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In Search of New Socio-Economic Theory
on Social Security

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Introduction

● Lack of Systematic Theory on Social Security

Even as late as the beginning of the 1990s, Mikio Sumiya's epigram, *Poverty of Theory on Social Security* (1991) was being cited often, however since then, it seems that there has been some progress in the study of social security in related fields of economics, sociology, jurisprudence and other political sciences, separately. However, even now, there is no systematic theory on social security over all. According to Dr. Sumiya's point out, it is the most pressing matter at hand to establish the socio-economic theory on social security, keeping in mind the social security system in national economy. There are some who consider the study and classification of welfare states as a theory which stems from the work of the Nordic political scientist, for example Esping-Andersen, but these cannot be called the "theory of social security".

In the applied economics field, there has been some debate on the effect of social security, either benefit or burden, on national economy and budget, and also some researchers who try to analyze the relationship between the size of the economy and the social security outlays, but they have not reached a point where they theorize the framework of how the social security system is affected in the national economy and conversely how it affects the economy, nor do they debate fully on the benefits of the social security system on the economy as a whole.

Therefore, even though it is still at its development stage, I would like to suggest a new theory on social security. The theory which I describe here is based on my empirical work "Is the Social Security System a burden to the Japanese Economy?", the Japanese newspaper, "Kosei Fukushi" 2006.4.4.-2006.12.21., and also on my theoretical work "Social Security and National Economy in Japan" (Keio University Press) which was published in June 2007.

1. Principle of the Social Security

Currently, the welfare states, including Japan, each possess a social security system suited for each country, yet the coverage and the benefit level, etc. are not necessarily the same. Especially, the principle of "social security" is different from a country to

another, so it is necessary to first define the word before we discuss the relationship between social security and national economy.

The root of the word “Social Security” lies in the Social Security Act (1935) of the United States. However, as in the case of the United Kingdom where the recent Social Security Law (1990) was a rename of the old National Assistance Law (1946), “social security” in the UK is somewhat narrow definition meaning income security for the low-income people. In the UK, “social services” is used to mean a wider definition including, for example, housing assistance and social scholarship in Japan. Other West European countries also have various definitions of social security, and Japan with a strong influence of the US after the war, also has a unique definition.

- **National Security and Social Security**

The “Social Security” in the US encompasses the notion of “security for the entire society”, as it can be guessed from the fact the “national security” in the US includes safeguarding the nation from the foreign forces and terrorism etc. As a matter of fact, the original name of the Act was the “Economic Security Act” which meant a narrow definition of safeguarding national economy. Anyway, it can be said that the two pillars of the modern capitalist nation, or “welfare capitalism” (by N. Gilbert) are the “national security” and the “social security”.

However in Japan, “social security” in general is taken as to mean securing the lives of the citizens as at the beginning we used the Japanese word “Annei (peace)” instead of “Hosho (security)”.

- **1950 and 1995 Recommendations of the Social Security Committee**

Social security in the 21st century is deeply interrelated with the socio-economic situation and the very basis of nation itself, and thus, it must change with the change of the society. It is interesting to note the difference in the basic principle of social security between the recommendations of 1950 (Committee Chairman: Hyoue Ouchi) and 45 years later in 1995 (Committee Chairman: Mikio Sumiya) by the Social Security Committee.

The recommendation in 1950, in sum, states that the responsibility of the social security is the state, and state must make an overall plan and then implement it effectively through ministries and local governments. In short, the “social protection” by the central government was very strongly emphasized. At the time of the confusion after the war, there were jobless and homeless people abound, and many were impoverished, and therefore, it was the state’s reason for being to urgently provide relief to them.

On the other hand, the recommendation in 1995 states that in devising the social security reform, and the most important first concept was for every citizen to possess the “heart of the social security”, meaning “independence” (independent living or self-sufficiency) and “solidarity” (co-living together). It states that “solidarity” does not mean depending on one another, but rather, living with others and helping one another just as a member of a family. Such that the elderly should take care of their own health and strive to keep independent living, in order to gain understanding from young generation. In sum, the new recommendation encourages assistance for independence, as well as social solidarity, and the social security does not simply mean that the state provide security to its citizens living, and the citizens need to live up to independence and solidarity. This is the biggest change in the principle of social security thus far.

In addition, the social security system of Japan has been constructed by parts (pension, health care, welfare services etc.), but it is now necessary to consider each parts, even the social insurance, within the framework of the entire system.

Further, the benefit level and the burden (premiums or charge, etc.) of the social security have been calculated based on a “typical family” (the bread-winner male household head who is an employee of large corporation, with a housewife and 1 child or 2 children). However, the rapid increase of women in the labor force has increased the two-earner family tremendously. At the same time, there has been a debate as to whether the household as a unit is appropriate in the age of rapid aging and low fertility. The systems of course need to change in accordance with the change in the society.

