

A Decade of Social Policy Development in Japan

Social spending trends and main policy changes

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The 10th Social Experts Meeting
(27-28 October 2015)

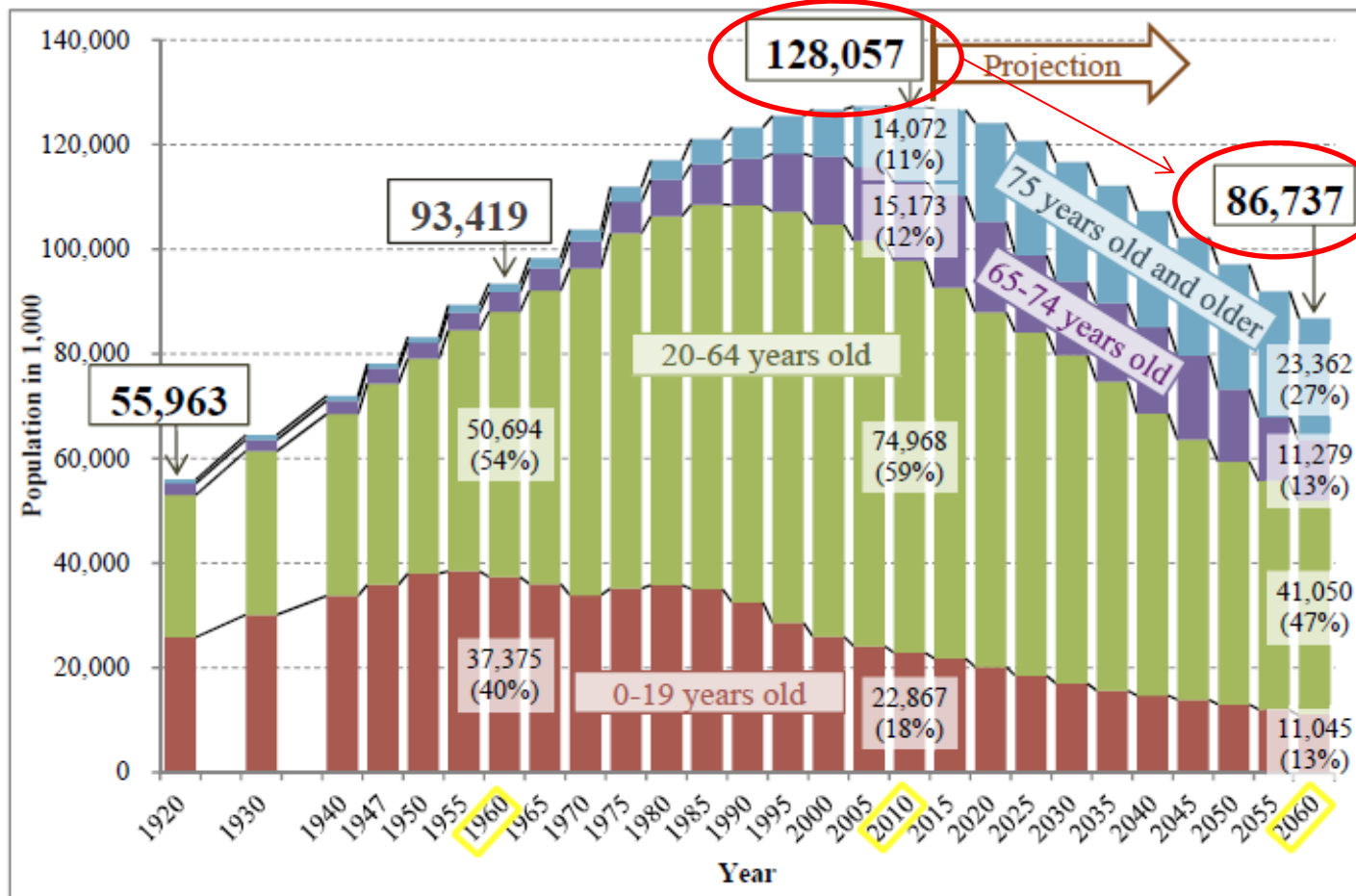
Outline

1. Introduction
2. Brief overview of the social protection system
3. Recent trend of social spending
4. Focus on social policy development since 2000s
5. Conclusion

1. Introduction

- Changes in socioeconomic circumstances since the 1990s
 - 1) declining birthrate, aging population
 - 2) changing employment situations resulting in an increase in non-regular employment and the emergence of poverty, and income inequality problems due to stagnant economic growth.

Population trend by age group in Japan (1920-2060)



