ISSN 2186 - 0297

Social Security In Japan

2011

National Institute of Population and Social Security Research

Preface

This booklet aims to provide foreign researchers and specialists with an introductory explanation of aspects of the social security system in Japan: pensions, health care, long-term care, public assistance, family policy, policy for persons with disability and labor insurance. The booklet was first published in March 2000, and this is the fifth version updated for 2011. The booklet is mostly descriptive and kept at a minimum level in outlining the current system and the challenges facing it. Those who wish to learn more are advised to refer to web-sites of related agencies (most notably that of the Ministry of Health, Labor and Welfare and the Institute of Population and Social Security Research). As Japan's social security system is undergoing a series of reforms, we will update this publication from time to time.

Shuzo Nishimura PhD.
Director-General
National Institute of Population and Social Security Research

Contents

Chapter 1
Overview

I. Changes in Japan (Demographic trends such as an aging society with a decreasing birthrate)

Japan achieved rapid economic growth after the World War II to become one of the developed countries in the world. In addition to economic growth, Japan also experienced various social changes. The most prominent among them is the change in demography. In particular, Japan's population steadily had increased from the end of World War II until the early 21st century but also population aged has been preceded. The declining birthrate has also led to a decrease in younger population. While the total population of Japan is expected to begin declining in the future, the trend toward an aging society with a decreasing birthrate is expected to accelerate (Table 1-1). Furthermore, trends show changes in family composition (increases in nuclear families, households with elderly persons only, single-parent households), changes in employment structure (increase of employees), women's social advancement, and urbanization of population. In light of these changes, social support for the elderly, families, persons with disability, and the unemployed is becoming increasingly important.

II. History of the social security system in Japan

As with other countries, the source of social security in Japan could be found in charity-oriented communal activities for the poor in a pre-modern era. The period between the Meiji era (1868-1912) and the World War II saw the implementation of measures to assist the poor (Indigent Person's Relief Regulation of 1884, Poor Relief Law of 1929) and the introduction of social insurance (Health Insurance Act of 1927, National Health Insurance Act of 1938, Labor Pension Insurance Act of 1941). However, these systems were inadequate compared to the present system in terms of population coverage and so on.

The social security system in Japan developed dramatically after the end of World War II. During the social turmoil just after the World War II, measures to assist the needy, to improve nutrition and to prevent infectious diseases were implemented, along with infrastructure development related to social welfare policies. In the Constitution of Japan enacted in 1947, Article 25 stipulates the fundamental principles of developing a social security system, and this served as the foundation for social security-related laws created in the post war era.

Table1-1 Population in Japan

		1950	1975	2009	2030	2055
Population (1,000)	All ages	84,115	111,940	127,510	115,224	89,930
	0-14 years old	29,786	27,221	17,011	11,150	7,516
	15-64 years old	50,168	75,807	81,493	67,404	45,951
	65 and over	4,155	8,865	29,005	36,670	36,463
Age Structure	0-14 years old	35.4%	24.3%	13.3%	9.7%	8.4%
	15-64 years old	59.6%	67.7%	63.9%	58.5%	51.1%
	65 and over	4.9%	7.9%	22.8%	31.8%	40.5%
Fertility	Total Fertility Rate	3.65	1.91	1.37		
Life expectancy at birth	Male	*59.57	71.73	79.59		
	Female	*62.97	76.89	86.44		

Source: Statistics Bureau, Ministry of Home Affairs and Telecommunications, "Population Census", "Population Estimates", National Institute of Population and Social Security Research, “Population Projections for Japan: 2006-2055 (December 2006) “, Statistics and Information Department, Ministry of Health, Labour and Welfare, "Vital Statistics", "Life Table".

Note: Data with * are those of average from 1950 to 1952.

During the rapid economic growth period that followed, the public pension and health insurance was expanded to cover more people, and the so-called “Universal coverage in public pension and health insurance” extending to all citizens was introduced in 1961. The Act on Social Welfare Service for Elderly and the Maternal and Child Welfare Act were also enacted, and benefits from various systems were enhanced. The social security system was reviewed during the period of stable economic growth since the late 1970s. Meanwhile, developing a social security system in response to the aging population became an important challenge.

Since the 1990s, measures against the declining birthrate, in addition to the aging society, surfaced as an important policy issue. Pension and health insurance system reforms were implemented, and the Long-Term Care Insurance Act was introduced to address the aging society. Enhancement of childcare services and financial support are being promoted to assist child rearing. In addition, due to changes in the employment situation and widening difference in economy, employment policies have also become important.

III. Social security schemes in Japan and its characteristics

1. Types of social security schemes in Japan

A social security scheme is primarily a system that supports the livelihood of the people by providing necessary support against conditions that lead to poverty, illness, injury, death, aging and unemployment and so on. Social security schemes in Japan include the public pension system to provide income security for the elderly, the survivors and disabled persons. Healthcare systems to protect public health include the health insurance, public health and maternal and child health systems. Meanwhile, social welfare for the elderly include the long-term care insurance, while family policies include childcare services and financial support such as child allowance, and support for single-parent households. Policies for persons with disabilities include the provision of care services and financial support. Public assistance is available as part of the financial support system for the poor. As part of the system to protect workers, employment insurance, work-related accident insurance and others are available.

Kinds of benefits provided through these social security schemes are either in-kind or in-cash. Table 1.2 lists major social security schemes by types of benefits and in-kind/in-cash classification based on International Labour Organization (ILO) classification standard.

2. Social insurance system and Universal coverage in public pension and health insurance

Many social security schemes in Japan adopt the social insurance system. There are five social insurance systems, namely the public pension, health insurance, long-term care insurance, employment insurance, and work-related accident insurance. Of these insurances, all citizens are enrolled in the public pension and health insurance programs. This universal coverage in public pension and health insurance is a main characteristic of the Japanese social security system. Further, citizens aged 40 and over are covered by the long-term care insurance, and employees are covered by the employment insurance and work-related accident insurance.

3. Social insurance premium and tax revenue resources

The social insurance systems mentioned above are financed by social insurance premiums. The contribution to the schemes is shared by all insured, in most cases, according to their ability to pay (income). Thus, the function of social insurance is to share the risk

among insured persons, and at the same time, to redistribute income among them.

On the other hand, other measures, such as public assistance (meaning income maintenance for the poor, in Japan) and services and benefits for the family and children and the disabled are mostly paid out of the general budget of the government (tax). Further, tax revenue resources are also used to subsidize social insurance systems.

Table 1.2 Schemes of Social Security

Scheme	Finance	Benefit (Main)		Main Type of Function (ILO Standard)
		In-kind	In-cash	
Public pension	Social Insurance		*	Old Age, Survivors, Invalidity Benefits
Health Insurance	Social Insurance	*		Sickness and Health
Public health	Tax	*		Sickness and Health
Long-term care insurance	Social Insurance	*		Old Age
Services for the elderly(except for long-term care insurance)	Tax	*		Old Age
Family Policy	Tax	*	*	Family Benefits
Policy for persons with disabilities	Tax	*	*	Invalidity Benefits
Public assistance	Tax	*	*	Social assistance and others
Employment insurance	Social Insurance		*	Unemployment Family Benefits
Work-related accident insurance	Social Insurance	*	*	Employment Injury

Note: Benefit does not show all kinds of benefits.

4. Administration organizations and Service providers

The Ministry of Health, Labour and Welfare holds jurisdiction over the social security systems. The Ministry sets national standards and promotes projects deemed necessary to be

implemented from a national perspective. The Cabinet Office is responsible for the formulation of the government's basic policies such as measures related to the aging society. Local governments such as prefectures and municipalities (cities, towns and villages) also support the social security system. In particular, the municipalities provide public services related to social security as the local government that is the closest to the residents. Social welfare offices, child guidance centers and public health centers also serve as administrative organs under the local government that specialize in social security.

(Reference: Local governments in Japan)

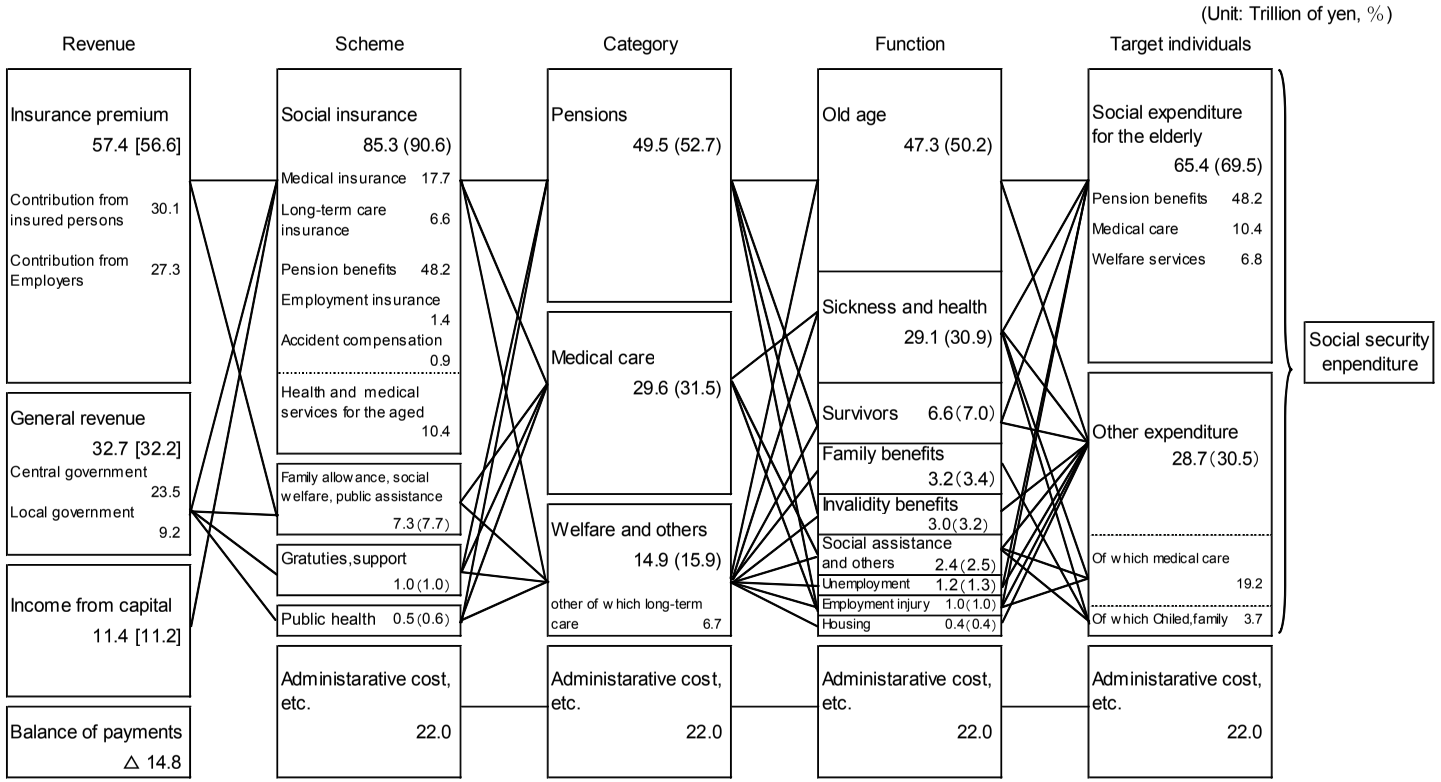
Local governments in Japan include prefectures and municipalities (cities, towns and villages). The municipalities are basic local government units to provide public services to the residents. The prefectures provide public services as regional local government units. Some municipalities, especially the larger ones, are designated cities, core cities, or special cities, which are partially responsible for the prefecture's public services.

Service providers of social security, such as hospitals and clinics for the health care, day-care centers and institutions for the elderly long-term care, rehabilitation centers and support centers for the disabled, and so forth, can be both public and private. For example, there are public hospitals and private hospitals, services of which are both covered by the public health insurance, and from the view point of the user, there is no difference. They both operate under the supervision of the Ministry of Health, Labour and Welfare (MHLW) and the local governments.

IV. Revenues and Expenditure of the Social Security

Fig. 1.1 shows a breakdown of social security revenue and expenditure as defined by the International Labor Organization (ILO). Insurance premium accounts for nearly 60% of the total revenue and government contributions and others for the rest. The expenditure for the public pension takes up more than a half of the entire expenditure, and for the medical care, a little more than one third. That for the elderly (by target individuals) also takes up around 70 %.

Fig. 1.1 Social Security Expenditure by revenue, scheme, category, function and target individuals, fiscal year 2008



Notes:

1. “Child, family” refers to medical insurance in the form of a lump sum maternity allowance and child-rearing allowance, employment insurance in the form of parental leave allowance, day-care facilities administration costs and single parent family and disabled child allowances.
2. “Health and medical care for the aged” by scheme and “Medical care” by target individuals include medical care benefits paid under both the new medical care system for latter-stage elderly after April 2008 and the past system until March 2008.
3. Fiscal year 2008 Social Security Revenue amounted to 101.5 trillion yen (excluding transfer from other systems). The figure in square brackets [ ] represents the ratio of the Social Security Revenue total.
4. Fiscal year 2008 Social Security Expenditure amounted to 94.1 trillion yen. The figure in parentheses ( ) represents the ratio of the Social Security Expenditure total.