This is not to say that there has been a consensus and political will to change for example, the unit of the Public Assistance scheme from the household to individuals. However, the trend of the social security system, as can be seen in the case of the Long-term Care Insurance, is to move from the household unit to the individual unit. Thus, the keywords for the new social security system are “independence and solidarity”, “systematic living security”, and “individuals as unit”.

2. Three Dimensions of Social Policy, Social Security and Social Services

In order to empirically analyze how the social security system affect the national economy and vice versa, it is necessary to first conceptualize the relationship among the social policy, social security and social services such as medical care, long-term care and other welfare services. (Diagram 1). The word “social services” as used here is a bit narrower than the definition of “social services” in the UK.

In Japan the three segments have been confused without clear definition and there

has been on-going debate regarding the demarcation of each.

- **The Relationship of the Social Policy, Social Security and Social Services**

So, let us try here to clearly conceptualize the meaning of “social policy”. Originally, social policy (*sozial politik*) was first devised as systematic social schemes for the labor class in the pre-war Germany. Academically, it had been confused only as the application of economics in Japan, but it is, as pointed out by Max Weber, a mixture of, economics, sociology, politics, jurisprudence and history.

The traditionally social policy approach was to use the world-famous framework of “Subject-Object-Method”. Therefore, the social state was the subject, and the social method was the social policy itself, and thus various problems of the modern society so called social problems were tackled as the object. Such approach has seen some success both in the field and academically (Even now there has been a shift from a state social policy to citizen’s social policy. Because the citizens has become strong subjects (agents) recently.)

However, such approach was mixed with concepts in quite different levels. The “methods” in social security meant how to deliver the benefits, such as benefit in cash or benefit in kind, and the “methods” in social services meant delivery of services in the fields.

In other words, if we examine the meaning of the “methods” carefully, the social policy treated it as a matter of policies or programs and its biggest objective is to solve whatever the social problems it is facing. On the other hand, the social security regards “methods” as the matter of benefit delivery, and its biggest concern was the relationship between benefit and burden. As social services regard “methods” as relationships of the service provider and service recipient at the care and personal service level.

Further, let me add a few words about the social services which are the benefit-in-kind of social security. First of all, the benefit-in-kind today does not mean provision of food and clothes, etc. as it was at the beginning, but rather, a part of domiciliary welfare services. In short, benefit-in-kind is so called “benefit-in-service”, in my original opinion. Secondly, these social services are provided as a product of service industry involving multiple numbers of service providers. The production of such, just as in the case of other services, is linked together with the consumption process of the user. In sum, it cannot be stocked. Especially from the second point, it is necessary to develop a management theory (production process = consumption process of social services as well as other services). In any case, the point here is that

the theory of social security surrounds the debate of the benefit level, and even though it is an important debate, I will not pursue it here.

3. System of the Social Security

- **Heavy Roles of Local Governments, and Positive Utilization of Non-Governmental Sector**

Considering the change in the relationship and demarcation of the central and local governments, and expansion of diversified social services provided both in the public and private sectors (strictly non-governmental sectors), shortcomings of the previously mentioned 1950 Recommendations have become clear. In short, there is a confusion of the social security sectors and social security methods (measures). For example, taking social welfare as an example, the “public” responsibility in these days do not necessarily mean the responsibility of the state, but the responsibility poled by the local governments has become heavy. Also, the actual providers of the public services nowadays include various private entities, both for profit and non-profit.

In such case, excluding the employment insurance, the three sectors: 1) income maintenance such as pensions, social allowance and public assistance, 2) medical care, 3) health and personal social services, for each of which, I. Public Assistance, II. Other social assistance and III. Social insurance, in sum a matrix of 9 cells must be reconstructed (table 1). This matrix which was originated from me, will give universal perspective and can be quite useful in international comparison studies, but neither ILO nor OECD uses such matrix but rather use the simply a list of programs within the social security system, though I appreciate demonstrative roles of Social Security Database of ILO and Social Expenditure Database of OECD very much. Just make sure for confirmation, I presume to tell that the essence of social insurance is not only methods of social security (simple measures against social problems), but the heart of social security(independence and solidarity). We must recognize that social insurance is one of methods (measures) of social security in order to systematize other fields of social security.

4. Social Market and Social Security

In Japan, there has been a big wave of loosening of restrictions, and introduction of private sector and the market mechanism is positively encouraged. Before entering into the argument of its merits and demerits, it is necessary to briefly discuss “social market” (a concept developed by the English social scientist, R.Titmass more than 30 years ago). The concept of “social market” includes quasi-market is used as an opposite

of “economic market”. This is because the function of the social security system provides benefit and distributes them in a way that would not have been done if left to the economic market mechanism alone. It is true that the traditional social security model was a direct provision of goods and services by the public sector and most of it was conducted outside the economic market without being restricted by regulations. However, “social market” does not only include the direct payments to individuals and households from the government using the general budget, as in the case of public assistance. The modern social market is dominated by the benefit from the social insurance, and also involves tax expenditure. Many of which are carried out by the private sector.