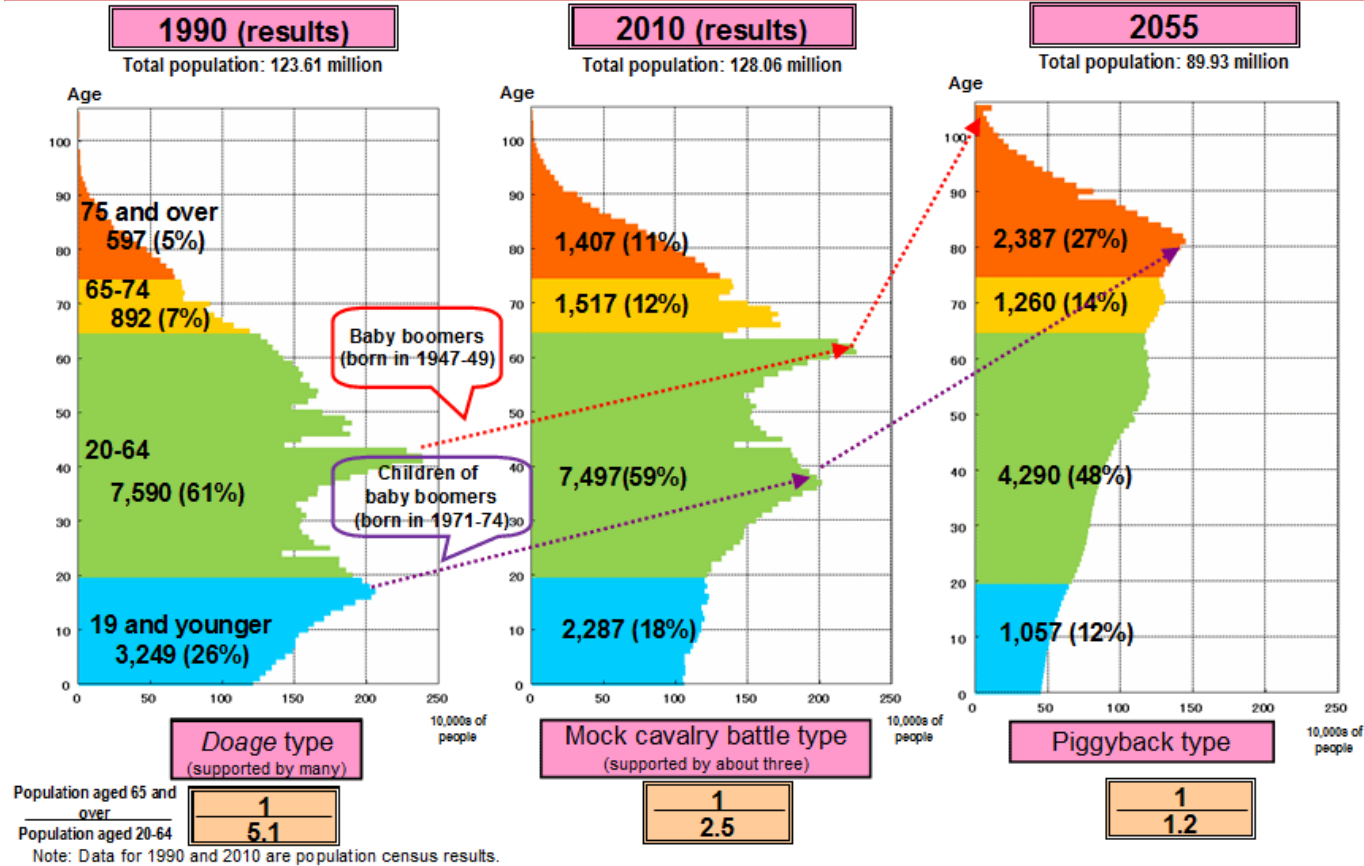
Source : For data up to 2010, Census data by Statistics Bureau of Ministry of Internal Affairs and Communication (<http://www.stat.go.jp>) . For data from 2015, "Population Projections for Japan", IPSS (see footnote)

Annual changes of TFR in Japan

1985	1995	2005	2008	2011	2012	2013
1.76	1.42	1.26	1.37	1.39	1.41	1.43

Change in the population pyramid

Change in the population pyramid (1990, 2010, 2055) - 2006 medium variant projection

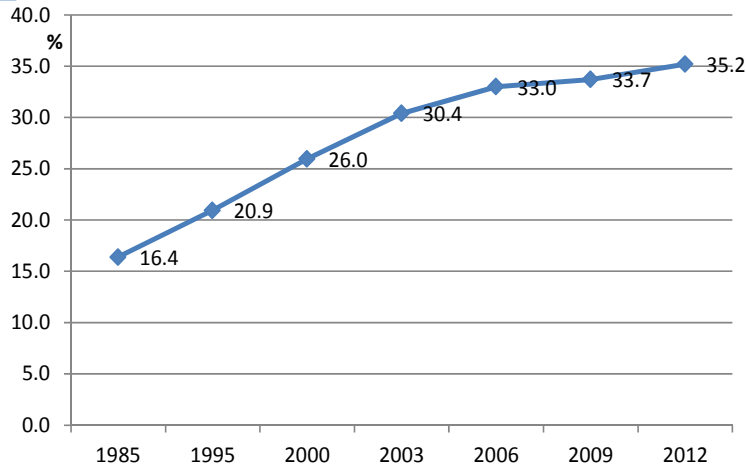


Source: Ministry of Health, Labour and Welfare, http://www.mhlw.go.jp/english/social_security/kaikaku_1.html

Change employment situation and income poverty

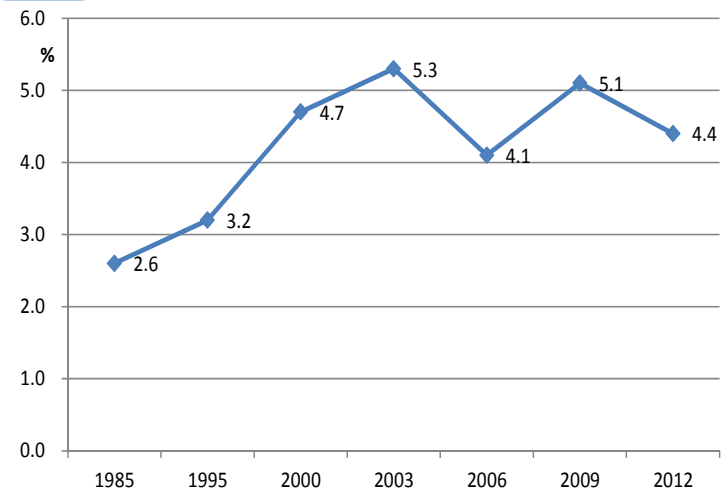
Changing employment and income

A The ratio of non-regular employee(%)



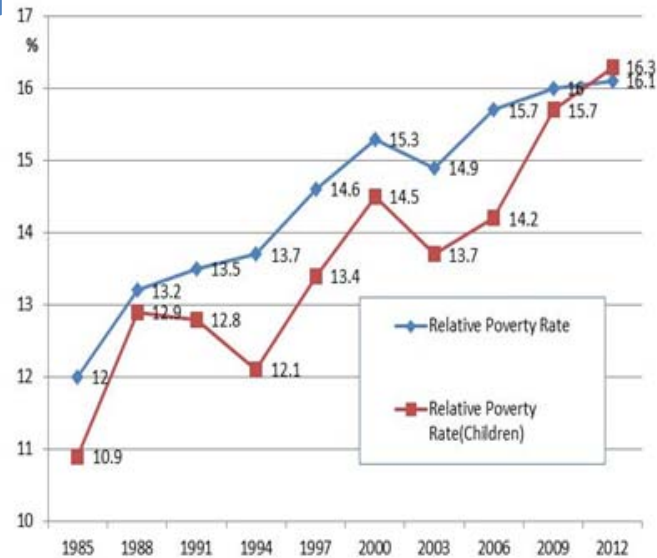
Source: Ministry of Internal Affairs and Communications, Labour Force Statistics

