

## IV. Appendix

### 1. Description of the main terms used

#### 1-1 OECD Standards

##### Social Expenditure

According to the OECD standards, the scope of social expenditure is defined as "The provision by public and private institutions of benefits to, and financial contributions targeted at, households and individuals in order to provide support during circumstances which adversely affect their welfare." However, it only includes benefits provided by institutions under certain schemes and does not include a direct payment for a particular good or service or an individual contract or transfer.

The conditions for an expenditure item to be identified as "social" are twofold: (1) the benefits are expected to address one or more social purposes (nine policy areas) and (2) the scheme that makes the provisions of the benefits must contribute to the redistribution of income across individuals or involve compulsory participation.

Based on these standards, Japan has aggregated and provided data on public social expenditure and mandatory private social expenditure (explained below), which include expenditure not directly transferred to individuals, such as facility maintenance expenses.

##### Public Social Expenditure

Public social expenditure is social spending with financial flows controlled by the general government (different levels of government and social security funds), as social insurance and social assistance payments.

##### Mandatory Private Social Expenditure

Mandatory private social expenditure refers to social support stipulated by legislation but operated through the private sector, such as direct sickness payments by employers to their absent employees as legislated by public authorities, or benefits accruing from mandatory contributions to private insurance funds.

##### Social Expenditure by Policy Area

Social expenditure is categorized into nine policy areas. The definition of each policy area is as follows. For the specific benefits and projects included in each policy area, see Appendix 2-2.

##### (1) Old Age

Old-age comprises all cash expenditures (including lump sum payments) on old-age pensions. Old age cash benefits provide an income for persons retired from the labour

market or guarantee incomes when a person has reached a 'standard' pensionable age or fulfilled the necessary contributory requirements. This category also includes early retirement pensions: pensions paid before the beneficiary has reached the standard' pensionable age relevant to the programme. Excluded are programs concerning early retirement for labour market reasons which are classified under "Unemployment." Support services for the elderly related to IADL (Instrumental Activities of Daily Living) such as shopping and laundry are also recorded.

#### (2) Survivors

Survivors comprises social expenditure programmes in the public sphere which provide the spouse or dependent of a deceased person with a benefit (either in cash or in kind). Allowances and supplements for dependent children of the recipient of a survivors' benefit are also recorded here.

#### (3) Incapacity-related benefits

Disability cash benefits comprise of cash payments on account of complete or partial inability to participate gainfully in the labour market due to disability. The disability may be congenital, or the result of an accident or illness during the victim's lifetime.

Spending on Occupational injury and disease records all cash payments such as paid sick leave, special allowances and disability related payments such as pensions, if they are related to prescribe occupational injuries and diseases. Sickness cash benefits related to loss of earning because of the temporary inability to work due to illness are also recorded. This excludes paid leave related to sickness or injury of a dependent child which is recorded under family cash benefits. All expenditure regarding the public provision of health care is recorded under health. Social expenditure on services for the disabled people encompasses services such as day care and rehabilitation services, home-help services and other benefits in kind.

#### (4) Health

This category includes benefits in kind for medical care spent for treatment and does not include sickness and injury allowance. Examples include inpatient and outpatient care, emergency medical care, prescribed medicines, pharmaceuticals and other medical non-durable goods, preventive care, long-term care services, including medical and nursing services and support services related to ADL (Activities of Daily Living) such as bathing, eating and toileting.

#### (5) Family

Family includes expenditure which supports families (i.e. excluding one-person households). This expenditure is often related to the costs associated with raising children or with the support of other dependents. Expenditure related to maternity and parental leave is grouped under the family cash benefits sub-category.

#### (6) Active labour market programmes

Active labour market programmes - contains all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful

employment or to otherwise increase their earnings capacity. This category includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled.

#### (7) Unemployment

This category includes all cash expenditure to people compensating for unemployment. This includes redundancy payments out of public resources as well as pensions to beneficiaries before they reach the 'standard' pensionable age if these payments are made because they are out of work or otherwise for reasons of labour market policy.

#### (8) Housing

Rent subsidies and other benefits to the individual to help with housing costs. This includes direct public subsidies to tenants earmarked for support with the cost of housing.

SOCX also reports direct housing provision to the elderly, disabled, low income families, but excludes mortgage relief (fiscal), (capital-) subsidies towards the construction of housing support or implicit subsidies.

By convention, all housing benefits are classified as in-kind benefit as they are earmarked expenditures.

#### (9) Other social policy areas

This category includes social benefits which fall outside the scope of the categories listed above. Specifically, these are public assistance benefits and any benefits in kind, which cannot be categorized into other categories.

### 1-2 ILO Standards

#### Social Benefit

The ILO's 18th and 19th International Inquiries on the Cost of Social Security define Social Benefit as schemes and services that meet the following three criteria:

- ① The objective of the scheme is to provide benefits for one of the nine risks or needs: (1) Old age, (2) Survivors, (3) Disability, (4) Employment injury, (5) Sickness and health, (6) Family/Children, (7) Unemployment, (8) Housing, and (9) Social assistance/others.
- ② The scheme is set up by legislation that attributes specified rights to, or imposes specified obligations on, a public, semi-public, or autonomous body.
- ③ The scheme is administered by a public, semi-public, or autonomous body that has been set up by legislation. They can be a private body that has been commissioned to execute legally defined obligations.