- **The function of Social Market as opposed to that of the Economic Market**

The American social scientist, N. Gilbert stated that “The modern welfare capitalism is supported by the interactions of the social market and the economic market and the two markets’ demarcation of responsibility in terms of financing and payment of the social welfare system.” So let us examine the function of the social market as opposed to that of the economic market.

The first function is promotion of social integration.

The second function is to secure the basic living needs which cannot be fulfilled.

The third function is to correct the distribution and inequality of resources caused by the economic market.

There are not only public policy service but also various voluntary services according to reciprocity or gift-principal in social market.

The traditional Marxists’ view on these functions not as a safety-net for those in need of social protection, but rather, as a mechanism to alleviate the dissatisfaction of the labor class and are merely protecting the capitalism. However, such view is unrealistic because, if we include the entire social outlay, directly and indirectly from the government, the main beneficiary of social market is the middle class, not the labor class.

The social security is different from the traditional social policy (in germany word, *Sozial Politik*) where the main target is the poor and weak people or the labor class, and has become a system for securing livelihood of the entire nation (all people).

- **Decentralization and Deregulation in Public Policy**

In the latter half of the 20th Century, especially after the 1980s, a reform of welfare system arising from the financial difficulties has become a necessity in both Japan and

other Western countries, and the decentralization and deregulation (so called privatization) has become the key concepts of the public policy reform. The same applies to the reform of social security system as well.

It is important to note that deregulation includes commercialization, but it can be carried out by non-profit organizations as well, unlike commercialization where only for profit organizations are involved. Deregulation might weaken the responsibility of the states, but it might promote private sector, diversify service providers, and increase the choice for people, and the competition might work in a positive way. This might be the way for the government to create and foster a social security system. In Japan as well, it is possible to revive the social security if demerits of decentralization and deregulation are properly taken care of.

However, simply introducing decentralization and deregulation for the sake of cutting down the public expenditure is not what I support. Decentralization and deregulation must be the way to increase both the quantity and quality of social security.

Since R.Titmass called such movement “social market”, we can recognize discrimination between social market and economic market. However, in Japan, there is but a few who regard the social market in such a way. Especially those who are called the “market fundamentalists” do not understand the meaning of social market.

● Demand and Supply Relation of Social Market

Well, my social policy theory does not regard the relationship between needs and resource within the market model. In the case of the market model, I do not place an emphasis on the underlying need and resource, but on the actual demand and supply of social security, and call the social market. In short, I am critical of social market theory as well as quasi-market theory in the U.K. Because I am sure that social security’s mission is to satisfy social needs of citizen through market mechanism or not.

It is possible to access the balance between the social demand and social supply, and to react, i.e. if the supply is short, increase the supply, and if the demand is too much, suppress the demand. It is quite natural to call this mechanism “ social market ”. However, to be precise, there are some differences between the social and economic markets. First of all, the social market is not necessarily governed through the price mechanism. Secondly, it is sometimes hard to back up the demand with money (such as those by the low-income households). Thirdly, the aim of the supply side is not necessarily the profit.

The demand and supply mechanism of the social market is relatively separated from

the economic market. This is because it is government's responsibility to match social needs and social services. Social workers, as well as local governments must differentiate social needs and social demand. Because these interest have to concentrate to satisfy social needs of citizen, but social needs don't always appear clearly in front of these professionalism and bureaucracism.

- **Overlapping with the Economic Market**

Of course, there is a realistic possibility that the economic and social markets will be overlapped, as in the case of the Long-term Care Insurance. Thus, it is not only necessary to differentiate the two, but identify which parts are overlapped and which parts are not. My opinion is that role of service provision should be non-governmental, both profit and non-profit, so that it does not become bureaucratic and is more flexible and efficient. If so, such services traditionally exist in the economic market, and thus overlapping with the social market becomes inevitable. Well, the support for all, including the financial backup, must be provided by the public sector. However, there needs to be some social regulation.

- **Two Models of Demand the Supply Relationship of Social Security Services**

The central relationship in the modern social security system is that of the benefit and the burden. Here, let me redefine this relationship with the framework of the demand and supply of social security services (Diagram 2).

In social policy, the traditional demand and supply relationship of social security services could be categorized into two quite opposing models. 1) R.Titmass model as seen in the British social policy, 2) M.Freedman model as supported by American economists. The former is often called "N (Social Needs)—R (Social Resource) Model" in social market. The latter is called "D (Demand)—S (Supply) Model" in economic market. I developed a new model where needs and demand is separated on one hand, and the resource and supply is separated on the other; in short, N···D—S···R model. It is important to note that the social market does not exist in the N—R relationship as in the R.Titmass model, but in the D—S relationship, and the D—S relationship does not only apply to the economic market, but also to the social market. Further, there exist outside the social market two structures: socio-economical structure and social consciousness structure which influence each other (Diagram 2). Social needs turn into social demand for social security services, and social resources turn into the supply (social programs) of social security. Such model can become the working hypothesis for planning social security and becomes the framework for social services planning.