B Unemployment rate

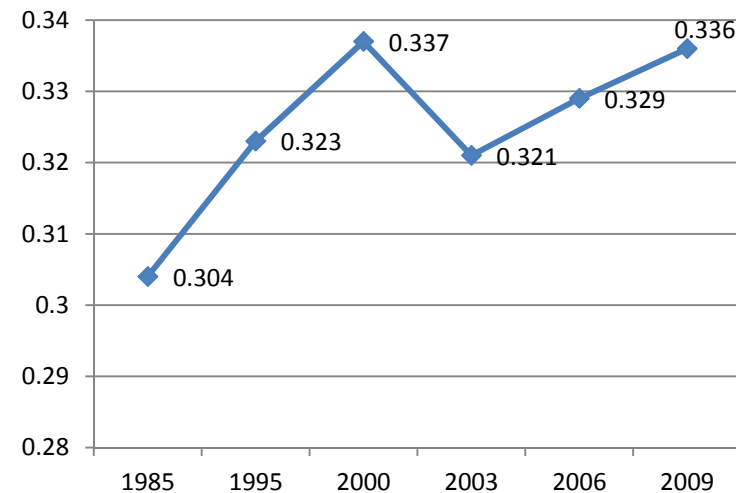


Source: OECD "Employment Outlook"

C Trend of relative poverty rates



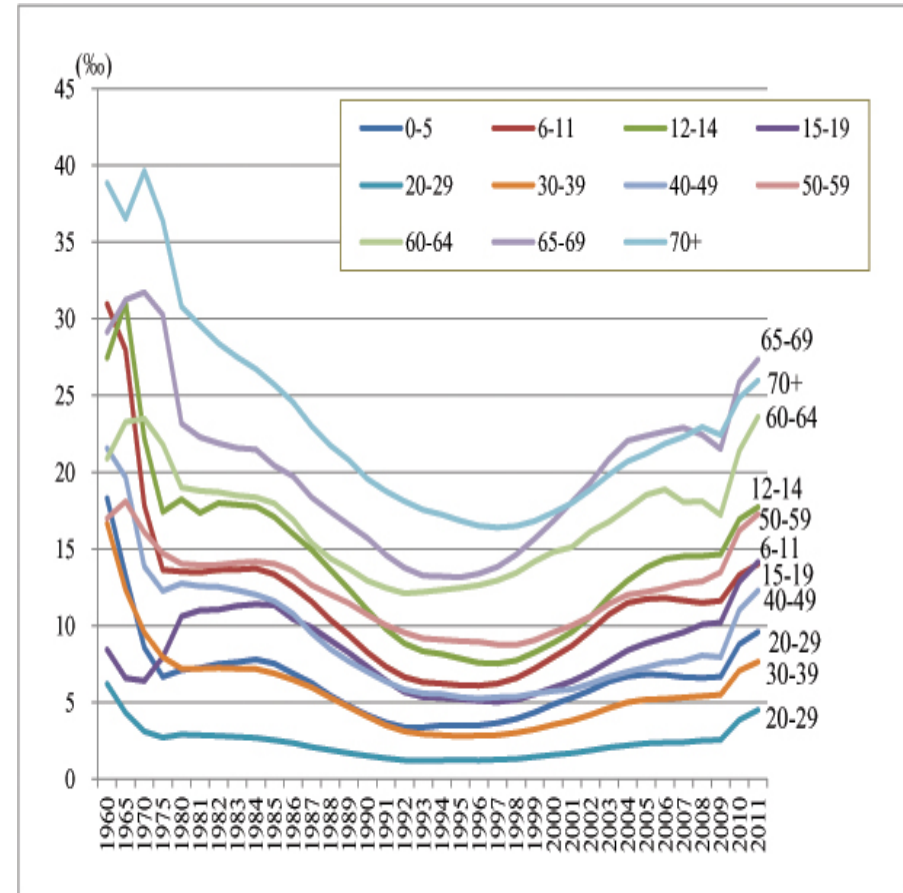
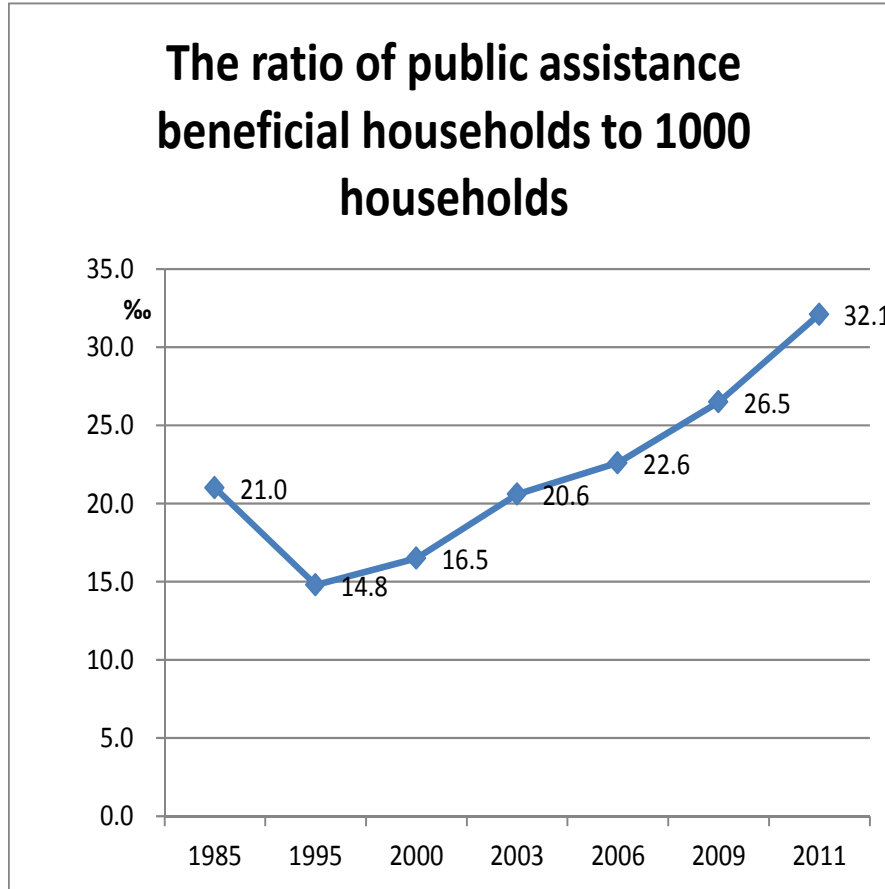
D Gini (disposable income, post taxes and transfers)