Source: National Institute of Population and Social Security Research (IPSS), “The Cost of Social Security in Japan 2008”

Chapter 2
Pensions

I. General Characteristics

1. Three-tiers of pension system

The Japanese pension system is multi-tiered, consisting of public and private pension schemes (Fig.2.1). In this booklet, the distinction between public and private pensions is defined to be whether the insurer of pensions is the government or not. The first tier is the *Basic Pension* (*Kiso Nenkin*), which provides the flat rate basic pension of a universal coverage. As a non-income-related pension, it aims to provide a basic income guarantee for the old age, and the participation is mandatory to all residents. The second tier, the *Employees' Pension Insurance* (*Kose Nenkin Hoken*) covers the most of employees and is income-related in both premium and the benefit structure. Its provision is mandatory to all firms over a certain size, and premium is shared by employers and employees. The first and the second tier pensions are both operated by the government and thus are public.

The third tier is an optional scheme. It is provided either by private firms (employers) for their employees, or by collective national pension funds for the self-employed for which the government is the insurer. The Employees' Pension Funds is operated by employers, but has a large portion of the Employees' Pension Insurance and thus has a quasi-public character. There are also personal pensions operated by organizations such as private insurance firms and trust banks, but these are not covered here, as they do not fall under the category of social security system.

The schemes in the first and the second tiers for employees are jointly operated and a single contribution rate covers contributions for both schemes. Thus, in many cases, the term "*Employees' Pension Insurance"* refers to both of them jointly. The Employees' Pension Insurance covers both employees and their spouses (Categories No.2 and No.3 insured. See Fig 2.1).

Similarly, the Basic Pension for the self-employed, farmers and other non-employed (Category No.1 insured) is called the *National Pension* (*Kokumin Nenkin*), which is now operated by Japan Pension Service under the responsibility of the government. The civil servants have a separate scheme on their own called *Mutual Aid Pensions*, which covers both the *Basic Pension* portion and the income-related portion. Thus, the entire adult population, in principle, is insured either by the *Employees' Pension Insurance*, the *National*

Pension or the *Mutual Aid Pensions*.

2. Universality of the basic pension

The coverage of the Basic Pension is universal, i.e. it is intended to cover all residents 20 years old or above in Japan including foreigners. For the *National Pension*, the eligibility to receive pension benefit requires a minimum of 25 years of premium payment, and the maximum enrollment period is 40 years.

3. Mixture of public and private schemes

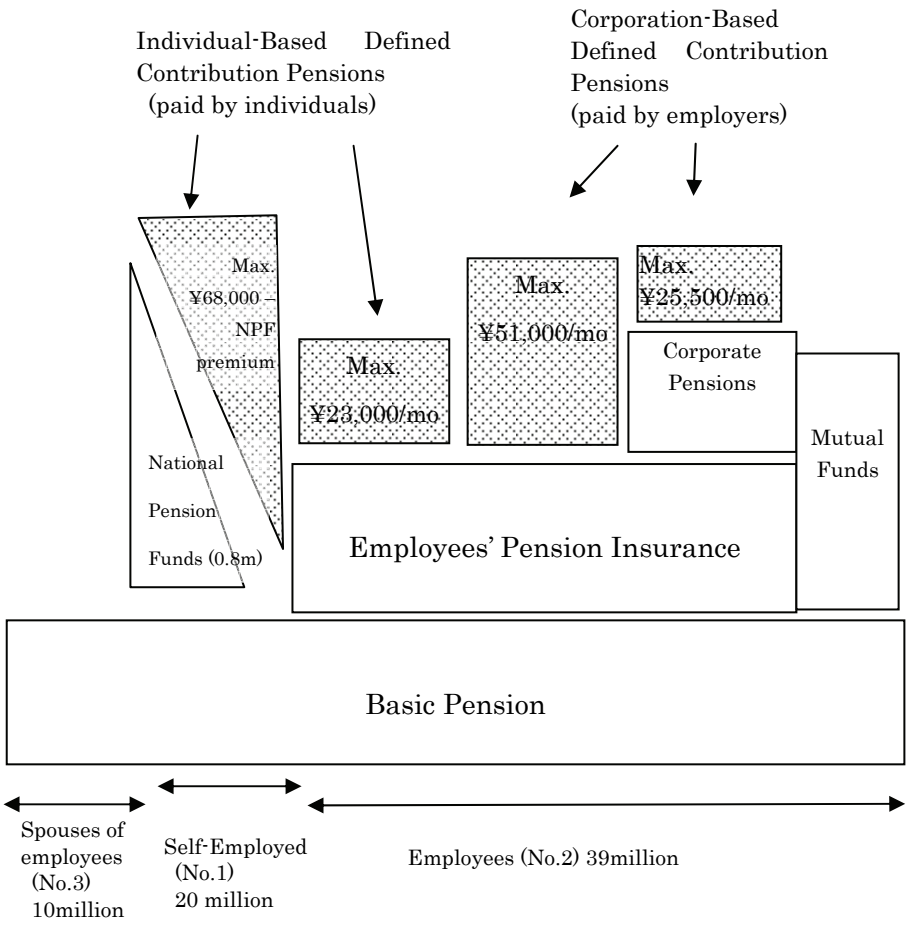
The insurer of the *National Pension* and the *Employees' Pension Insurance* is the government. They form the two pillars of Japan's public pension system. According to a survey, more than 60% of the elderly households depend entirely on the public pension benefits for their income.

Other schemes are occupational pensions. The *Employees' Pension Funds*, the *Tax Qualified Pensions (scheduled for abolishment in 2012), Defined-Benefit Corporate Pension, Defined Contribution Plan* and the *Mutual Aid Pensions*, the third tier for the Category No.2 insurers (employees), are run by each private firm or the government in the case of the Mutual Aid Pensions where the government is the employer, and not all of the employees are covered by them. The *National Pension Funds*, which provide the third tier coverage for the Category 1, are run by local and occupational funds. It is also optional, and only a fraction of the Category 1 is participating.

4. Insurance premium

For the *Employee's Pension Insurance* (the public pension for the Category No.2, i.e. employees), the premium is paid by both employees and employers, and is set at a fixed rate of the salary (see the table on pp. 20-21). The same rate covers the premium for his/her spouse who does not make more than ¥1.3 million/year (called the Category No.3). For the *National Pension* (the public pension for the Category No.1, the self-employed), the premium is paid by the insured only, and is a flat rate for all. Both the Category No.1 and his/her spouse, if he/she is not working as employees, have to pay the premium. The premium for occupational pensions differs from scheme to scheme, but mostly is paid by the employers for the Category No.2 and by the insured for the Category No.1.

Fig. 2.1 Pension System in Japan



Note: Numbers in ( ) are number of subscribers. No.1, 2, & 3 denote categories of subscribers: No.1 is for self-employed, farmers, students, etc., No.2 is for employees, and No.3 is for spouses of No.2.
(All numbers are as of March 2010)
Source: Web-site of Ministry of Health, Labour and Welfare (MHLW)
(http://www.mhlw.go.jp/wp/publish/pdf/p20.pdf *in Japanese*)

5. Government subsidy for the public pensions

For the first tier (*Basic Pension*), one half of the benefits and all of administrative costs are paid from the general budget of the government. For the second tier (*Employees' Pension Insurance*) and mutual aid association pensions for central and local civil servants, the administrative costs are paid by the central government. For the third tier, there is no subsidy from the government.

6. Mixed retirement package

Japanese firms traditionally offered to its employees a retirement allowance in the form of a one-time lump-sum payment. Since the introduction of public pension schemes, firms started to offer private pensions to attract employees. Currently, most firms provide a mixture of a lump-sum payment and a pension scheme. Since the two types of scheme are interchangeable in many instances, the entire retirement package is seen as the income security for the retired.

7. Defined –Benefit vs. Defined-Contribution Pension Schemes

The *National Pension*, the *Employees' Pension Insurance,* and optional National Pension Funds and corporate pensions are all defined-benefit schemes. In 2001, Defined-Contribution pension schemes were introduced. However, the number of schemes and the enrollment has not increased as much as expected. The number of enrollment was around 3.1 million persons at the end of FY 2008.

II. Pension Schemes

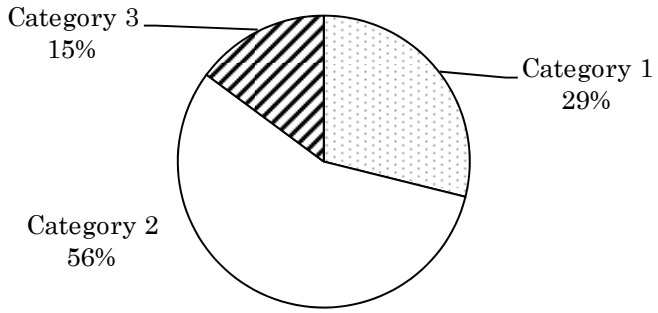
1. The National Pension

As described above, all residents in Japan between ages of 20 to 60 are eligible and required to become a subscriber of the *Basic Pension*. The amount of pension payment varies depending on the enrollment period and can be calculated as follows.

¥792,100 * ((insured months + 1/2 * exempt months) / 480)

Whereas employees automatically enroll in the *Basic Pension* when they subscribe to the *Employees' Pension Insurance*, the *National Pension* is for those who are not employees. A fixed amount (¥15,100 per month in 2010) is levied on each subscriber as a premium. (26% of Category 1 subscribers are fully exempt and 2.6% are partially exempt from premiums) Current benefits are paid out of currently collected premiums (pay-as-you-go system), but as much as one half of the benefits are subsidized from the general budget of the government. The benefit is flat rate to all, and the scheme is a defined-benefit scheme.

Fig. 2.2 Subscribers of the Basic Pension (FY2009)



Category 1: All residents who are not Category 2 or 3, i.e. self-employed, farmers, students, etc.
Category 2: All employed persons whose workplace has more than 5 employees
Category 3: Non-working spouses of Category 2

Source: Web-site of Ministry of Health, Labour and Welfare (MHLW)
(http://www.mhlw.go.jp/topics/bukyoku/nenkin/nenkin/toukei/dl/h21a.pdf *in Japanese*)

Due to the impact of the recent economic downturn, *National Pension* is facing an issue of contribution evasion, especially among the younger people. However, with the introduction of a multi-level premium exemption system in 2002, some subscribers can prepare for future pensions by using a partial waiver program. Meanwhile, average monthly benefit amount for the old age is about ¥53,900, which is around 82% of the full amount. As the system becomes more mature, this amount may increase.

2. The Employees' Pension Insurance

The *Employees' Pension Insurance* forms the core of the income security for retirees. All workplaces with more than 5 employees and their employers are required to participate in this scheme. Both employers and employees contribute 7.5%[1] of employee's monthly salary as premiums (including a premium for the *National Basic Pension*), and the pension benefit is income-related. There is no discount system for low-income persons/household (or his/her employer), but employers of those who are on maternity leave (up to 1 year) are exempt from paying premiums[2]. Meanwhile, the amount of pension payment is decided as follows.

Basic Pension + (Monthly income * 0.55% * insured months * slide rate)+ dependants allowance

That is, the pension amount is decided by the income during the working years (minimum ¥98,000, maximum ¥620,000) and the enrollment period. The average monthly benefit for the old age is about ¥155,345, which amounts to 49.7% of the average monthly salary of subscribers (2008).

3. National Pension Fund

The National Pension Fund is an optional pension for the self-employed (Category No.1), and it is designed to give additional pension coverage to the self-employed who do not have the third-tier pension (Employees' Pension Insurance). However, only about 3% (0.61 million) of Category No.1 subscribers (20 million) are currently subscribing to the Fund.