5. The Relationship of Social Security and National Economy

It is the aim of this chapter to generalize how the social security system functions within the national economy and affects it. To do so, it is necessary to first clarify the general relationship between the social security system and the economy.

● Social Security can only be Understood Correctly within the Framework of National Economy

Diagram 3 depicts the general relationship of the social security system and the national economy. The benefits and the burden of the system are intertwined with the national economy.

First of all, the burden side of the social security system is financed out of tax, premiums and users' fee (charge).

- (1) The tax is a part of what is collected through various levels of individual income tax (HT) and corporate taxes (ET);
- (2) The premiums (SI) are collected from individuals and also from corporations.
- (3) The user fee is borne by the user of social security (mainly social services) and it comes from household income. However, in order to simply, it is not shown in the diagram.

Next, the benefit of social security system both support to the livelihood of citizens.

- (1) The income support (pensions etc.) increase the consumption expenditure and thus encourages the consumption demand of the national economy. The effect on the savings, in case of Japan is fairly small so I won't go into details here, but it is sufficient to note that it is smaller in Japan compared to other Western countries.
- (2) The service sector of medical care, long-term care and welfare services consists of labor, inputs and machinery and is a specific service production sector. Thus, by purchasing goods and services, it produces the effects as modeled in interindustry analysis (input-output table by W. Leontief). It encourages production and produces employment opportunities and has a large effect on the national economy.
- (3) The pile-up of public and private pension funds indirectly influences the national economy through the fund management such as purchase of equity and bonds.

Thus, the social security system has a dynamic relationship with the national economy. Simply regarding it as a closed system and only focus on the input (burden) and the output (benefit) is quite small-sighted. From this Diagram 3 (The relationship of social security and national economy), we can generalize the functions and effects of social

security,

- **The Main Functions of Social Security to Support the Livelihood of People**

The main purpose of the social security system is to sustain the living or livelihood (earlier it was just income maintenance) of labor class which is often under serious threats from within the market economy. In order to fulfill the purpose, the social security system has public assistance which guarantees the minimum standard of living and the unemployment benefit and pensions (Ea). Also medical care and welfare services have employment creation function and effect (Eb). (Effect is quantitative consequence of function.)

The core of the social security is the function as a safety-net for poverty and crisis of livelihood which arises during the course of modern capitalism, such function is served through the two functions (Ea) and (Eb). Also historically, the social security has not remained only livelihood security system for low-income labor class, but has developed an income redistribution function which redistributes national income from middle and high income class to low income class, and from young generation to the old.

Such income redistribution (c) has traditionally been implemented only through tax system, but it has become an increasingly large function of the social security system. This function is not a safety-net in a narrow sense, but it is an important economic function, and therefore should be called a safety-net in a wide sense.

If we examine the three elements of production, labor, money and goods, the social security system has three indirect functions (especially that of expansion of consumption). The social security system creates employment for “labor”, induces production for “goods”, and circulates resources for “money”. This can no longer be called merely a safety-net. These are functions (d, e, f) so important that these are vital for the development of national economy for developed capitalist states (Table 2).

Let me just add here that it is not always possible to separate the safety-net function with that of expansion of consumption. Income security stabilizes the livelihood and if the consumption is done locally, it stimulates the local economy. Moreover, social services and health services also serve as a safety-net by securing income for those who are employed as health professionals. The division between the two (I and II) is merely relative.

As shown in Table 2, the sum (ΣE) of the effects (Ed) employment creation, (Ee) production inducement, (Ef) resource mobilization, as well as (Ea) living stabilization, (Eb) labor force maintenance and (Ec) income redistribution, is especially the domestic demand expansion effects (i.e. supporting the national economy) of the social security.

- **How to think about the National Burden Rate (% of tax and premiums levied for the social security system in the National Income)**

The rapid ageing and severe recession has made the financing of social security system a serious political issue in all developed countries. With such background, Japan uses what is called the “National Burden Rate (NBR)” ($= (T+SI)/NI$) as a policy index. It is calculated as tax (T) and premiums for social security (SI) divided by National Income (NI).

Japan’s NBR (by The Committee of National Economic Budget Recommendation) is calculated using the NI figure from the SNA for the denominator and for numerator, a sum of tax collected calculated by the Ministry of Finance and premiums by the Ministry of Health, Labor and Welfare. Although and it is a hypothetical figure, Japanese Government emphasizes that it should be maintained to remain below 50%.

There have been many questions posed by economists on NBR. However, you can not deny that the sum of tax and premiums is an index which can indicate the size of the government, and it may not be precisely correct, but it seems to be an important index.