Trends of social assistance beneficiaries

Changing employment and income

Percentage of those receiving Public Assistance, by age



Source: National Institute of Population and Social Security Research, "Official Statistics on the Public Assistance System" http://www.ipss.go.jp/site-ad/index_Japanese/securityAnnualReport.html, based on the data of Ministry of Health, Labour and Welfare 2011

2. Brief overview of the social protection system

Main social protection system

Schemes	Finance	Main Benefits	Policy Areas of SOCX
Public pension	Social Insurance	Old-age pension,Suvivors pension, Disability pension	Old age, Survivors, Incapacity-related
Health insurance	Social Insurance	Medical care , Sickness benefit,Health check up services, Maternity allowance	Health, Family
Long-term care insurance	Social Insurance	Home care and home-help ,Day care ,Facility care, Rehabilitation ,Care preventive service, Allowance for purchasing equipment for in-home care	Old age
Public health	Tax	Maternal and child health, Priventive infectional desease services, Subsidy for Health check , Prevention of lifestyle related disease, Subsidy for hospitals,Subsidy for copayment of medical care service	Health
Employment insurance	Social Insurance	Unemployment benefit,Training benefit,Employment adjustment subsidy,Public job placement office,Parental leave allowance	Unemployment, Active labor market policy, Family
Work-related accident insurance	Social Insurance	Medical care ,Home care, Sickness benefit,Supportive device,Care services	Health, Incapacity-related
Support System for Children and Child-rearing	Tax	Child allowance, Special allowance for lone parent and disability children, Subsidy for nursery and after-school club,Child protection service,Foster care	Family
Support System for persons with disability	Tax	Home care ,Day care ,Facility care , Rehabilitation ,Medical care services, Supportive device,Employment support for people with disability	Invalidity related, Health, Active labor market policy
Public assistance	Tax	Livelihood assistance,Medical care assistance,Long-term care assistance, Eduation assistance,Housing assistance,Disaster relief	Old-age,Health, Housing, Family,Other social policy areas

Social protection benefit expenditures and revenues in 2012

Social Protection System

Benefit Expenditure Total 109 trillion yen (22.3% to GDP) in 2012

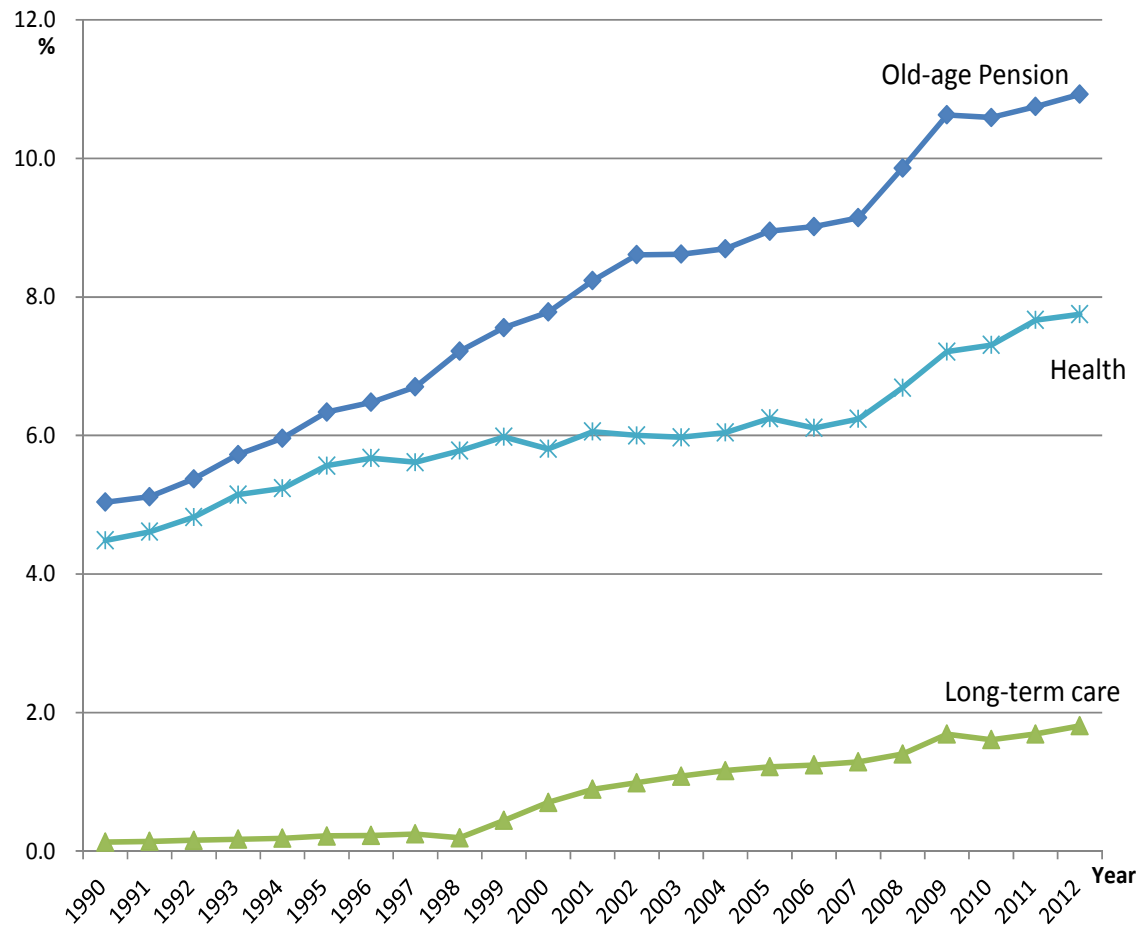
Pension	Health	Others
54 trillion yen (50%) [11% to GDP]	35 trillion yen (32%) [7% to GDP]	20 trillion yen (18%) [4% to GDP]