4. Change of Corporate Pension Schemes

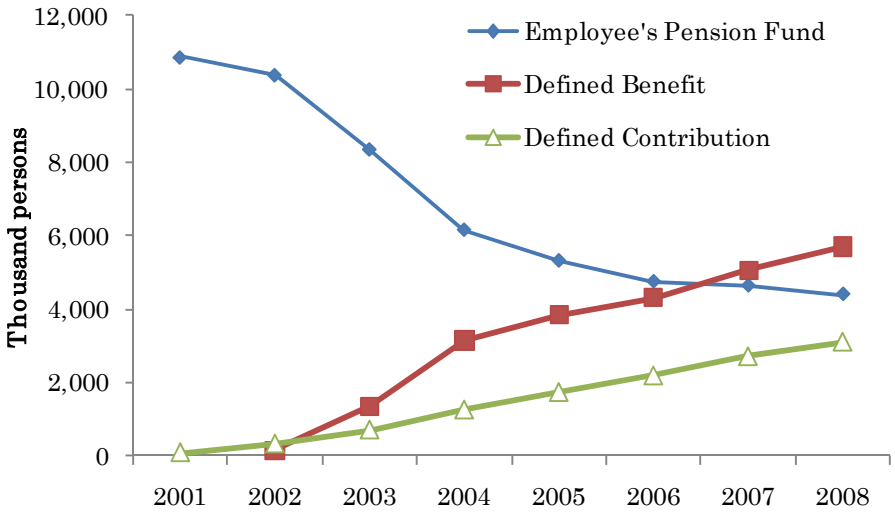
In line with the introduction of international accounting standards in 2000, corporate pension schemes underwent a major reform. The Employees' Pension Fund was streamlined, and instead, the Defined-Benefit Corporate Pension (2001) and Defined Contribution Plan (2002) were newly established. The principal reason for the introduction of these schemes was to accurately reflect a firm's outstanding pension liabilities in the financial statements. The Defined Contribution Plan, in particular, facilitates the portability when changing jobs and responds to changes in the employment situation. As

[1] The premium rate applies to monthly salary and bonus shared equally between employers and employees.

[2] Employees who are on maternity leave typically do not receive salary, except unemployment benefits (40% of their pay), and thus do not need to pay a premium. The duration of maternity leave is counted as insured months in calculating a benefit level.

shown in Fig. 2.3, the number of subscribers to the Defined-Benefit Corporate Pension and Defined Contribution Plan (corporate type) are on the increase, while that of the Employees' Pension Fund has steadily been decreasing.

Fig. 2.3 The transition of Employee's Pension Fund, Defined Benefit and Defined Contribution member



Source: Kigyou Nenkin ni kansuru Siryo(2009)

The defined-contribution (DC) pension schemes have two types: individual-based and corporation-based. The individual-based defined-contribution scheme is for self-employed persons (Category 1 subscribers) and is designed to give optional pension coverage to the self-employed. It is operated by the National Pension Fund Association, and its premium is paid by the subscribers themselves. The second type of the defined-contribution pension schemes, the corporation-based DC pension, is a type of corporate pensions. Corporations may provide this type of pensions to its employees. The premium is entirely borne by the employer.

Firms welcomed the introduction of DC schemes and many corporations have shifted from the Defined-benefit (DB) corporation pension to the DC corporate pension. This is because firms are realizing a huge burden of future pension payments, which is now labeled as liabilities under the new accounting system. Suffering from low-returns on their funds, firms are eager to convert their DB pension schemes to DC schemes, in which future payments are related to the investment performance of funds, as opposed to the current

system in which future payments are fixed at the beginning.

However, in the UK, there was a noticeable trend to convert to DC schemes in recent years, by closing the DB plan and provide the DC plan to new subscribers. But because a DB scheme is of value to the employees and could serve a firm to differentiate itself from others when hiring new employees, business owners are shifting to a stance to maintain the DB scheme while also pursuing a more economical approach. As shown in Table 2.1, the DB and DC schemes both have their advantages and disadvantages, and it is desirable for both management and labor to consider which to adopt.

Table 2.1 Comparison of Defined-Benefit (DB) and Defined-Contribution (DC) Plan Characteristics

	Defined-Benefit (DB) Plan	Defined-Contribution (DC) Plan	Dominant Plan
Investment Choices	Participants have no control over the investment of pension money.	Usually participants make their investment decisions	DC
Investment Risk	Participants do not need to bear investment risk.	Participants have to bear all investment risk.	DB
Investment Returns	Participants can only collect the benefits defined in the DB formula even if the investment has favorable returns.	Participants are entitled investment returns.	Not Clear
Termination Portability	Participants leaving their job forfeit future indexation of benefits already accrued.	Participants could rollover and keep investing investment savings.	DC
Incentives	Participants have greater incentive to sustain a high level of effort over the entire career in order to achieve high career-end salary.	Participants have less incentive over their entire life than in the DB plan since their DC benefits depend upon the wage trajectory over their entire life.	DB
Wage-Path Risk	Benefits tied to wage used in the formula, mostly the final wage.	Benefits tied to career average earnings.	Not Clear
Life Annuity	Usually offers life annuity with favorable mortality rates	Most DC plans' distribution is lump sum. Participants might face unfavorable mortality rate when purchasing annuity in market due to adverse selection problem.	DB

Source:Tongxuan (Stella) Yang(2005),"Understanding the Defined Benefit versus Defined Contribution Choice",Pension Research Council Working Paper, Pension Research Council

III. 2004 and 2009 Pension Reform and Current Issues of Pension System

1. Financial crisis of public pension

Aggravated by rapid aging, low rate of economic growth, and near-zero interest rates, the *National Pension* and the *Employees' Pension Insurance* are facing a difficulty to secure enough funds to meet the future burden of pension benefits. Various reforms to restrain the payments, including cutting back of future benefits, raising of premiums and raising the pensionable age from 60 to 65 (for the Employees' Pension Insurance) have taken place in order not to put too much burden on the future generations.

Because the reform in 2004 was such a major one, changes made in 2009 were less significant. Issues related to the three major reforms made in 2004 include, 1) the macro economy slide (method to reduce the increase rate of pension amounts according to the decrease in population) was not applied due to the impact of deflation in the Japanese economy. Further, due to the financial difficulties, 2) it has become difficult to allocate public funds to finance 50% of the Basic Pension. And 3) the collection rate of premiums is at a historically low level for the National Pension, and some firms that are required to enroll in Employees' Pension are starting to avoid bearing the contributions.

2. Non-compliance and defaults in the *National Pension*

As noted before, one of the biggest problems of the *National Pension* is that there are a growing number of eligible and required persons who have not paid the premium in full. According to the survey in 2009, as much as 0.33 million persons have not subscribed to the National (Basic) Pension at all. In addition, in 2009, the ratio of monthly premiums actually paid to fully expected premiums was only 60.0%. To raise the compliance, the government has put in place a mechanism to exempt paying premiums for low-income persons. In 2006, the 4-level exemption status was introduced, where previously there were only two levels. However, the number of people fully exempt from premium payment reached 5.21 million and partially exempt was 0.52 million people. Of these people, if we exclude students (1.65 million people) and the legally exempt such as the disabled (1.14 million people), about 11.9% of persons required to pay a premium are exempt due to reasons such as income, which is placing a heavy burden on *National Pension* finances. Every effort is being made at central, prefectural, and municipal government levels to decrease the default rate. The default and non-compliance of the *National Pension* is worse in younger

generations.

3. Financial pressure on firms

At the same time, corporate pension schemes are also facing a number of problems. The first problem is financial. Not only did the continuing recession of the Japanese economy and very low interest rate made it difficult for corporations to keep defined-benefit corporate pensions, it has also made it difficult for some corporation to keep paying the employers' contribution for the Employees' Pension. It is required by law to participate in the Employees' Pension Insurance for firms of certain size and over, but some corporations have taken a drastic measure to dissolve their Employees' Pension Insurance and make their employees subscribe to the National Pension, which does not require employers to share a part of the premium.

4. Duration of payment of premiums

As mentioned before, the traditional Japanese working pattern of the life-long employment with a single employer has been gradually diminishing. Many people now switch jobs and their pension status; thus, change over the life-course. The pattern is more evident among women who tend to leave and re-enter labor force during raising children. Thus, it is becoming increasing harder to put in the required payment period for pension premiums. For the National Pension, to get the full benefit, one has to have paid the premium for 40 years, and the Employees' Pension Funds also have, albeit shorter, required premium paying period. Many people, especially women, are unable to put in the required duration, and do not quality to get the full amount. The same problem is also applicable to foreigners who stay and work in Japan for only a limited number of years, and for Japanese who spend some years abroad.

In response to this situation, Japan has concluded social security agreements with other countries with an aim to resolve issues related to dual-enrollment in social security systems and international calculation method of pension enrollment period. Currently, Japan has signed the social security agreement with 13 countries including Germany, U.K., and U.S.A, and is under negotiation or preparing to begin negotiation with 6 countries such as Switzerland and Hungary. This number of countries entering the agreement is expected to increase in line with developments in the economy, globalization and implementation of social security systems in developing countries.

Table 2.2 Status of agreements with other countries

Implemented	Germany, U.K., Korea, U.S.A., Belgium, France, Canada, Australia, Netherland, Czech Republic
Signed（Under preparation for implementation）	Spain, Italia, Ireland
Under negotiation	Swiss, Republic of Hungary
Under preparation for negotiation	Sweden, Luxemburg, Brazil, Philippine

Source: http://www.sia.go.jp/seido/kyotei/index.htm (*in Japanese*)

Note: The link above is from the web-site of Social Insurance Agency (SIA). The SIA has been abolished. But, we can still access the web-site at the March 2011.

5. Accommodating various employment arrangements and life-styles

There has been a big shift of employment arrangements from full-time to part-time, especially among women workers. However, the Employees' Pension does not include part-time workers, and many women adjust their working style in order to remain as Category No.3 (dependent spouse of subscribers of Employees' Pension). The 2004 Reform did not actually implement measures to correct this, but it has mandated the government to review and take necessary action within 5 years.

The 2004 Reform implemented the following changes to accommodate the changing life-styles: 1) extending the period of premium exemption for those taking maternity or paternity leave from 1 year to 3 years, 2) making it possible to divide the pension benefit of the Employees' Pension between husband and wife if they divorce, and 3) putting a time limit of 5 years for survivor's pension benefit for widows (widowers) younger than 30 years old and with no children.

Currently, 83.9% of all Japanese firms offer retirement packages for their employees. A retirement package can be either a one-time lump-sum retirement allowance, or a life-long or limited duration pension, or both. The breakdown shows 26.8% of firms combine lump-sum payment and pension, 10.7% offer pension only, and 46.4% offer lump-sum payment only. Even though the pension is gradually spreading its share, the traditional style of the lump-sum allowance is still the main stream and most employees choose to take a part or the

entire amount of the retirement money as the lump-sum payment. In any case, it will be important for the private and public sectors to work together to offer pension and retirement benefit schemes that respond to increasingly diverse lifestyles.

Outline of the public pension system in Japan

	Note	Public Pension	
		Basic Pension	Employees' Pension Insurnace
Type of Insurance		Basic 1st Tier Mandatory	Supplemental 2nd Tier Mandatory
Insurer		Government	Government
Eligible persons	①	All residents (categories 1-3)	Category 2 private-sector workers under 65 who work at workplaces with more than 5 employees
Number of subscribers (millions)	②	64.89	34.44
% to all residents(20-59years)	②/pop	97%	51%
Number of current pension recipients	③	24.11	23.65
% to all subscribers	③/②	37%	69%
Premium Type		Flat rate	Fixed % of salary
Average contribution (% to total salary) Employee		--	7.50%
Employer		None	7.50%
Average contribtion (¥)	⑤	¥14,410 (for Category 1 & 2), ¥0 (Cat.3)	(including premium for National Pension)
Average monthly salary of subscribers	⑥	Not Available	¥312,813
Tax exemption Employee		Exempt	Exempt
Employer		Exempt	Exempt
% of subscribers exempt from paying premium		5.7%	0%
Default rate (as % of expected premium)		37.9%	1.3%(2008)
Benefit (Old Age) Type		Flat rate	Income-related
Calculation method		¥792,100 * ((insured months + 1/2 * exempt months)/480)	(Monthly income * 0.55% * insured months * slide rate)+ dependants allowance
Average monthly benefits	⑦	¥53,936	¥155,345
Replacement ratio (average)	⑦/⑥	Not available	49.7%
Starting age	years	65	65
Benefits (Disability)		Flat rate	Income-related
Calculation method		¥990,100 (1st degree) or ¥792,100 (2nd degree) + dependents allowance	1st degree old age pension * 1.25 + dependents allowance, 2nd degree: old age pension + dependents allowance, 3rd degree: old age pension
Average monthly benefits		¥73,882	¥105,703
Benefits (Widow/Widower)		Flat rate	Income-related
Calculation method		\792,100+ children allowance for wives w/children	3/4 of old age pension for spouse or close family
Avg monthly benefits		¥55,442	¥88,874

Source:Kigyo Nenkin ni Kansuru Siryo (2009), Web-site of Ministry of Health, Labour and Welfare (MHLW)
http://w w w .mhlw .go.jp/topics/bukyoku/nenkin/nenkin/toukei/nenpou/2008/toukei-list.html

(All numbers are as of 2008, unless otherwise noted)