However, even though the burden of tax and the premiums of social security has become large in households, enterprises and governments, it is problematic to use NBR merely as a mean to reduce that burden. For example, we cannot ignore the fact that some of that burden is transferred as benefit (pension, public assistance, unemployment benefit, social allowance etc.) to other people, and the so called “burden” must be viewed in relation to the national economy and its circulation. Some of the burden is transformed into pension, unemployment benefit and public assistance benefit etc. , and it is wrong to regard only the burden side of the system. In my opinion, at least, we should use an index where the sum ($((T+SI) \div NI)$) of tax and premiums minus income transfer is divided by National Income.

As in Table 3, the really adjusted burden of NBR (Gross NBR) is that much lower. As the pension system matures and the ageing of the society progresses, the share of the “burden” that is transferred back to people increases. Thus, as the social security system has developed, it feels as if the burden is increasing, but it is not necessarily so. In fact, Japan’s really adjusted NBR (Net NBR) has been decreasing since 1990s until now. Further, NBR only considers the quantity of social security and it ignores the quality of social security.

- **What is the Quality of Social Security?**

As the last topic, I would like to discuss the quality of social security. It is a well known fact that after the rapid growth era of 1960s, Japan has entered a stable growth (or low growth) period and has reached a matured society as an economic giant. With such background, as in the case of other developed countries, Japanese people have moved from wanting the quantity of life to quality of life (QOL). At the same time, the need for the social security has changed from simply increasing the size of benefit to provision of high quality level's social services which meet the social needs of citizen (people).

Until some time after the II War, social security in developed countries including Japan has been limited by the living standard of people, and has placed its objective in meeting the quantity demand. However, later, it has become a political agenda to meet demand not only in volume but also in quality, meeting the needs of QOL. Then, what is the quality of social security? The answer is not clear for each of pension, health and welfare, and for the overall system.

My theory on the quality of social security includes the following 5 points:

- (1) The first point is the connectivity of social security systems.
- (2) The second point is the quality standard of social security services (especially quality of service providers).
- (3) The third is the availability of wide selection and efficiency of social security services.
- (4) The fourth is to increase the labor force participation of the younger old (younger half of the elderly population) individuals as well as those who are on the public assistance.
- (5) The last point is active prevention of chronic diseases (diabetes, hypertension, etc.) and at the same time creating Ikigai (purpose for worth living) especially for the elderly population.

I would like to suggest these five elements, (A) connectivity, (B) service standard (and standard of providers), (C) wide selection and efficiency, (D) labor force participation, and (E) lively life-style for everybody as the components of quality of social security.

Thus, if the quantity of social security (G_{ss}) is a function of nation's economic power (N) and ageing index (O) ($G_{ss}=f_{sg}(N,O)$), then the quality of social security (Q_{ss}) is a function of the above 5 elements ($Q_{ss}=f_{sg}(A,B,C,D,E)$). It is not possible to precisely measure social security empirically, but it must be measured in both quality and quantity.

Even for the social security reforms in the developed countries, it is necessary not only to increase the quantity, but to increase the quality. If so, it is possible for both

national economy and social security to develop at the same time.

In developed countries, there has been a trend to reduce the expenditure of social security. While there is a way to cut down passively the spending due to financial pressure, there is a way to slim down the expenditure at the same time increase the quality of social security, and this active reform should be the aim of social security in near future. It has been a rather large topic, but this is my viewpoint and framework for national economic theory on social security without regard to those remaining theoretical issues such as social justice by J. Rawls, capabilities by A. Sen, Supplyside-economy by M. Feldstein and so on.