Revenue Total 127 trillion yen in 2012

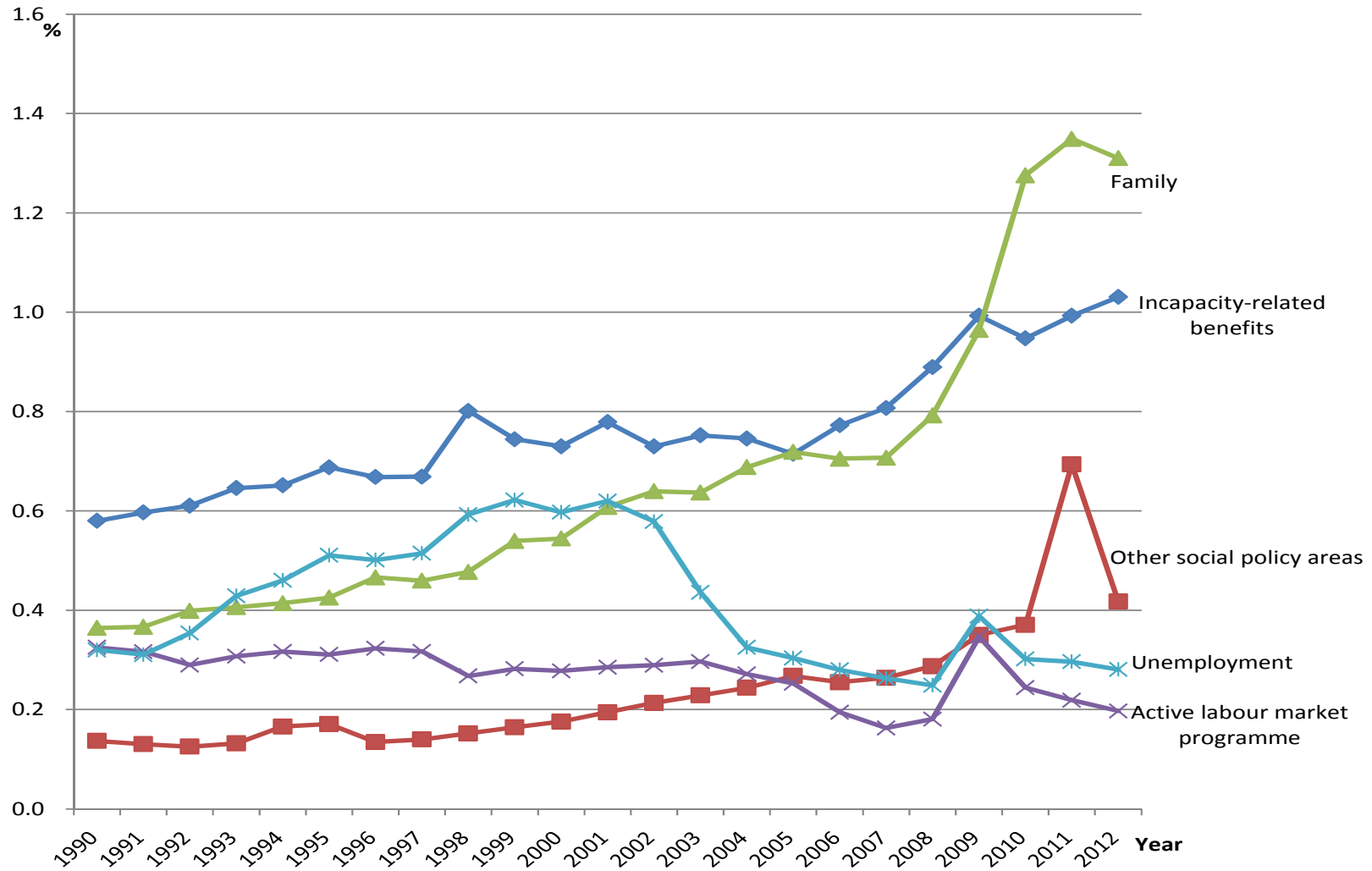
Insurance Contribution		Government (Tax)		Others Capital gains and Transfers from reserve fund etc. 23 trillion yen (18%)
Insured Persons	Employers	Central government	Local government	
32 trillion yen (25%)	29 trillion yen (23%)	30 trillion yen (24%)	12 trillion yen (10%)	
61 trillion yen (48%)		43 trillion yen (33%)		

Source: National Institute of Population and Social Security Research (2014a)