	Semi-Private Pension	
Mutual Aid Pension	Employees' Pension Funds	National Pension Funds
Supplemental 1/2/3 Tier Combined Mandatory	Supplemental 3rd Tier Optional	Supplemental 3rd Tier Optional
Mutual Aid Associations	Employers of more than 500 employees	Government
National and local civil servants, teachers, etc.	Employees of above	Category 1
4.48	4.39	0.61
7%	6%	1%
3.92	2.44	0.42
88%	56%	69%
Fixed % of salary	Fixed % of salary	Subscriber's choice
6.04～7.754%	1.2 ～ 2.5%	--
6.04～7.754%	1.2 ～ 2.5%	None
(including premium for National Pension)		¥5,500～¥16,910
		Not Available
Exempt	Exempt	Exempt up to ¥68,000
Exempt	Exempt	
0%		
7.1%(2008)		
Income-related	Income-related	Premium-related
(Monthly income * 0.55% * insured months* slide rate)+ dependants allowance	Average monthly salary during insured months * fixed rate + alpha	Depending on premium & age at the time of entry
¥229,000(2005)	¥39,017	
	Not available	Not available
65	65	65
Income-related 1st degree old age pension * 1.25 + dependents allowance, 2nd degree: old age pension + dependents allowance, 3rd degree: old age pension		
Income-related 3/4 of old age pension for spouse or close family		

Chapter 3
Health Care

I. General Characteristics of Health Insurance

1. Public health insurance system

Japan's medical services are financed through a public mandatory health insurance system, which is composed of three types of schemes: occupation-based and region-based for those who are below 75 years old, and the separate health insurance for the persons 75 years old and over. Employers and employees who are below 75 years old and work at firms of a certain size and over should form a health insurance society and thus these are called the *Society-managed Health Insurance*. For those who work at smaller firms, the Japan Health Insurance Association, which is the public association for the health insurance provides a collective health insurance, which is called the *Association-managed Health Insurance*. In addition, special professions such as civil servants, private school teachers and employees, day laborers and seamen form separate nation-wide professional associations. These occupation-based public health insurances cover employees and their dependents. Those who are not covered by the *Health Insurance* should to participate in a region-based health insurance. This is the *National Health Insurance.* The municipalities are the insurers of the *National Health Insurance*. The elderly aged 75 or over enroll in the *Medical Care System for Elderly in the Latter Stage of Life*. The poor households are guaranteed access to medical services without having to pay individual premiums, based on the public assistance system.

These public health insurances provide nearly universal coverage over the population. The ratio of each system is shown in Fig. 3.1. The *National Health Insurance* and the *Association-managed Health Insurance* each account for about 30%, the *Society-managed Health Insurance* accounts for about 25%, and the *Medical Care System for Elderly in the Latter Stage of Life* is about 10%.

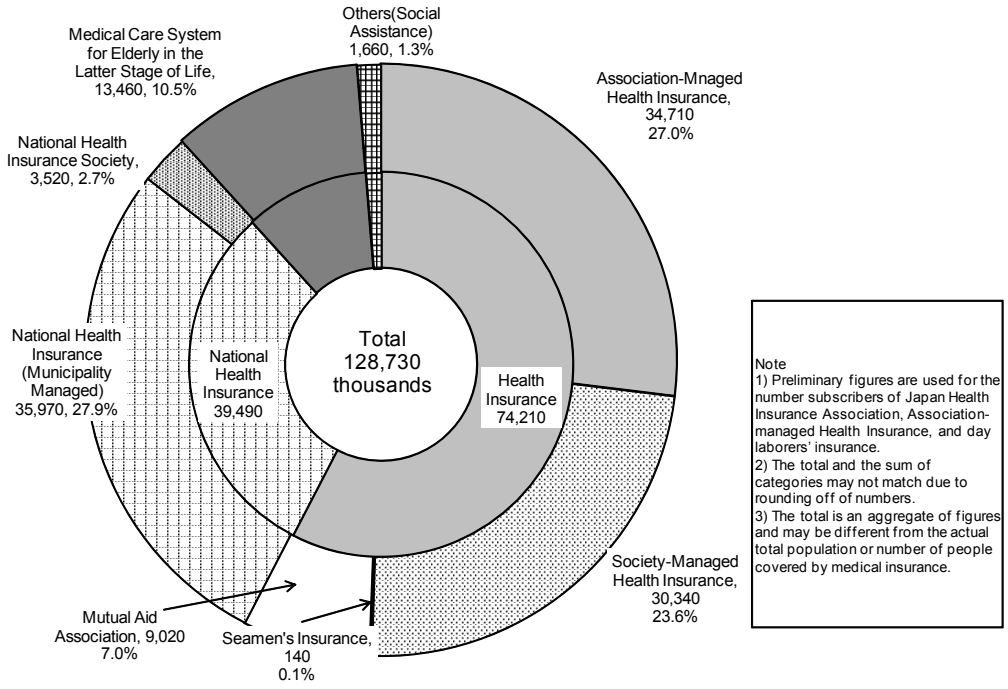
2. Financing of health insurance

The public health insurance schemes are financed by premiums, subsidy from the general budget of the government, and co-payment from patients. Some insurance schemes have income from inter-insurance program fiscal transfer. For the *Health Insurance*, the premium is a fixed percent of employee's salary, which is shared equally by the employers

and the employees. The lower and upper limits of the premium are 30/1000 and 120/1000, respectively. The premiums for the insured members of the Japan Health Insurance Association and health insurance societies are decided within this range. For the *National Health Insurance*, the premium differs among insurers and is usually levied on the basis of income, property, and number of insured within a household. For all Japanese medical insurance systems combined, the contribution by government subsidy, insurance premiums, and patient co-payment in 2007 were 36.7%, 49.2%, 14.1%, respectively (See Fig. 3.2 on next page).

Fig 3.1 Insured Population by the Health Insurance System

(Thousands, As of March 2009)



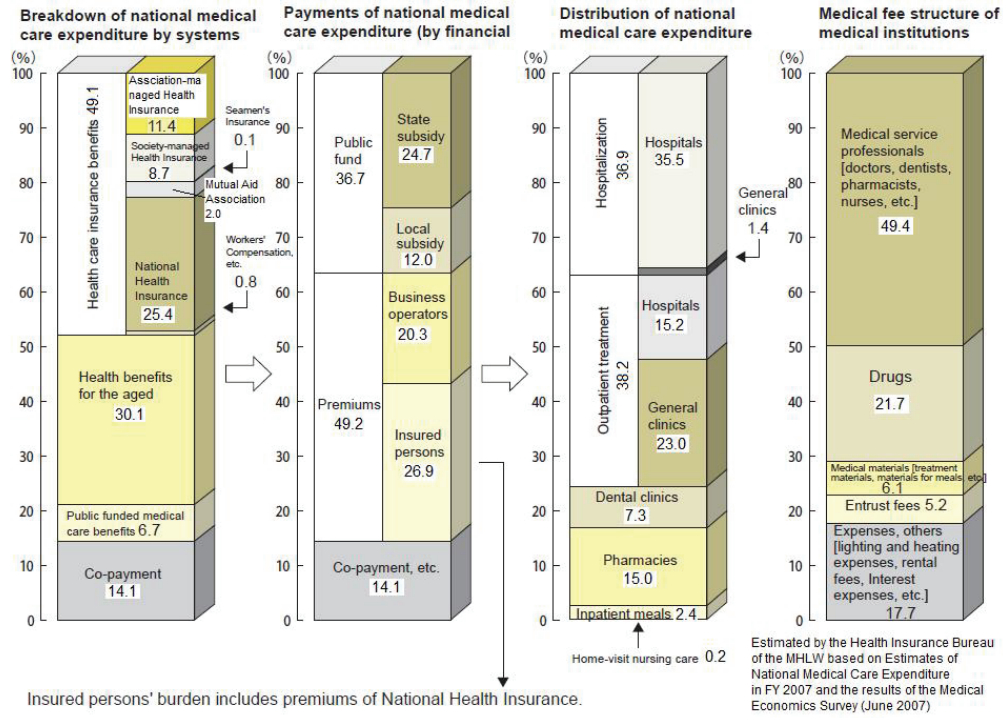
Source: Web-site of Ministry of Health, Labour and Welfare (MHLW)
(http://www.mhlw.go.jp/bunya/iryouhoken/iryouhoken01/01.html)

3. Freedom of choice

Medical examination at most medical institutions is covered by the public healthcare system if people enroll in a public medical insurance or if they are receiving medical aid through the public assistance system. In addition, healthcare providers cannot refuse treatment to a patient without reasonable cause. The General Practitioner (GP) system is

not being implemented in Japan. Therefore, a patient can be treated directly at a hospital as an outpatient. This is a characteristic of the Japanese medical care system that is different from other countries.

Fig 3.2 The Structure of the health Expenditure in Japan (FY2007)



Source: Ministry of Health, Labour and Welfare (MHLW) "Annual Health, Labour and Welfare Report" 2008-2009

Note; Data are updated by National Institute of Population and Social Security Research (IPSS).

4. Equal coverage of services at equal price

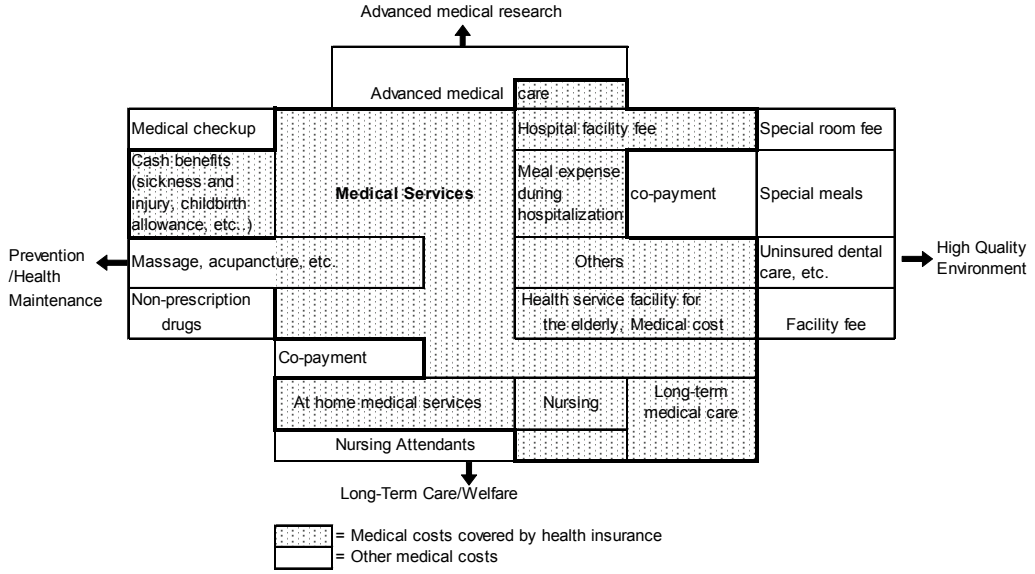
The coverage of health insurance and the prices of medical services are announced by the Ministry of Health, Labour and Welfare based on suggestion from the Central Social Insurance Medical Council, where consultations are held among insurers, healthcare providers and representatives of public interest. These items are not required by law to be deliberated or voted on by the Diet. Thus, all insured persons receive the same medical service at equal price. The area covered by the insurance is shown in Fig. 3.3.

5. Rising health care cost for the elderly and health insurance

As the aging of the population proceeds, the share of the health care costs for the elderly

in total medical costs has increased. The *National Health Insurance* has a larger number of elder subscribers than others.

Fig. 3.3 Medical Services Covered by Health Insurance



Source: Ministry of Health and Welfare (Present Ministry of Health, Labour and Welfare) "Annual Reports on Health and Welfare" 2000

This is because, as mentioned earlier, the (Employees') Health Insurance system covers individual employees and their dependents, while the National Health Insurance system covers all other people. As a result, the latter was more greatly affected by rising medical costs due to the aging society. Therefore, measures to curb medical costs for the elderly and the introduction of a scheme to share the burden of medical costs for the elderly with other public medical insurers were sought.

The Health and Medical Services for the Aged was created in 1983. This system aimed to ensure that medical costs for the elderly (aged 70 or over and those aged 65-69 who are bedridden) were shared fairly among insurers. Under this system, medical costs for the elderly were financed by national and local government subsidies (30%) and contributions from the National Health Insurance and Employees' Health Insurance (70%), as well as co-payment by the elderly (fixed amount). The contribution amount was inversely proportional to the ratio of the insured elderly aged 70 or over. In other words, the system alleviated the burden of the National Health Insurance that had a high ratio of elderly insured people. However, the aging of the population continued to accelerate, and medical

expenses for the elderly did not decline. The contributions made from insurers of the employees' health insurance to the Health and Medical Services for the Aged also increased year by year. Against this backdrop, a reform in the system for the elderly was promoted, and the Medical Care System for Elderly in the Latter Stage of Life for those aged 75 and over was launched in 2008. The system required the elderly aged 75 or over to pay a premium and a 10% co-payment rate in principle, but kept the contributions from other insurers at 40%. The present government is currently studying a new medical system for the elderly, as will be described below.

II. Health Insurance Schemes

1. (Employees') Health Insurance (Occupation-based public health insurance)

People covered under this type of insurance are employees and their dependents. All employed persons should to join the association, except those who are employed by private firms with less than five employees and self-employed. Depending on the occupation and size of employers, there exist several programs as described below.