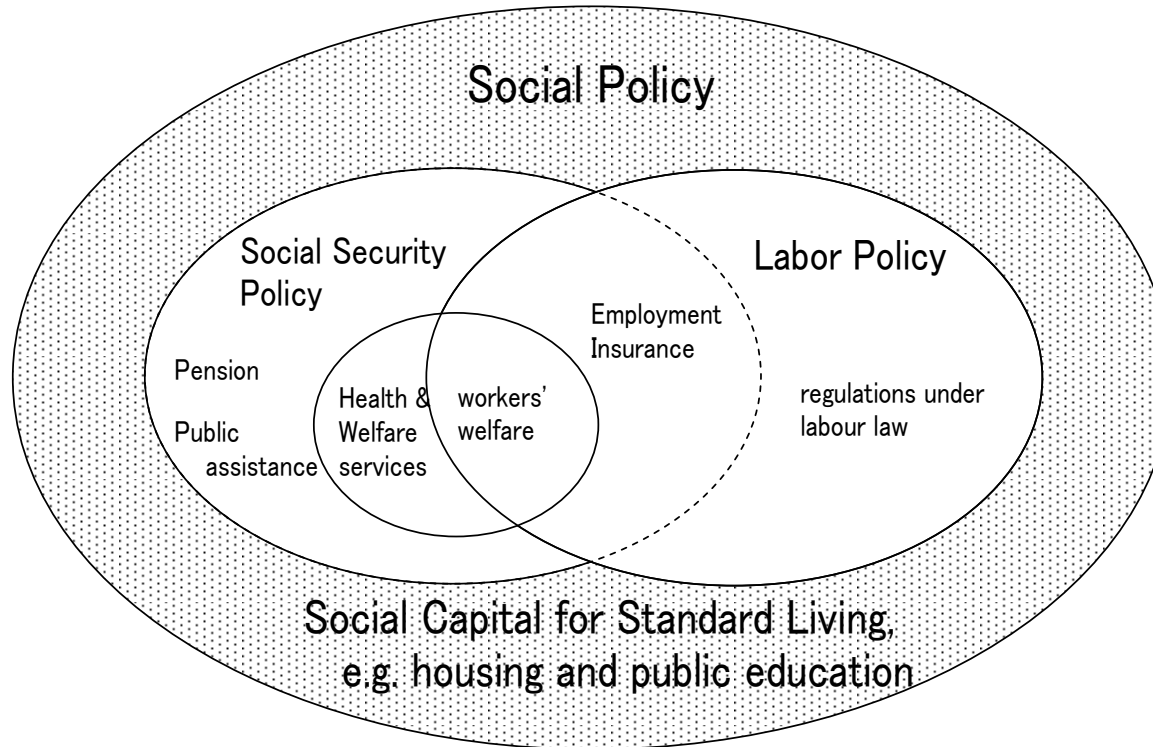
* This paper is written for the discussion about the new theory of social security and social policy from interdisciplinary perspectives under my original paper, "In Search of New Theory on Social Security," *Journal of Social Insurance*, Shakai Hoken-Kenkyusho co. Ltd., No. 2310, 2007 March 21th.. I am very grateful to Ms.Aya Abe for her help to write this English version of my paper and to Mr.Yoshihiro Kaneko for his help to make references. Do not quote without the author's permission.

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Diagram 1 Social Security's Place in Social Policy



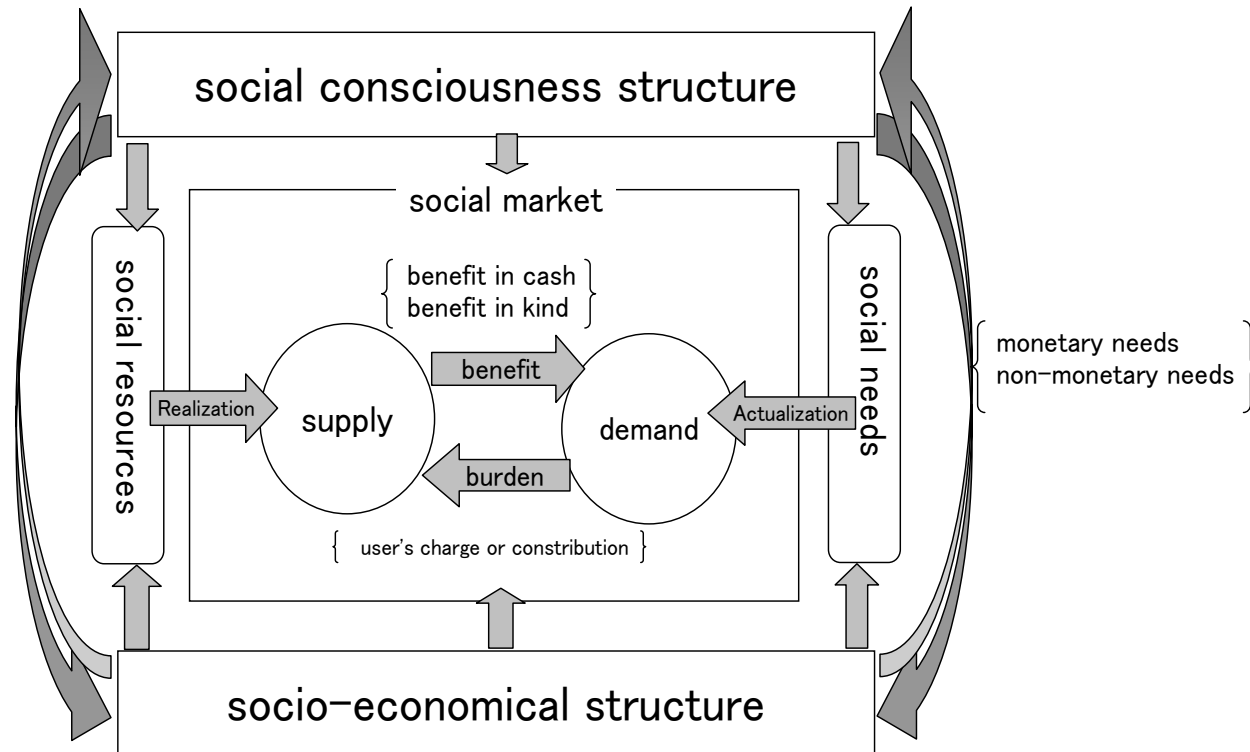
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Table 1 Social Security System in Japan (Matrix)