3. Recent trend of social spending per GDP



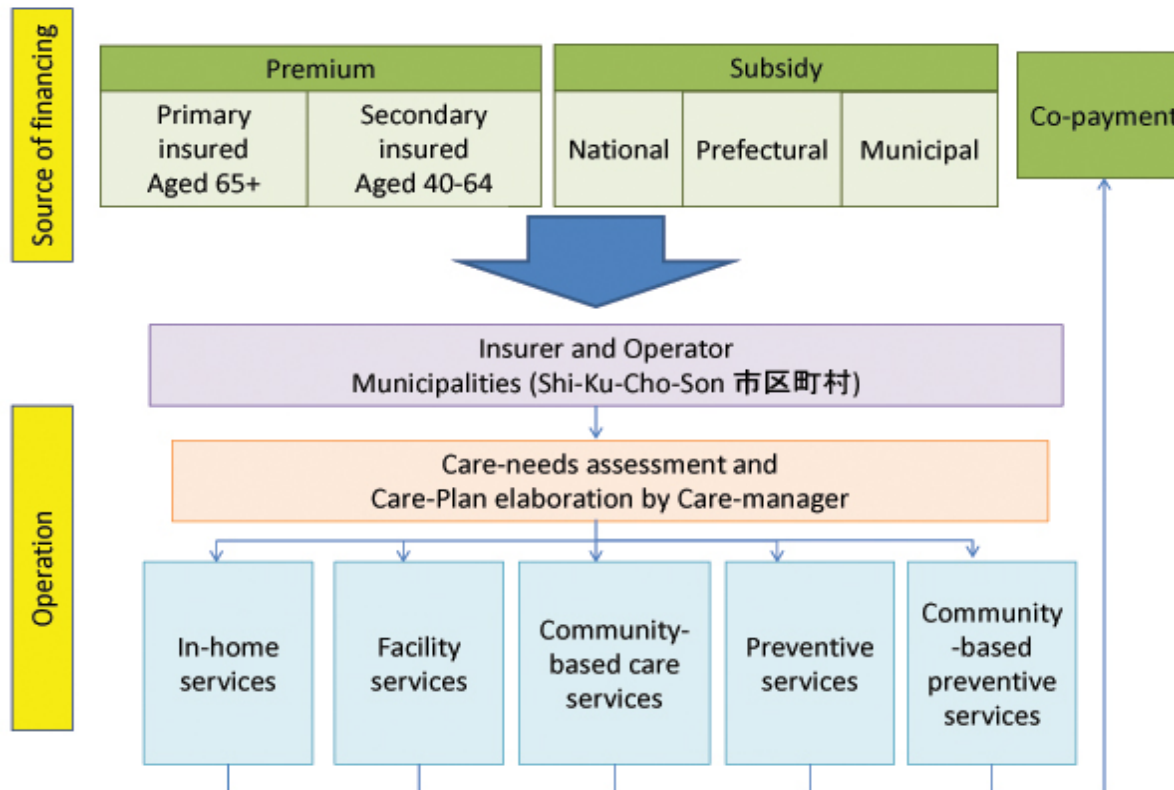
Recent trend of social spending per GDP



4. Focus on social policy development since 2000s

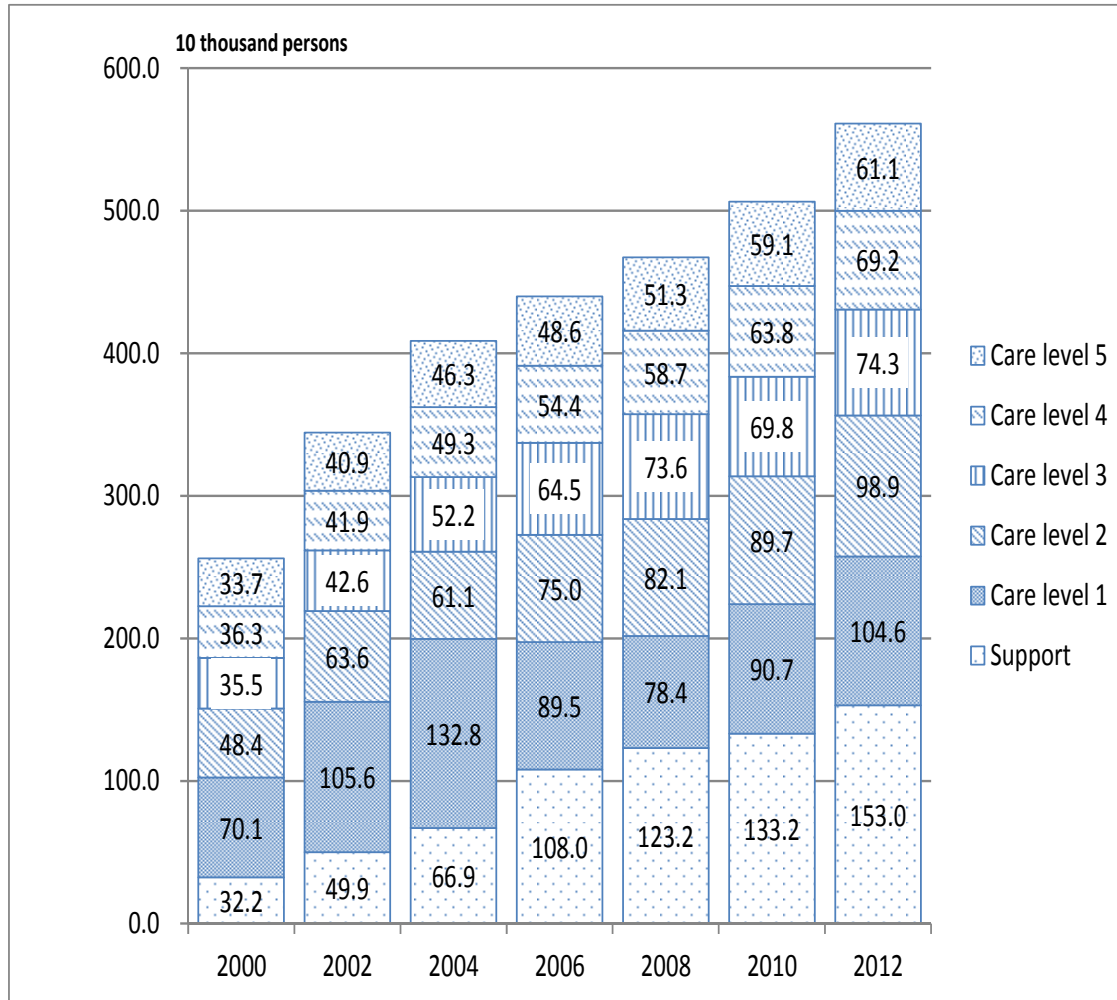
- Main policy developments under the Liberal Democratic Party (LDP) :2000 – 2009.9
 - 2000 Long-term care insurance enforced
 - 2001 Private pension (Defined-Benefit (DB) Corporate Pension and the Defined Contribution (DC) Plan) reform
 - 2004 Public pension (Basic Pension and Employee Pension) reform
 - 2008 Medical Care System for Elderly reform
- Main policy developments under the Democratic Party of Japan(DPJ):2009.9 – 2012.12
 - 2010 Child Allowance reform
 - Free tuition fee at public high schools and high school enrollment support fund enacted
 - 2011 Job Seekers Support System Act
- Main policy developments under the Liberal Democratic Party (LDP) :2013 – 2015
 - 2013 Self-support of needy person Act
 - 2013 Child Poverty Act