(a) *Society-managed Health Insurance*

This scheme is operated by health insurance societies organized by large firms for their employees. Sometimes more than one firms form a single society. Currently, there are 1,497 such societies and 30.34 million individuals are covered by them (as of March 2009). However, due to bankruptcy of the parent company and the high cost of keeping them, more and more firms are dissolving such associations, and their number has been declining lately.

(b) *Association-managed Health Insurance*

This is for the employees of small and medium scale firms, which cannot form a health insurance society on its own. The Japan Health Insurance Association provides a collective health insurance for them, with contributions from the employers and employees. About 34.71 million individuals are covered by this type of health insurance (as of March 2009). The insurance is managed at the prefectural level.

(c) Other Occupation-based health insurance

- *Seamen's Insurance*
- *Day-Laborer's Health Insurance*
- *National Government Employees' Mutual Aid Association*
- *Local Government Employees' Mutual Aid Association*

- *Private School Teachers and Employees' Mutual Aid Association*

The first two are operated by the Government, and the other three, by each mutual-aid associations.

For those covered by the occupation-based health insurance, the employer withholds the premium from the employee's payroll for payment to the insurer. The dependent family member(s) of the insured person do not pay premiums. The premium rate of association health insurances varies by prefecture, which is the managing unit.

2. National Health Insurance

This scheme covers all those who are not covered by the *Health Insurance*, i.e. self-employed people, workers engaged in agriculture, forestry and fisheries, workers of small businesses, the unemployed, and pensioners. Currently 35.97 million individuals are covered by this scheme (as of March 2009). The insurers are municipalities. But, some of professionals such as medical doctors form *National Health Insurance Societies* on their own. Retirees who previously subscribed to the *Health Insurance* are insured under the *National Health Insurance*. However, the health care cost for the retirees until the age 65 years old are financed by the transfer from the *Employees' Health Insurance*, i.e. retiree's former insurer.

The *National Health Insurance* is financed by the government subsidy as well as the insurance premiums collected from its subscribers on household basis. In case the insurance finances face a deficit, the managing municipality will bear the cost. The premium consists of a portion based on the income, assets and number of people in the household and a fixed amount per household. The premium amount differs from one municipality to another. Therefore, there may be two households with the same income, assets and number of people, but different premiums depending on the municipality they live in. Premiums are partially waived for households with no income and assets. Consideration is also underway to shift the managing entity of the National Health Insurance from the municipalities to extended associations at the prefectural level.

3. Health Insurance System for the Elderly

As mentioned earlier, the Medical Care System for Elderly in the Latter Stage of Life

for those aged 75 and older and the Fiscal Equalization System for those aged between 65 and 74 were launched in 2008. The elderly aged 75 and over subscribe to the former system and must pay premiums. Therefore, those who used to be non-working dependents under the former system must now newly pay premiums. This premium finances 10% of the medical costs. Of the remaining 90%, 50% is covered by public expenditures and 40% by contributions from insurers of other insurance programs. Although the co-payment rate of the patient is 10%, the rate is 30% for high-income persons, as mentioned later. The managing entities of the system are wide-area cooperatives (the organization established to develop plans for affairs covering a wide area, and to handle these affairs comprehensively and systematically) at the prefecture level, but the municipalities collect the premiums. Also, in order not to impose excess contribution burden on financially weak employees' health insurances, a system was introduced in 2010 to adjust the support amount according to the difference in the pay-as-you-go basis of the medical insurance premiums. The Fiscal Equalization System for those aged between 65 and 74 is a system similar to the Health and Medical Services for the Aged.

III. Medical Benefits and Co-Payment Rate

The co-payment rate is 30% for public medical insurance systems in Japan, excluding the elderly and children below school age. Payment is made every time you visit a medical institution. The co-payment rate for children below school age is 20% (this used to be children under 3 years old until end March 2010). Some municipalities have adopted original policies to subsidize the co-payment for children older than the above age.

A 30% rate is applied to the high-income elderly aged between 70 and 74, who earn the same level of income as the working generation. The statutory rate is 20% for the other elderly persons in the same age group. However, the co-payment rate is at 10% due to a budgetary measure. Under the Medical Care System for Elderly in the Latter Stage of Life which is applied to those aged 75 and older, the co-payment rate for those who earn the same level of income as the working generation is 30%, but the statutory rate is 10% for other elderly people.

The high-cost medical care benefit system is applied to all medical insurance systems. This system aims to hold down the co-payment amount by setting a cap according to age and income, and the insurer bears the difference between the cap and the payable co-payment amount. The cap amount is set lower for low-income earners. For example, the monthly cap

for a low-income earner aged under 70 is ¥35,400, and under the Medical Care System for Elderly in the Latter Stage of Life, low-income earners only pay up to ¥8,000 for outpatient treatment and up to ¥24,600 for hospitalization.

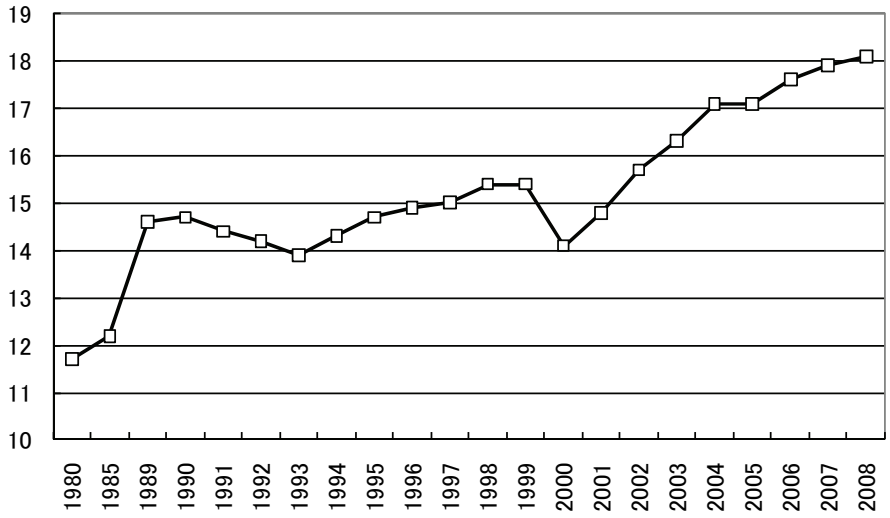
In some instances, the elderly must receive medical service and long-term care service at the same time. Therefore, an upper limit for the aggregate amount of medical and long-term care services has been set since 2010.

IV. Current Issues and recent reforms of the public health insurance

1. Health Insurance for the elderly and the 2006 Reform

Japan's public health insurance has been facing with financial crisis. One of the main problems is the rising cost for the elderly because of population aging. The share of public health expenditure among the total public expenditure has increased from 11.7% in 1980 to 18.1% in 2008 (Fig 3.4).

Fig. 3.4 Share of Public Health Expenditure among Total Public Expenditure



Source: Ministry of Health, Labour and Welfare (MHLW), "Annual Health, Labour and Welfare Report 2009"

Meantime, Japan has been implementing a series of small reforms, keeping the system mainly intact. The reforms from 2002 to 2006 raised the co-payment rate for both old and young generations. For those below 69 year old and who are in the Health Insurance, the co-payment rate was raised from 20 to 30%. As a result, the co-payment rate for all medical insurance systems was unified at 30%. The premium rate of health insurance was also

reformed to be applied to the entire annual salary, including bonuses. For those above 70 years old, and above a certain income criteria, the co-payment rate was raised from 10 to 20% in 2002. The co-payment for the elderly was again raised in 2006 (the co-payment was raised from 10% to 20% for those aged between 70 and 74 and for those elderly with high income, to 30%). The co-payment rate for the elderly became a fixed rate in 2001. The monthly upper limit of co-payment is also raised according to the income of the subscriber.

The 2006 Reform enacted two new schemes both of which started in April 2008. One is the "Medical Care System for Elderly in the Latter Stage of Life" (Koki Koureisha Iryo Seido). The other is the Fiscal Equalization System that is applied to those aged between 65 and 74. The outline of the system is as mentioned above.

Because the Medical Care System for Elderly in the Latter Stage of Life only applies to those aged 75 or older, there was criticism that it was age discrimination. A new medical system for the elderly is currently being designed to replace the above system.

Table 3.1 Financial Standing of Health Insurance Schemes (2007)

	Government Managed Health Insurance (Current Association-Managed Health Insurance)	Association Managed Health Insurance	National Health Insurance
Income			
Premiums	62,677	60,502	26,634
Government Subsidy	8,201	48	30,298
Other	174	1,453	29,485
Total	71,052	62,003	86,417
Expenditure			
Benefits	42,683	32,838	53,344
Outlay for HI for Elderly	17,712	11,778	17,937
Outlay for HI for Retirees	11,028	11,441	
Other	1,020	5,346	16,480
Total	72,442	61,403	87,761
Balance	▲ 1,390	600	▲ 1,344

Source: Ministry of Health, Labour and Welfare (MHLW), "Annual Health, Labour and Welfare Report 2010"

2. Reform of medical fee System

Under the current health insurance systems, main payment system is fee-for-service payments. In this payment system, there is an incentive for medical providers to over-examine and over-prescribe medicine, creating a tendency to higher medical costs. Meanwhile, there is stronger public demand for higher quality of medical services. Since

2003, Diagnosis Procedure Combination (DPC) was introduced, which pays a fixed medical cost per day to acute hospitals, depending on the disease type and extent. Medical practice is more visible because this scheme requires treatment data to be submitted to the Ministry of Health, Labour and Welfare, and the information can be utilized as basic data for discussing improvements in quality.

3. High Default rate of the National Health Insurance

The National Health Insurance is a scheme that provides medical service coverage to all individuals except for employees. Therefore the subscribers include a relatively larger number of people with higher income risk or medical payment risk. There is a program to partially reduce the premium for low-income households, but there are thought to be households that are not able to pay even after the reduction. The payment in arrears is considered to be occurring more in urban areas than in rural areas and among young people than elderly people.

Children of households with National Health Insurance premium payments in arrears may not have proper access to medical institutions. Therefore, to ensure access to medical institutions, an insurance card with a short expiration date is issued to high school or younger children even if the child's household is behind in premium payments. This scope of application was expanded from junior high school or younger children to high school or younger children on July 1, 2010.

V. Other Programs

Schemes other than the health insurance include the following. Public health centers are located in prefectures (and large-scale cities) to help prevent diseases and conduct healthcare activities such as health check-ups and health education. In addition to these activities, the health centers also promote measures related to maternal and child health (health guidance, health examinations). The municipalities are also responsible for implementing various policies including those on maternal and child health.

In addition, policies on health promotion, cancer control measures, and intractable diseases control are being promoted. Policies on intractable diseases control include subsidies for research funds and medical costs to compensate for the patient's co-payment as part of the Project on Research on Measures for Intractable Diseases and Project on Research on Treatment for Specified Diseases.

Outline of the Health Insurance System in Japan

	Health Insurance		Seamens' Insurance	National Govt Employees' Mutual Aid Association
1) Name	Association-managed Health Insurance	Society- Health Insurance		
2) Eligible subscriber	Employees of Small-Medium firms	Employees of Large firms	Seamen	National Govt Civil Servants
3) Number of subscriber	19.807	15.871	0.063	1.085
(millions) Dependents	16.488	14.989	0.095	1.342
4) Insurer (number of organizations)	Japan Health Insurance Association	Health Insurance Associations (1,518)	Government	Mutual Aid associciation of each ministry (21)
5) Premium rate:				
Subscriber	4.10%	3.242% (avg)	4.55%	3.05 ～ 5.00%
Employer	4.10%	3.999% (avg)	4.55%	3.05 ～ 5.00%
6) Gov't Subsidy to:				
Administrative cost	All	All	All	All
Medical cost	13%	Fixed amount	Fixed amount	--
Contribution for the health care for elderly	16.40%	--	--	--
7) Co-payment:				
Subscriber				30%
Dependents	30%（Children below school age 20%）			
Inpatient meal expense	¥260/meal (for low-income family ¥210/meal for first three months, ¥160/meal afte			
Maximum	¥80,100 (for low-income person \35,400)			
8) Allowance:				
Childbirth allowance	¥350,000		¥350,000	¥350,000
Funeral expense	¥50,000		¥50,000	¥50,000
Fun.exp. for dependents	¥50,000		¥50,000	¥50,000
9) Unemployment benefits:				
Due to sickness	Standard daily remuneration * 2/3 per day		Standard daily remuneration * 2/3 per day	Standard daily remuneration * 2/3 per day
	Up to 18 months		Up to 3 years	Up to 18 months (except for TB 3 yrs)
Due to childbirth	Standard daily remuneration * 2/3 per day		Standard daily remuneration * 2/3 per day	Standard daily remuneration * 2/3 per day
	42 days before birth, 56 days after		Unemployed days before birth, 56 days after	42 days before birth, 56 days after
Due to unemployment	--		--	50% of avg. salary
10) Disaster Relief:				
For death			--	1 month of avg. salary
For death of a family member	--		--	70% of monthly avg. salary
For disaster	--		--	0.5 to 3 months of avg. salary, due to severness

Source: Ministry of Health, Labour and Welfare (MHLW) "Annual Health, Labour and Welfare Report 2009", National Institute of Population and Social Security Research (IPSS) "Shakai Hosho Tokei Nenpo, 2009"

All numbers are as of March 2009 unless otherwise noted.