| | Social Assistance | | Social Insurance |
|---------------------------------------|---|------------------------|--|
| | Public Assistance | Other Public Services | |
| Income Maintenance | Public Assistance (living assistance) | Sheltered Workshop | Old-age Pension Unemployment insurance Work accident Insurance Disability Insurance |
| Medical Care | Public Assistance (medical assistance) | Public Medical Support | Health Insurance Work Accident Insurance |
| Health and Personal Social Service | Public Assistance (long-term care assistance) | Welfare Services | Long-term Care Insurance |

(Reference) T. Kyogoku, In Search of New Theory on Social Security, "Journal of Social Insurance", No. 2310, p. 9, 2007.

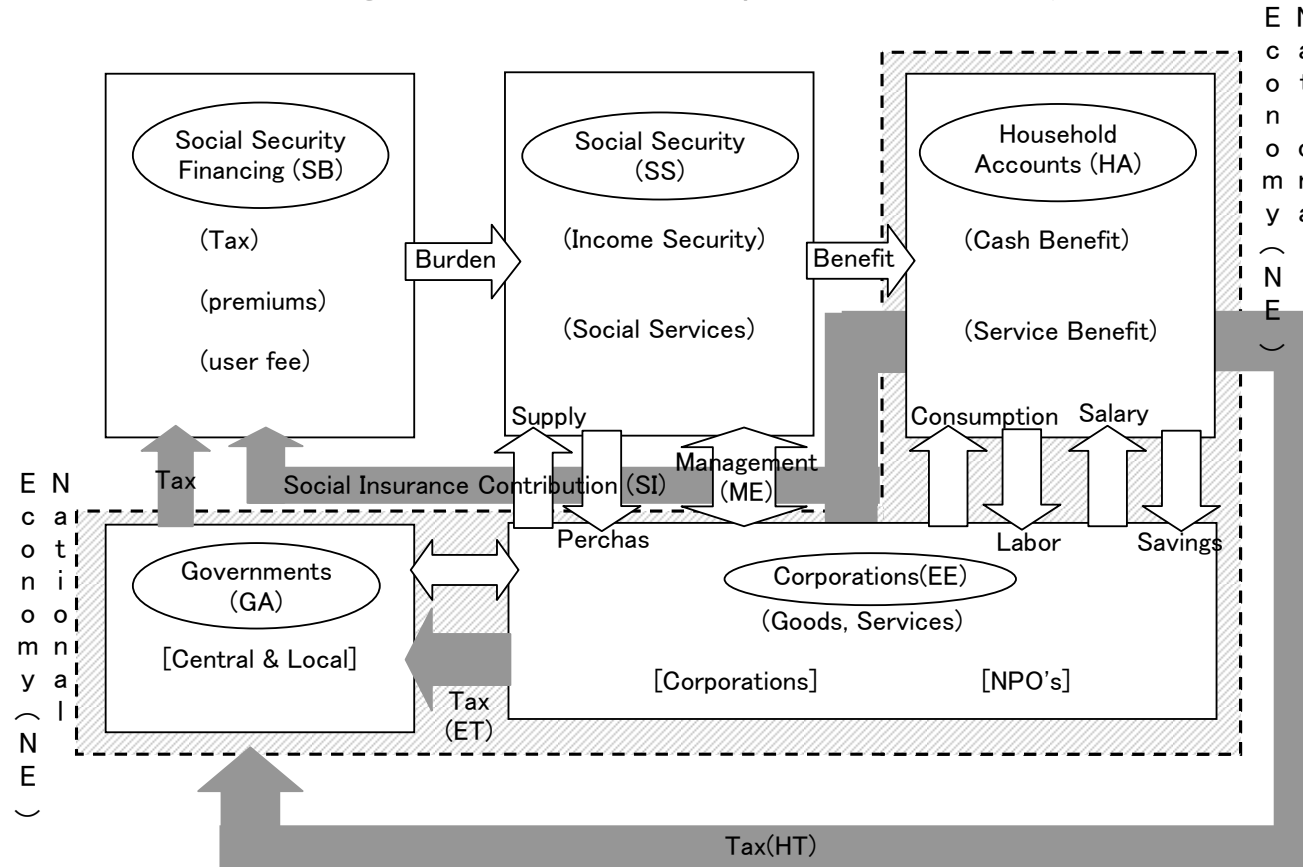
Diagram 2 Supply-Demand Model of Social Security



(Reference) T. Kyogoku, In Search of New Theory on Social Security, "Journal of Social Insurance", No. 2310, p. 12, 2007.