Overview of the long-term care insurance

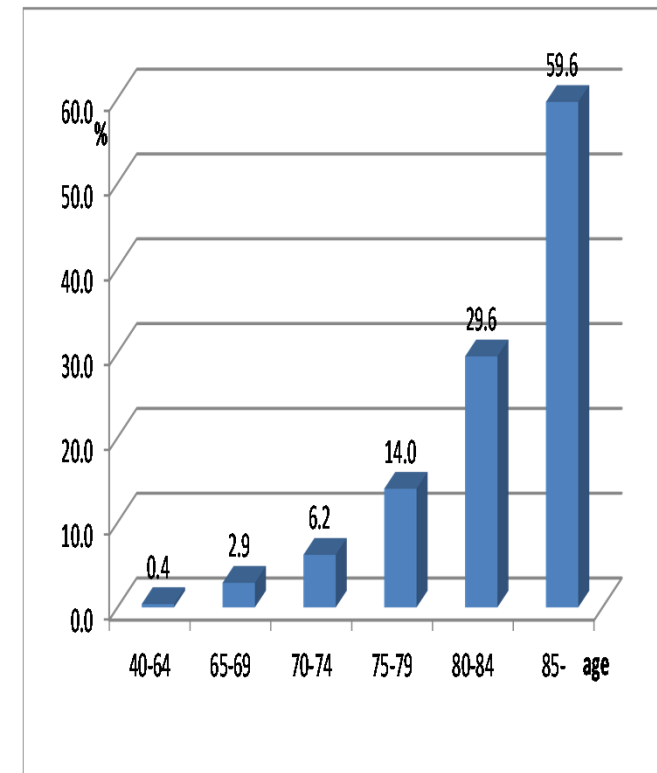


Trend of Long-term care insurance beneficiaries

The number of beneficiaries by care levels



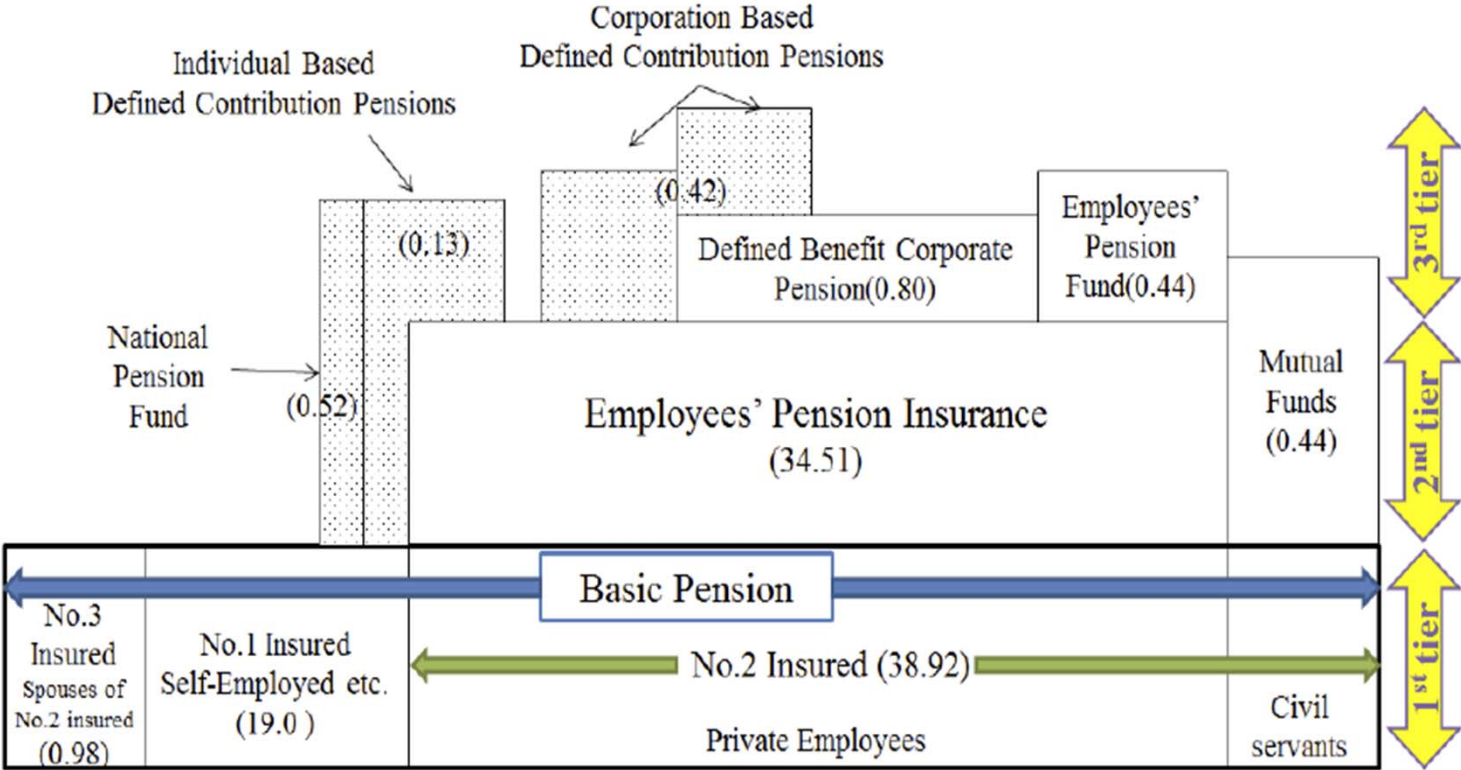
The ratio of beneficiaries of long-term care services to the total population by age group in 2014



Source: Ministry of Health, Labour and Welfare, Long-term care insurance annual report

Pension reform since 2000s

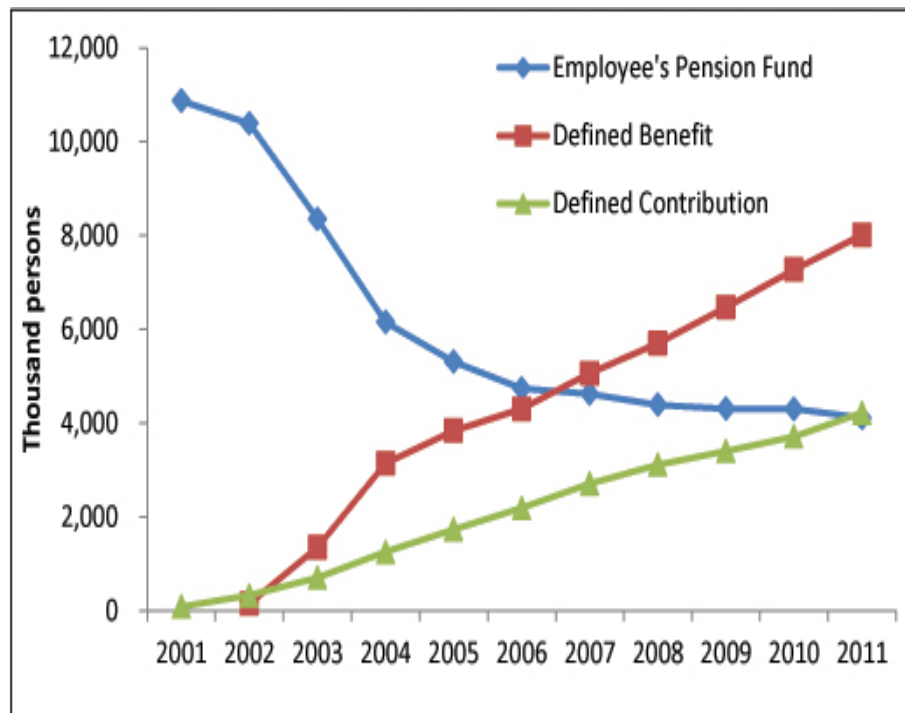
Overview of the Pension system



Source: National Institute of Population and Social Security Research (2014a)

