



Key messages: Turning demographic challenges into opportunities

Spatial planning and regional development are critical in shaping policy responses to turn demographic challenges into opportunities. Productivity growth and higher activation rate are imperative for sustaining aggregate growth. Effective policy implementation will require transversal approaches as government-whole initiatives.

Demographic change offers opportunities

Potential benefits and opportunities

Population Ageing	<ul style="list-style-type: none">• High life expectancy as a sign of success• Demand for goods and services and new market opportunities (“silver economy”)• Elderly people represent untapped resources for flexible and experienced workforce
Population Decline	<ul style="list-style-type: none">• Less congestion• Opportunities for space-intensive activities• Decreasing environmental pressure• Flexibility in land use

Recommendations

1. Demographic change offers opportunities as well as challenges.

Lower population density can bring benefits such as more flexibility in policy making. Effective spatial planning, from national to local levels, such as National Spatial Strategy will be critical to exploit the potential benefits of demographic change.

2. Productivity growth and higher labour market activation rates are needed to maintain aggregate growth of GDP

Enhancing technological and institutional innovation is paramount for Japan to sustain rising living standards in the context of population ageing and decline. Mobilising women and encouraging longer careers will be critical to achieve higher labour market activation rates. Providing better commuting, housing and child-care conditions across the different regions and cities will make it easier for people to combine careers with family life.

3. Japan’s future as “compact and networked” seems broadly right.

The aim is to sustain a settlement pattern that facilitates the realisation of agglomeration economies while avoiding the abandonment of large parts of the territory.

4. Better governance at the metropolitan scale would maximize productivity potential of cities

Cooperation among cities is crucial to maximise their productivity potential. The government should foster policy co-ordination beyond administrative boundaries and improve connections by linking nearby cities.

5. Stronger rural and urban linkages will help sustain local prosperity.

Rather than relying on external resources, rural areas should mobilise their own assets, take advantage of new opportunities, make use of technology and enhance rural-urban linkages to attract investment and enter new markets.