(note) Arrow \Rightarrow indicates one-way, \Leftrightarrow indicates two-way relationship.

Diagram 3 The relationship of Social Security



(Reference) T. Kyogoku, In Search of New Theory on Social Security, "Journal of Social Insurance", No. 2310, p. 12, 2007.

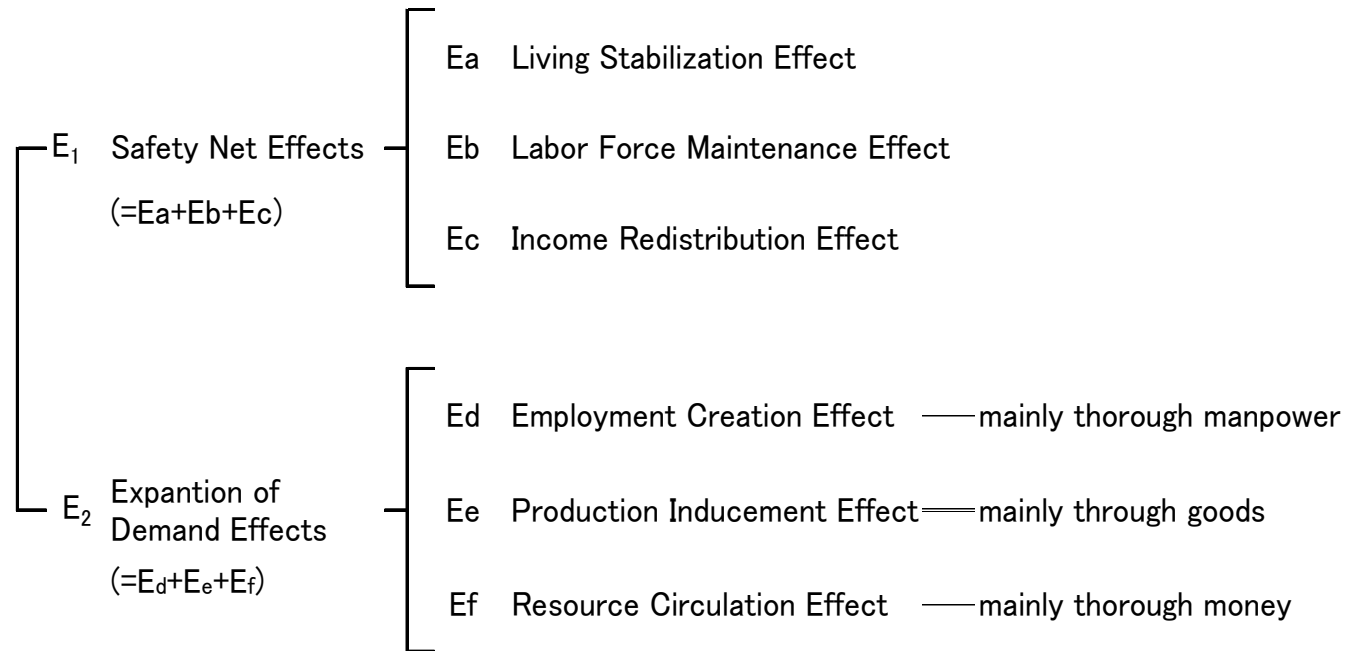
Note 1: Economic activities of local & central governments are include in EE, and tax & premiums paid by civil servants in household accounts.

Note 2: Goods and services of corporations include capital gains(MI) etc.

Note 3: In developing countries, financing of social security includes ODA funds.

Note 4: The user fee of social security is fairly small and thus is omitted in the diagram.

Table 2 Main Functions of Social Security (Economic Effects)



(Reference) T. Kyogoku, In Search of New Theory on Social Security, "Journal of Social Insurance", No. 2310, p. 14, 2007.

Table 3 The Defention of NBR

[The Detention of Nominal NBR]

$$\text{Nominal NBR} = \frac{(\text{a})\text{Tax} + (\text{b})\text{Premiums}}{\text{National Income(NI)}}$$

[The Detention of Adjusted NBR]

$$\begin{aligned} \text{Adjusted NBR} &= \frac{(\text{a})\text{Tax} + (\text{b})\text{Premiums} - (\text{c})\text{Social Security Cash Benefits}}{\text{National Income(NI)}} \\ &= \frac{(\text{a})\text{Tax} + (\text{b})\text{Premiums}}{\text{National Income(NI)}} - \frac{(\text{c})\text{Social Security Cash Benefits}}{\text{National Income(NI)}} \\ &= \text{Nominal NBR} - \text{Cash Benefit Return Rate} \end{aligned}$$

(Reference) T. Kyogoku, In Search of New Theory on Social Security, "Journal of Social Insurance", No. 2310, p. 15, 2007.

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