Change of third-tier pension schemes

The transition of the members of the Employees' Pension Fund, Defined Benefit, and Defined Contribution



The Defined-Benefit (DB) Corporate Pension, set up in 2001 and the Defined Contribution (DC) Plan, introduced in 2002, were established as alternatives to the Employees' Pension Fund.

Source: The Data on Corporate Pensions (企業年金に関する資料), Pension Fund Association, 2012

Source: National Institute of Population and Social Security Research (2014a)

Reform of the first-tier basic pension schemes

▪ 2004 reform

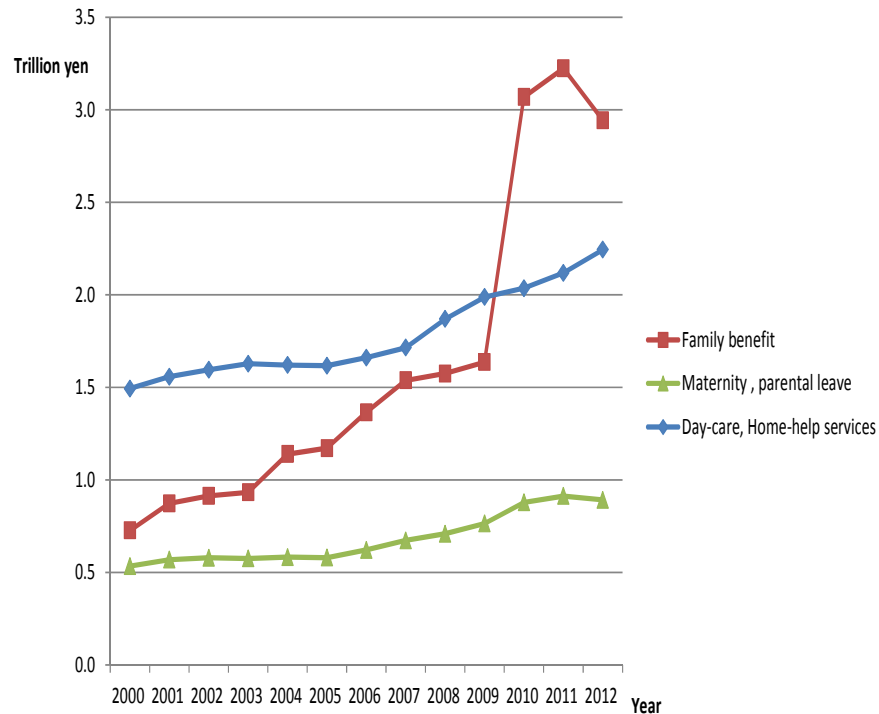
- The insurance premium level fixation method and the macro economy indexation were introduced to control increasing benefits.
- Raising the financial proportion of the Basic Pension funded by the government subsidy from one-third to one-half after 2009.

▪ 2014 reform

In response to increase in public assistance expenditure due to inadequate pensions, declared that the minimum requirement period for premium payments will be reduced from 25 years to 10 years and the new additional benefit will be paid to pensioners whose amount of pension is lower than the amount of public assistance.

These reforms will be introduced in the national pension from 2017, when the rate of consumer tax is raised from 8% to 10%.

Family spending by categories



【2010】

- Universal Child Allowance
- Free tuition fee at public high schools and high school enrollment support fund

【2011】

- Abolish tax deduction for dependents(0-15) and specified dependents (16-18)

Reform of child allowance

Year	Eligible age	Monthly amount of allowance (Unit:yen)			Income threshold
		1st children	2nd children	3rd and subsequent	
1971	0~15	0	0	3,000	○
1974	0~15	0	0	4,000	○
1975	0~15	0	0	5,000	○
1998	0~6	0	2,500	5,000	○
1992	0~2	5,000	5,000	10,000	○
2000	0~6	5,000	5,000	10,000	○
2004	0~9	5,000	5,000	10,000	○
2006	0~12	5,000	5,000	10,000	○
2007	0~2	10,000	10,000	10,000	○
	3~15	5,000	5,000	10,000	○
2010	0~15	13,000	13,000	13,000	×
2011	0~2	15,000	15,000	15,000	×
	3~15	10,000	10,000	15,000	×
2012	0~2	15,000	15,000	15,000	○
	3~15	10,000	10,000	15,000	○

5. Conclusion

- The changes in socioeconomic circumstances since 2000 have challenged Japan to maintain and enhance the social protection system in order to guarantee the long-term sustainability of pensions and health insurance and expand the safety net for low-income and non-regular workers.
- The financial restriction has been the most controversial issue in maintaining and enhancing the social protection system. As mentioned in Chapter 2, 34% of the social protection revenue is funded by taxes (government expenditures), and the percentage of taxes has risen from 25% in 1990 to 33% in 2012, in line with increases in pension, health, and long-term care benefits. However, income taxes and corporate tax revenues have been declining due to low economic growth since the 1990s. As a result, government revenue has been compensated by public debt, and the Japanese government has taken on one of the worst fiscal situations among developed countries.
- To cope with these circumstances, the Comprehensive Reform of Social Security and Tax, which seeks to reform the social security system and the fiscal problem simultaneously, was initiated in 2012. The aim of this reform is to increase revenue by raising consumer tax rates by up to 10% and applying funds to more social spending for pension, healthcare, long-term care, and childcare.
- This reform will reduce the burden passed on to future generations and help secure stable financial resources for social security. However, this 2012 reform is just a small step on the way to coping with the impending super-aging of the Japanese society. There are discussions that the consumer tax rate will be raised by more than 10% in the near future to guarantee the long-term sustainability of the social protection system. The social protection system development depends on raising the consumer tax rate in the future.

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