#### Social Benefit by category

Social Benefit is classified into three categories: "Medical care," "Pensions," and "Welfare and

others." While this categorization is unique to Japan, it is based on the summary table of balance of Social Benefit from the ILO's 18th International Inquiry on the Cost of Social Security.

#### (1) Medical Care

On the statement of revenues and expenses for social security benefits, this is the sum of medical care for sickness-maternity and that for employment injuries. It includes costs for the health insurance, medical care system for the latter-stage elderly, medical aid for public assistance, medical services for the insured of the Workmen's Accident Compensation Insurance, and government-financed medical services such as the treatment of tuberculosis and mental disorders.

#### (2) Pension

On the statement of revenues and expenses for social security benefits, this is the sum of the employment injury pension and pension. It includes payments by public pension schemes such as Employees' Pension Insurance and National Pensions. It also includes some cash benefits paid in the form of pensions within the scheme of gratuities for retired public employees, and the scheme for Workmen's Accident Compensation Insurance.

#### (3) Welfare and Others

On the statement of revenues and expenses for social security benefits, this is the sum of items other than "medical care" and "pension." It includes expenses for social welfare services or long-term care, public assistance other than medical services, cash benefits for child allowance, and sickness and injury cash benefits within the health insurance schemes leave compensation benefits paid by the Workmen's Accident Compensation Insurance and unemployment benefits from Employment Insurance. In addition, long-term care includes Long-term Care Insurance benefits and long-term care services of public assistance and co-payment of Long-term Care Insurance for atomic bomb victims.

### Social Benefit by Function

This classification is based on the ILO's 19th International Inquiry. For definitions of Social Benefit by function and the benefits and programs included in each function, refer to Appendix 2-4.

### Social Security Revenue

This is a financial resource that can be used for Social Security Revenue (ILO standards), administrative costs, facility maintenance costs, and so on. At the major classification level, they are divided into four categories: social insurance, tax, income from capital, and others.

(1) Social Contributions

This is divided into employers and insured individuals. In the case of the public service personnel system where the employer is the national government, the amount the national government contributed as an employer is listed as an employer contribution even if it is a national expenditure (the same applies to the local public service personnel system).

(2) Taxes

These are divided into national government and local governments (other public contributions).

(3) Income from capital

Income from capital includes interest and dividends.

(4) Others

Others include receipt from reserve funds, etc.

### 1-3 EU Standards

#### Receipts of Social Security Schemes

Receipts of Social Security Schemes are receipts appropriated to social benefits, administration costs, facility development and maintenance costs, etc., and comprise the following three categories: “Social contributions,” “General government contributions,” and “Other receipts.”

(1) Social contributions

① Employers' social contributions

Employers' social contributions comprise the following two categories: “Actual employers' social contributions” and “Imputed employers' social contributions.” “Actual employers' social contributions” are amounts paid by employers to social security schemes in order to secure their employees' rights to receive social benefits. “Imputed employers' social contributions” are amounts paid by employers for their employees and others without establishing a fund or reserve<sup>1</sup>. Amounts contributed by national or local governments under public officers' schemes are accounted for as employers' social contributions.

② Social contributions paid by the protected persons

Social contributions paid by the protected persons are amounts paid by individuals or households to social security schemes in order to acquire or maintain their rights to receive social benefits. Social contributions paid by the protected persons comprise the following

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<sup>1</sup> Schemes in Japan that fall under imputed employers' social contributions are the Government Employees' Accident Compensation, the Local Government Employees' Accident Compensation (excluding the Fund for Local Government Employees' Accident Compensation), and Former Public Corporation Staffs' Accident Compensation.

three categories: “Employees,” “Self-employed persons,” and “Pensioners and other.” However, for the purpose of Japanese social security revenue statistics, such contributions are classified into two categories of “Employees” and “Self-employed persons, pensioners and other” due to statistical constraints.

## (2) General government contributions

General government contributions are costs for the operation of non-contributory schemes<sup>2</sup> under government’s management and financial support provided by national or local governments or social security schemes and comprise the following two categories: “Earmarked taxes” and “General revenue.” “Earmarked taxes” are revenues from taxes and public charges that are required by law to be used only to finance social security schemes<sup>3</sup>. “General revenue” is general government contributions other than earmarked taxes. In the Receipts of Social Security Schemes table, only “General government contributions,” which are the total of “Earmarked taxes” and “General revenue,” are shown.

## (3) Other receipts

Other receipts comprise the following two categories: “Income from capital” and “Others.” “Income from capital” includes investment income generated by public pension and other schemes. Miscellaneous income other than income from capital is classified as “Others.” Receipts from reserves maintained in public pension schemes, employment insurance schemes, etc., are accounted for as transfers within each scheme. Therefore, they are not included in the “Others” category.

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<sup>2</sup> Schemes that do not require social contributions.

<sup>3</sup> An example of earmarked taxes is general social contributions, which is a tax earmarked for social security in France. Consumption tax revenue in Japan is required by the Consumption Tax Act to “be used every fiscal year to provide social benefits under established schemes of pensions, medical care, and long-term care, and to cover expenses for measures to address declining birthrate, as well as for the purposes of use provided for in the Local Allocation Tax Act,” but is not subject to separate accounting. Therefore, it is classified as “General revenue” rather than an “Earmarked tax” under the EU standards. Earmarked taxes in Japan include contributions to schemes that are funded by enterprises responsible for cause, such as the Relief System for Sufferers from Adverse Drug Reactions.