Local Govt Employees' Mutual Aid Association	Private School Teachers & Employees' MAA	National Health Insurance			Medical Care System for Elderly in the Latter Stage of Life
Local Govt Civil Servants	Private School Teachers & Employees	Self-employed, farmers,etc.		Retired	Elderly aged 75 or over, and persons aged under 75 with a certain level of disability
2.822	0.49	46.881	3.843	8.82	13.075
3.286	0.365				
Mutual Aid associciation of each local govt (55)		Municipality (1,804)	National Health Insurance Associations (165)	Municipality (1,788)	Extended associations for the Medical Care System for Elderly in the Latter Stage of Life (managing entities)
5.03% 5.03%	3.78% 3.78%	Avg.premium per family \164,100 --	--	--	10%
All (by local govt)	Partial	All	All	All	All
--	--	43%	32～55%	--	90%（※1）
--	--	--	--	--	
		30%（Children below school age 20%）			10%（※2）
		--	--	--	
r 3 months, or for most low-income family (70～74 years old) ¥100/meal)					Same as left
					¥44,400（General） ¥24,600（Low-income people） ¥15,000（Very low-income people）※2
¥350,000	¥350,000	standard amount \350,000			
¥50,000	¥50,000	Set according to the law			
¥50,000	¥50,000	--			
Amount of "Standard daily remuneration * 2/3 per day" multiplied by a constant coefficient	Amount of "Standard daily remuneration * 2/3 per day" multiplied by a constant coefficient	Standard not set			
Up to 18 months (except for TB 3 yrs)	Up to 18 months (except for TB 3 yrs)				
Amount of "Standard daily remuneration * 2/3 per day" multiplied by a constant coefficient	Amount of "Standard daily remuneration * 2/3 per day" multiplied by a constant coefficient	Standard not set			
42 days before birth, 56 days after	42 days before birth, 56 days after				
50% of salary	50% of avg.salary	--			
1 month of avg. salary	1 month of avg. salary	--			
70% of monthly salary	70% of monthly avg. salary	--			
0.5 to 3 months of salary, due to severness	0.5 to 3 months of avg. salary, due to severness	--			

※1
Public funds approx. 50%
Contributions approx. 40%

※2
Co-payment rate is 30% for those earning the same level income as the working generation

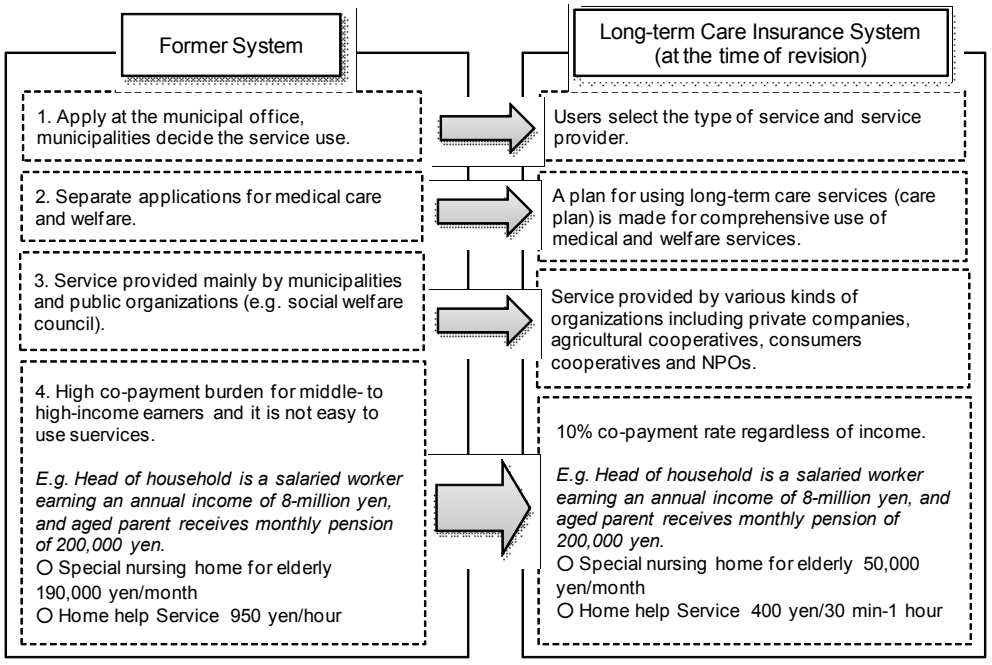
Co-payment limit
¥80,100＋
(Medical expenses-
¥267,000) * 1%

Chapter 4
Welfare for the Elderly

I. Introduction of the Long-Term Care Insurance

Starting in April 2000, Japan introduced the *Long-Term Care Insurance*. The insurance system covers the long-term care of the elderly, which was previously provided partly through the health insurance system and partly by the welfare measures for the elderly. The main differences between the *Long-Term Care Insurance* and long-term care provided by the prior systems are shown in Fig. 4.1. The *Long-Term Care Insurance* grew out of the recognition that, due to changes in the society such as weakened community ties, increase in small-sized families, and increase of working women, financial and psychological burden of family facing the care for the elderly has become unbearably large. The *Long-Term Care Insurance* is designed to share the burden of caring for the elderly among all members of the society and lessen the burden of the family.

Fig.4.1 Difference between Former System and Long-term Care Insurance from the User Point of View



Source: Web site of the Ministry of Health, Labour and Welfare
(http:// http://www.mhlw.go.jp/topics/kaigo/gaiyo/hoken_06.html *in Japanese*)

In other words, it aims to establish a system that responds to society's major concern about aging, and to assure the citizens that they will receive care, if necessary, and be

supported by society as a whole. Furthermore, it is expected to alleviate the financial pressure of ever increasing long-term care cost of an aging society on the health insurance systems.

II. Long-Term Care Insurance System

1. Insurer

Municipalities and specials wards (hereinafter referred to as simply "municipalities") are the insurers, and it has multi-layer support from the national government, prefectures, medical care insurers, and pension insurers.

2. Insured

The insured persons are those who are aged 65 and over (Category I) and the subscribers of health insurance whose age are 40 to 64 years old (Category II). Currently, about 28.3 million persons are subscribed as Category I and about 42.4 million persons, as Category II (as of the end of FY 2008). The premium is collected through municipality and deducted from pensions for the Category I, and through additional premium to be paid to health insurance for the Category II. Premium amount of the Category I is determined by each municipality, and thus differs from a municipality to another. Premium is income-related, and there will be measures to moderate the burden for low-income persons.

Those eligible to receive long-term care are all persons in Category I who are certified as requiring support or nursing care based on the certification of long-term care need by the Nursing Care Need Evaluation Committee. Meanwhile, for Category II persons, care is limited to those requiring nursing care or support due to age-related diseases (=specified diseases) such as dementia and cerebrovascular disorder.

3. Service provided

Services provided by the long-term care insurance are mainly divided into two categories, preventive services and nursing care services, as shown in Fig. 4.2. Preventive services are provided under a new scheme introduced with the revision of the Long-term Care Insurance Act in FY2005, which aim to prevent an increase in severity among those certified as requiring support in daily life (Support Required level 1, 2).

Types of preventive services include nursing care preventive home-visit care, nursing care preventive commuting rehabilitation service, and nursing care preventive short-term

stay at a care facility. Types of nursing care services include in-home services such as home-visit nursing care and commuting for care, and facility services such as welfare facilities for the elderly requiring long-term care, health care facilities for the elderly requiring long-term care, and sanatorium-type care facilities for the elderly requiring care. Users are free to choose the type of nursing care service or service provider, either publicly or privately managed.

The revision of the law in FY2005 also newly established the "Community-based care services" such as small-sized multifunctional in-home care and daily life care in communal living for elderly with dementia, in order to provide services in the community that is the closest to those requiring support or nursing care.

4. Source of financing

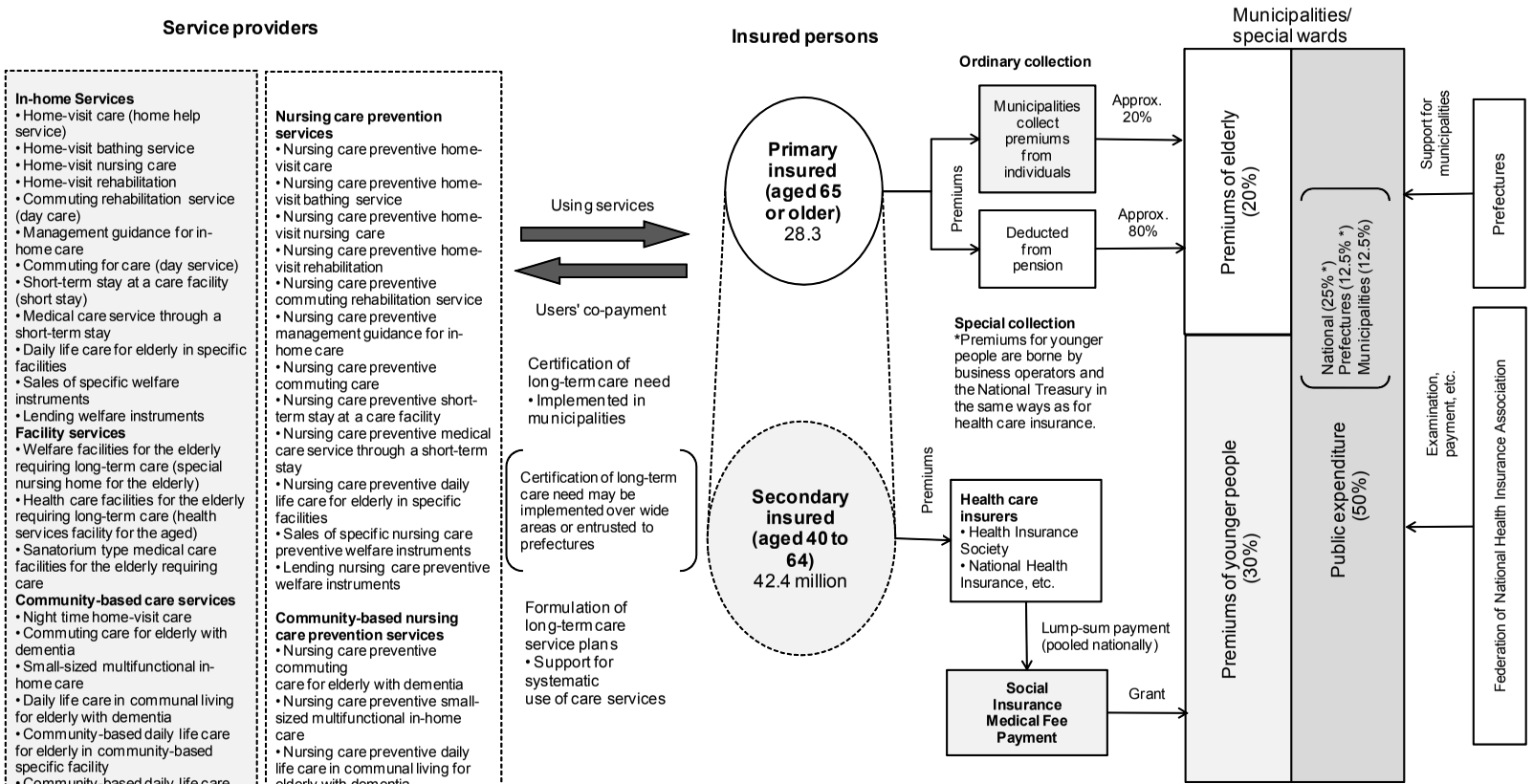
The cost incurred in the *Long-Term Care Insurance* is financed by premiums, public expenditure, and co-payment of users. Apart from the co-payment of the users, the cost is financed 50% by premiums (19% by Category I, 31% by Category II) and 50% by public expenditure. Within this framework the municipality can determine the rate of premium for the insured of Category 1. The premium is reviewed once every three years. It is estimated about ¥2,900 per month on average (2000-2002). The amount increased to ¥4,160 in FY2009-2011. For the Category 2 insured the rate will be 1.50% of salary and annual bonus in the Japan Health Insurance Association and 1.068% in the Society-managed Health Insurance. Co-payment for the services is 10% of the cost, plus, for those in a hospital or an institution, and users also bear food expenses and residence expenses (utilities).

