs, and to help long-term unemployed people to find work, especially in industries affected by this mismatching.
- (3) Third, the wage environment should be improved to provide greater consideration for Ice Agers. For example, the wage gap between those employed as new graduates and those who shift from informal to formal employment is attributable in part to differences in the posts allocated to people (Fig. 12). Employers need to take steps to expand opportunities for people to gain the skills needed for higher-paid positions.
- (4) Fourth, the non-working population needs to be brought into the labor force. In addition to the slow pace of improvement in the employment environment for Ice Agers, the percentage of non-working people who have abandoned participation in the labor market is high compared with the previous generation. The utilization of these people is essential, both as a response to worsening labor shortages, also as a way to boost consumption expenditure by enabling them to earn income. Assuming that the employment ratio remains at its present level, if the percentage of non-working male Ice Agers falls to the same levels as for people in the same age group 10 or 20 years ago, 80,000 or 140,000 people respectively will be added to the number of people in employment.

Fig. 11 Changes in Percentages of Employees by Industry for Males Aged 35-44, Job Vacancy Ratios



Source: Compiled by JRI, using data from the Labor Force Survey conducted by the Ministry of Internal Affairs and Communications, and the Survey on Employment Trends conducted by the Ministry of Health, Labour and Welfare
 Notes: The size of the circles represents the percentage of employees in 2016. Vacancy rates are based on the overall total.

Fig. 12 Percentage of People Appointed to Executive Positions According to Timing of Formal Employment



Source: Compiled by JRI, using data from the Basic Survey on Wage Structure conducted by the Ministry of Health, Labour and Welfare
 Notes 1: The latest survey results are for 2015. The figures refer to Ice Agers aged 33-45 who are university graduates.
 Notes 2: Employment periods for permanent employees are not specified in the data.

Responses: Demand Stimulation Measures Focusing on Limited Disposable Time

- (1) To stimulate consumption expenditure, businesses will need to raise Ice Agers' consumption propensity by analyzing their workstyles and discovering new needs. In part because of rising female workforce participation, Ice Agers are characterized by higher labor inputs at the macro level and a higher percentage of working-couple households at the micro level, compared with when people in the previous generation were in the same age group. This limits the time available for housework and child-raising (Fig. 13).
- (2) The key question is how we should respond to this "disposable time" limitation. For example, Internet marketing has continued to grow steadily as a way of saving time, and further strong growth is predicted. This is especially true for households with children, since shopping with children can be extremely burdensome. There could be increased demand for heavy, bulky items, such as drinking water and foodstuffs, and also for child-related items, such as toys and hobby goods. Time-saving appliances are becoming an increasingly important presence in the stagnant electrical goods market. This has led to a number of predictions. For example, as these products evolve and become more common, household demand could be met automatically by appliances that can connect to stores via the IoT.
- (3) As people become too busy to handle household chores, there could also be growth in the need for outsourced housekeeping services, especially for Ice Ager households. In addition to B-to-C services provided by specialist companies, another option for meeting this demand could be the provision of C-to-C services through skill sharing, crowd-sourcing or other methods (Fig. 14).
- (4) With more women entering the workforce, the amount of time available for child-raising is also changing. Men are increasingly playing a role in caring for children, in part because fathers are becoming more motivated toward child-raising activities. This trend is expected to result in new demand linked to a father's perspective on childcare, which can be different from the approach taken by mothers. For example, fathers are more likely to opt for outdoor play and activities that involve contact with the natural environment.

Fig. 13 Labor Inputs and Working-Couple Ratio for People Aged 35-44

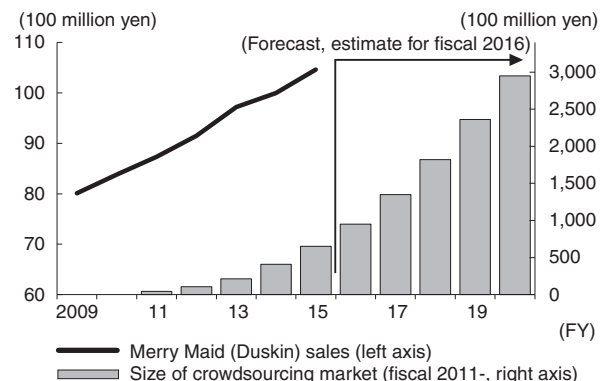


Source: Compiled by JRI, using data from Labor Force Survey conducted by the Ministry of Internal Affairs and Communications

Notes 1: Labor inputs are hours worked per week. Working hours are averages of median hours per week (counting any total over 60 hours as 60 hours), weighted according to the number of workers.

Notes 2: The working-couple ratio is the percentage of households in which both husband and wife are working.

Fig. 14 Market for Outsourced Housekeeping Services



Source: Compiled by JRI using Yano Research Institute, *BPO (Business Process Outsourcing)/Crowdsourcing Market in Japan: Key Research Findings 2016* (<https://www.yanoresearch.com/press/pdf/1612.pdf>, November 11, 2016), SPEEDA, and other sources

Notes: The size of the crowdsourcing market was based on the value of work commissioned. This was calculated from the total amount of work commissioned by companies on crowdsourcing systems and also includes work for which orders were ultimately not placed.

Disclaimer:

This report is intended solely for informational purposes and should not be interpreted as an inducement to trade in any way. All information in this report is provided "as is", with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information, and without warranty of any kind, express or implied, including, but not limited to warranties of performance, merchantability and fitness for a particular purpose. In no event will JRI, its officers or employees be liable to you or anyone else for any decision made or action taken in reliance on the information in this report or for any damages, even if we are advised of the possibility of such damages. JRI reserves the right to suspend operation of, or change the contents of, the report at any time without prior notification. JRI is not obliged to alter or update the information in the report, including without limitation any projection or other forward looking statement contained therein.