5. Assessment of the care-needs

The users are classified into 7 categories ("Support Required Level 1 and 2" and "Care Required Level 1 to 5"), depending on the severity of the care need. The upper limit of services provided is determined according to these categories.

The user must be assessed by the municipality into one of the categories before applying for the services. For example, when a person faces a condition requiring support or care, the person or a family member must first submit an application for a long-term care requirement certification to the municipal office. Upon receipt of this application, a municipal investigator visits the applicant's home for an interview on the physical/mental state and aspects of daily life. The computer uses the interview results to generate a preliminary assessment.

Fig. 4.2 The overview of the Long-term Care Insurance



* 5% of the public expenditure from the national government is for adjustment and may increase/decrease depending on the number of people aged 75 or older and income distributions of the elderly.
* For benefit costs of facilities, etc. (benefit costs of 3 long-term care insurance facilities long-term care insurance facilities and specific facilities designated by prefectures), 20% is borne by the national government and 17.5% by prefectures.
* The number of the Primary insured is from "Survey on Long-Term Care Insurance Service (Draft) (April 2008)"
* The number of the Secondary insured is based on the report from the medical insurers aimed to fix the amount of nursing care payment by the Social insurance medial fee payment fund; the figure is monthly average in FY 2006.

Source: Ministry of Health, Labour and Welfare (MHLW) "Annual Health, Labour and Welfare Report 2008-2009"
Note: Numbers of insured persons are updated with the data at the end of 2008 by National Institute of Population and Social Security Research (IPSS) using the data at the end of 2008. Some parts of the figure design are revised by IPSS.

This assessment and opinion letter of the primary physician are then reviewed by the Nursing Care Need Evaluation Committee, comprised of health, medical and welfare experts. This Committee conducts a secondary assessment and decides the care (support) required category. The municipality notifies the applicant about the decision. Applicants who are not certified as requiring nursing care cannot receive services provided by the long-term care insurance, but are eligible to receive nursing care prevention services under the community-support project promoted by the municipality.

6. Care Management

Once the care (support) required category is decided, the necessity of nursing care and support is evaluated (=care management), and a care plan is created, which combines services within the allowance limit for each category. The creator of the care plan varies depending on the category. The care plans for those eligible to receive nursing care services and requiring care level 1 to 5 are created by care managers at in-home nursing care support businesses. The care plans for those eligible to receive preventive services and requiring support level 1 to 2 are created at regional comprehensive support centers.

The regional comprehensive support center is a scheme created in line with the introduction of preventive services when the law was revised in 2005. It serves as the center for elderly care and is responsible for care management to prevent nursing care, creating care plans to prevent nursing care, providing consultations to the elderly and their family, protecting elderly rights and early detection of abuse.

III. Current Issues

1. Financial Strain and the Reform FY 2005

Soon after its enactment, it has become evident that the initial financial arrangement was not enough to meet the cost of the long-term care. The number of care recipients grew from 1.49 million (0.52 in institutions and 0.97 at-home care) in September 2000 to 3.29 million (0.78 in institutions and 2.51 at-home care) in April 2005. The financial outlay grew steadily from ¥3.6 trillion (2000) to ¥7.1 trillion (2006 estimate). Further, the baby boom generation will begin to become elderly in 2015. With such background, the long-term care insurance was reviewed and several reforms were put in place five years after its enactment. The major reforms were: 1) In view of the increase of those who require relatively little care (Level 1 or “support required”), a new program was introduced whose purpose is the

prevention of future care needs. 2) To balance the benefit payment between at-home and institutionalized care, the living expense (meals at institutions, etc.) of care facilities was no longer covered by the insurance. At the same time, for those with low-income who can not afford to pay the meal expenses out of pocket, certain measures was put in place. 3) Services are reorganized as region-based and 4) care management certification process was revised.

2. Response to the rise of insurance premium and the co-payment

Another issue is the amount of premium. For the insured of the Category I, the premium is deducted from pensions or collected separately by the municipality, and for the Category II the premium of the Long-Term Care Insurance will be added on top of the health insurance premium. There is also a considerable variation in the premium among municipalities. There has been a considerable out-cry from low-income households who cannot bear the premium or/and the co-payment, and as a response municipalities set the maximum of 5 levels of premium structure according to the insured's income. The Reform added another level, so that the premium structure is currently 6 levels.

3. Issues for the next system reform

The long-term care insurance system initially aimed to support the independent living of the elderly, and even if the elderly entered a state that required nursing care, it aimed to develop an environment where the elderly could receive treatment in the community with which they were familiar. To this end, the 2005 revision in the law established community-based care services and regional comprehensive support centers to ensure enhanced services and coordination at the municipality level.

However, the present situation is far from achieving the target, as many issues remain such as elderlies having to enter a care facility even if they requested in-home care due to non-availability of proper service providers in the familiar community, lack of collaboration between medical institutions, care facilities and in-home service providers, and insufficient number of elderly-friendly housing.

Therefore, the discussions for the next system reform scheduled in 2012 are focusing on how to establish a "regional comprehensive care system" that can provide seamless services in medical care, nursing care, prevention, housing and livelihood support in the daily living area of the elderly.

IV. Services for the elderly other than the long-term care insurance

The services provided to the elderly are mainly part of the long-term insurance benefits. However, based on the conventional system, mainly institutional services, based on the Act on Social Welfare Service for Elderly are still provided. The nursing care homes for the elderly are admission-type facilities for low-income elderly requiring nursing care. In addition, Homes for the elderly with a moderate fee provide residence and meal services at low-cost, and there are also welfare centers for the elderly providing health promotion services.

In recent years, there are more Free-charging homes for the aged run by the private sector. These facilities are considered as housing facilities rather than social welfare facilities for the elderly. When using the facilities and the elderly enters a contract with the service provider and bears the full expense. The in-home service provided by the long-term care insurance can be used at these facilities.

In regard to the relationship between the long-term care insurance and elderly services provided by other systems, benefits of the Long-term Care Insurance Act have priority according the principle of placing priority on insurance. Other systems in this case include the home help service under the Services and Supports for Persons with Disabilities Act. However, services not covered by the long-term care insurance (e.g. hearing aid, prosthetic hand/leg) are provided to the elderly with disabilities according to the Services and Supports for Persons with Disabilities Act. With regard to public assistance, for the elderly aged 65 or over on welfare and insured by the long-term care insurance, the benefits of the insurance are given priority, and the co-payment portion is covered by long-term care assistance provided by the public assistance system.

Chapter 5
Public Assistance

I. General Characteristics

The root of Japan's public assistance goes back to poor relief before the World War II. Today's public assistance has its legal basis on the *Revised Public Assistance Law (New)* enacted in 1950. The Law stipulates four fundamental principles: (1) public assistance to the people in need is a responsibility of the state, (2) all citizens[1] have a right to claim public assistance without discrimination of sex, social background and reasons for falling into hardship, and only the economic condition is the criteria of receiving assistance, (3) the state guarantees to all citizens a minimum level of healthy and cultural life, and (4) public assistance is a supplement to all resources available to and the best efforts exerted by the applicant.

The *Public assistance* is provided upon a receipt of an application from a household in need and after a careful examination of the application. The assistance is calculated by subtracting the household's final income from the *minimum cost of living* (See Fig. 5.1). In case the minimum cost of living exceeds the final income, the difference is given as the assistance. The *minimum cost of living* is calculated from seven categories of expenses: livelihood, housing, educational, medical, maternity, occupational, and funeral expense. The calculation of the *minimum cost of living* takes into consideration the differences in living costs among different regions of the country, and household members' age. All assistance is provided as cash transfers, except a few such as medical costs, which are provided as in-kind.

1. Means test

The principle (4) of the *Public Assistance* states that the *Public Assistance* must be a supplement to the person's best efforts and available resources. In other words, the person is required to use all available resources, including assets, ability to work, as well as assistance from those who are required to support the person by law. Assets such as land, houses and farms must be sold, except in the case where the person is actually living or utilizing it and the value of the assets is higher when it is utilized than when it is sold.

[1] The Public Assistance Law (New) excludes foreigners from this right, but currently, by order, legal foreigners are given "equal treatment as citizens". Illegal foreigners are not covered.

Household goods such as TV are allowed if the diffusion rate of the goods is more than 70% in the region.

As for the utilization of the ability, the person will not be able to receive assistance if he/she is judged as capable to work. If the person has a will and ability to work, but is unable to find work, it is unlikely that he/she would be given assistance.

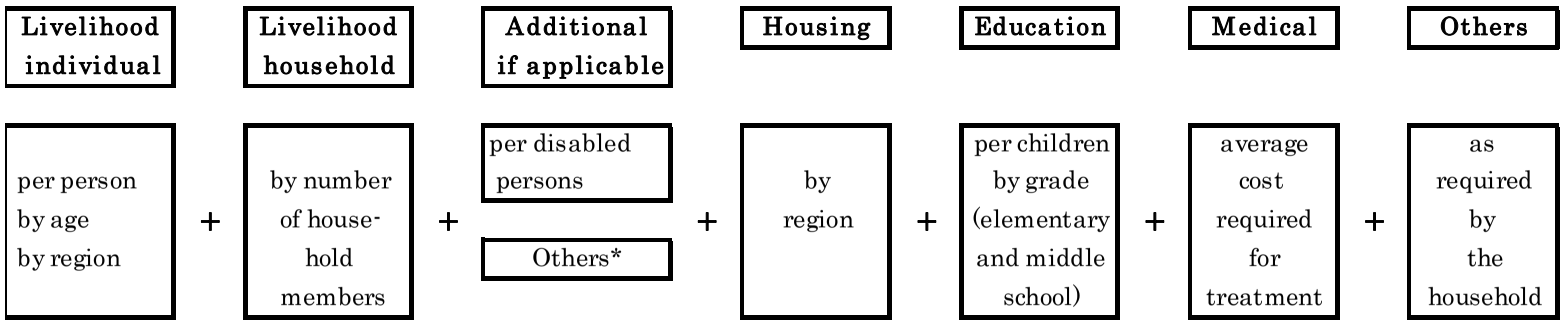
The civil law states that certain relatives and family members are required to support a person in need. Thus, the public assistance is given only after it is judged that this support is not available. In practice, spouses and parents of a minor (less than 20 years old) have strong responsibility to support the person.

2. Recipients of Public Assistance from Statistics

In 2009, 1,274 thousand households or 1,764 thousand persons (1.4% of the population) received some types of public assistance (monthly average). The share of the population receiving the assistance had been declining until 1995, but since then there has been a continuous rise. Among those receiving the assistance, elderly household make up the largest share, accounting for 44.2% of all recipient households, and has been increasing for some years. The share of the household with a disabled or sick is also large, at 34.2%. About 7.8% are single-mother households, and the rest, 13.5%, is classified as "other types of households". The large share of households with the elderly, disabled or sick may be the reason that the most of recipient households (87.0% in 2008) do not have any working member.

By age, those above 70 years old comprise the largest share (30.1%). Those between 60 and 69 year olds also consist 22.3% of the recipients. The elderly in general have high coverage rate (i.e. % of those who are recipients of the Public Assistance among the general population of that age group). About more than 20‰ elderly above 60 years old are the recipients of the assistance, where only about 6.8‰ of the children aged less than 5 and 4.1‰ of those aged between 20 to 39 years old were the recipients (Table 5.1). Figures by duration of receiving the assistance show both short-period and long-period recipients. By employment status, close to 90% of the households have no working member (Fig. 5.2 and 5.3)

Fig.5.1 Determination of Monthly Minimum Cost of Living



* Others include children under age of 3, pregnant women & sick persons being treated at home requiring special meals.

Items seen as One-Time Requirements and is provided in addition to monthly expense

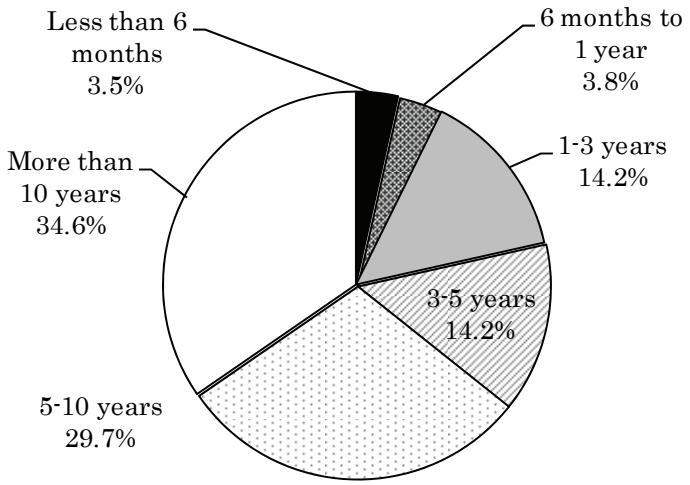
1 Bed (if not in possession), clothes for new-born, diapers, etc.
2 Expenses for entering school
3 End-of-year expenses
4 House maintenance for electricity, water, etc.
5 Others

Table 5.1 Break-down by age, Public Assistance Recipients (2008)

Age	Share (%)	Coverage rate (‰ in Assistance)
<5	2.8	6.6
6 to 19	12.7	11.6
20 to 39	8.9	4.1
40 to 49	8.5	8.0
50 to 59	14.8	7.4
60 to 69	22.3	20.1
70+	30.1	22.9
Total	100.0	12.0

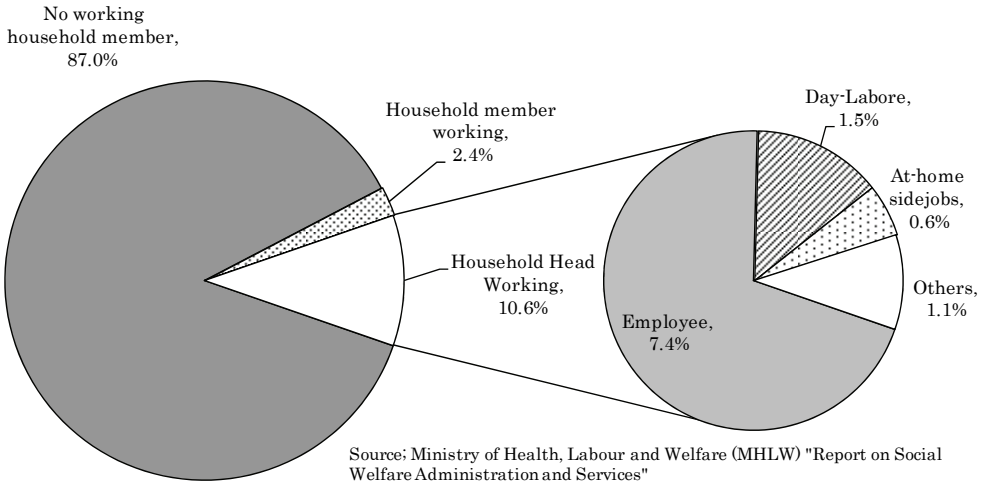
Source: Ministry of Health, Labour and Welfare (MHLW) "National Survey on Public Assistance Recipients"
Note; Data are compiled by National Institute of Population and Social Security Research (IPSS).

Fig 5.2 Break-down by the Duration of Receiving Public Assistance (2008)



Source: Ministry of Health, Labour and Welfare (MHLW) "National Survey on Public Assistance Recipients"
Note; Data are compiled by National Institute of Population and Social Security Research (IPSS).

Fig.5.3 Working/Non-working Households receiving Public Assitance (2008)



Source; Ministry of Health, Labour and Welfare (MHLW) "Report on Social Welfare Administration and Services"
Note: Data are compiled by National Institute of Population and Social Security Research (IPSS). Data are based on the households actually received only.

II. Current Issues -The Reform of the Public Assistance-

The Public Assistance is one of the oldest schemes of social security system in Japan. The recent upward trend in the number of recipients and expenditure of the Public Assistance has become controversial and the Public Assistance program has become one of the main targets for budget restraint in the policy debate. One of the criticisms of the program was that the benefit level is too high, compared to the income level of people who do not receive Public Assistance benefits. For example, the benefit level for single-mothers was pointed out to be higher than many of single-mothers who are “managing on their own”. While many scholars argue that this is not the problem of the benefit level, per se, and the problem is the fact that many people do not receive the benefit even though their income level is so low (i.e. the take-up rate of the program is rather low). Meantime, the government has demolished the additional benefit which was previously given to single-mothers and elderly households by March 2007, however, the benefit for single-mothers has reintroduced in December 2009. Due to the fact that the ruling party shifted from the Liberal Democratic Party to the Democratic Party in September 2009, the policy has changed from the previous party.

After the global monetary crisis in October 2009, the coverage rate of assistance has been increasing. The number of households receiving public assistance increased to 1.27 millions in 2009 and recorded the highest since the scheme introduced.

Chapter 6
Family Policy and Policy for People with Disability

I. General Characteristics

Japan has faced a rapid aging of the population, which is caused by both a decrease in the fertility rate and an increase in the life span. In order to stop the trend toward a society with a few children, it is necessary to create an environment favorable to child rearing.

Japan ratified various international convention related to human rights. The Convention on the Elimination of All Forms of Discrimination against Women in 1985, and the Convention on the Rights of the Child, 1994 are ratified. Most recently, the Convention of Rights of People with Disability are singed in 2007 and on the process of ratification. As a member of international community, Japan improves various social measures.

1. Family Policy in Japan

A criticism against the pronatalist policy during World War II, it has been a taboo to talk about increasing birthrate as a policy in Japan. But, presently a decrease in the fertility rate is recognized as one of major social issues that the government to tackle with. The Gender Equality Bureau of the Cabinet Office is in charge of the family policy together with related policies run by other ministries. "Work-Life Balance Promotion", is a key word to improve individual life style. The major reason behind the rapid fall in the birthrate is the situation whereby women have to choose between either continuing to work or quitting working and having children. The cause of this comes from many problems such as not being able to choose various working styles, the increase in temporary employees, and long working hours, as the number of two-income families is on the increase. Hence, it is very difficult for the Japanese to achieve the lifestyle and the working style they wish.[1]

(a) Income Support

< Universal Child Allowance>

In April 2010, New Act of Child Allowance was enforced. The Child Allowance formally paid to a household with children up to 12 years old (except for the children graduated from primary school) with income tested. But, under the new act, income test was abolished and

[1] Annual Report on children and child rearing (former title as the society with Declining Birthrate) 2010, Cabinet Office, Government of Japan

extended the age up to 15 years old, until the graduation from junior high school, which is compulsory education in Japan. The amount of allowance is ¥13,000 per child per month without age difference.

Table 6.1 Income Threshold for Child Allowance (2007, Old System)

Number of Dependents	Threshold for Child Allowance*	Threshold for Child Allowance (Special Benefit**)*
None	460	532
1 person	498	570
2 persons	536	608
3 persons	574	646
4 persons	612	684
5 persons	650	722
More than 6 persons	+38.0/person	+38.0/person

* Annual Income of previous year (unit: ¥10,000)

**Special Benefit is the benefit for employees whose income exceeded the income threshold in the left column in this table.

Table 6.2 Number of Child Allowance Recipients and Expenditure (2007, Old System)

(2007)	Number of Recipients	Number of Children covered	Expenditure (unit: million yen)
Total	9,295,555	12,979,569	975,143
(of which SCA)	96,011	105684	11,588
Employee	6,187,712	8,588,079	642,341
(of which SCA)	74,650	81509	8,702
Non-Employee	2,300,887	3,220,012	243,698
Public Servants	806,956	1,171,478	89,104
(of which SCA)	21,361	24175	2,885

Source: Annual Health, Labour and Welfare Report, Ministry of Health, Welfare, and Labour, 2009 Note: The 2007 data are under the state of before introducing universal scheme. The data under the new act are not available.

<Child Rearing Allowance (for single-parent households)>

Child Rearing Allowance is given to single-parent who are rearing a child 18 year old or younger (he/she has not yet reached March 31 after his/her 18th birthday), who rearing children by her or himself and whose earnings for the previous year is less than the threshold.

The monthly allowance is ¥41,720 in case of one child, ¥5,000 for the second child, and for third and subsequent children additional ¥3,000 for each child (2010). Before August 2010, only single-mother households are eligible for this allowance but now both single-mother and father can receive the allowances. The income threshold for the Child Rearing Allowance is according to the number of children in a household. Also, family member other than parent, his or her income is taken into the consideration.

<Special Child Rearing Allowance (for parents of children with disability)>

Special Child Rearing Allowance is given to parents who look after their children with disability at home. The monthly allowance of child under age of 20 is ¥50,750 for first degree and ¥33,800 for the second degree disability. In addition to it, the Welfare allowance for children with heavy disability is given to parents who take care of them at home. The monthly allowance is ¥14,380. On the other hand, the monthly allowance is ¥26,440 whose child is over 20 years old. The children over 20 years old receive entitlements to the national disability pension according to their degree of disability. (See the following section of disability policy.)

(b) Service to support Family with children

<Child Care Facilities (Day-care centers), etc.)>

Municipal governments are required by the Child Welfare Law to provide day-care centers for children whose parents are not capable of taking care of them for reasons such as work, illness, and care of other members of the family. Day-care centers typically provide 8 hours of care, but demand to extend the hours has been increasing. The staffing and other quality measures are tightly regulated by the municipality. Fee for day-care centers differ from a municipality to another, but is usually set so that it depends on income and number of children of the household.

A long waiting list of Day-care centers is recognized as one of the urgent issues to solve by the government. At the local governments, they introduce new schemes of child day care including the support for licensed or certified residential care at home by women with child rearing experience or having a license of career. On the other hand, children of kinder gardens have decreasing in number rapidly due to fewer children. The government proposed to integrate kinder gardens to child day-care centers but that have not done it, yet.

Approximately 2.04million children are taken care of at the day-care centers in 2009,

which is about 31percent of the population under 5 years old in Japan. The Cabinet Office set a special work force to solve the shortage of day-care service in October 2010. There are approximately 25 thousand children who are on the waiting list in April 2010 according to the government estimation. The number has been increasing last three years due to economic recessions in Japan.

< Child Support Center (Children of DV victims and without parents or guardians) >

There are increasing number of children suffered from Domestic Violence last decade, in 2008 child guidance center of prefectures dealt with 42,664 cases and the center of municipalities also dealt with 53,020 cases according to "Report on Social Welfare Administration and Services" of the Ministry of Health, Welfare and Labour.

There are 58 facilities of protecting and supporting children in Japan. There are approximately 1.9 thousands children supported at the facilities in 2007. There are also approximate 3.8 thousands children are supported at the foster parents in 2008.

2. Policy for people with disability in Japan

Under six welfare acts, including, Public Assistant Act, Child Welfare Act, Act on Welfare of Physically Disabled Persons, Act on Welfare of Mentally Retarded Persons, Act on Social Welfare Service for Elderly, Act on Welfare of Mothers with Dependents and Widows, services are provided to the people with needs of services. In 2005, the Services and Supports for Persons with Disabilities Act was past the parliament. Based on this act, a new scheme of service for three types of disability, including Physical disability, Mental retardation, and Mental dieses was introduced in 2006. However, there was a strong resistance to introduce cost sharing among people with disability and under the new ruling Democratic party, reform measures are started discussing in 2010.

(a) Income Support

The National Pension includes a scheme for adult with disability. It is called the Disability Basic Pension. The pensioners include those who were born with disability. The Employee Pension includes a scheme for former employees who became disabled while they were employed. Under the mutual aid associations, there are similar schemes for former employees with disability including civil servants both of central and local governments and teachers and employees of private school. Also, under the Workers' Accident Compensation

Insurance, employees can receive pension for the loss of ability due to injury and sickness at work. There are also similar workers' accident compensation schemes for civil servants.

Table 6.3 Income support for the People with Disability, 2009

Pensions	National Basic Pension	Employees' Pension Insurance
Type	Flat rate	Income-related
Amount	¥990,100 (1st degree) or ¥792,100 (2nd degree) + dependents allowance(monthly)	1.25 * Amount of Old Age Pension (1st degree) or 1.00 * Amount of Old Age Pension
Eligibility	Over 20 years of age, who have paid 2/3 of premium period and those who are under 20 at the time of becoming disabled and who have turned 20	For those who have become disabled during insured months (for those under 300 months of insurance period, 300 is applied)

Source: Annual report on social security statistics 2009, National Institute of Population and Social Security Research (IPSS)

Other than public pension benefits, there are allowances paid under the certain conditions of disability by local authorities. However, the allowance is not universal scheme but an individual local authority provides it out of its own budgets.

(b) Service to support people with disability

The Services and Supports for Persons with Disabilities Act (SSPDA) enforced in 2006 and reorganized the scheme of service for people including children under 18 years old with disability. The Act aims three goals. The first is an inclusive policy of three types of disability, physical, intellectual and mental disability. The second is a reorganization of service providing schemes which is set the people with disability in center. The third is enforcement of active labor participation of people with disability.

However, in September 2009, the new ruling Democratic Party decided to abolish the SSPDA and to set a new act which seek more inclusive measures without discrimination. Now, the committee under the cabinet discusses the reform of the Basic Act for Persons with Disabilities and proposes and enforces the reform measures by 2013. Meantime, the SSPDA has been carrying. Under the amendment in 2009, the fee schedule of care service has been improved. The 10% co-payment scheme introduced by the SSPDA in 2006 has been changed and the people with low income no longer needed to share the cost.

Table 6.4 Scheme of service under the Services and Supports for Persons with Disabilities Act (SSPDA)

Nursing care services	Home nursing care (Home help)	Assist with bathing, toileting and eating at home
	Nursing care for the severely disabled	Assist severely disabled persons who require constant nursing care with bathing, toileting and eating at home and also provide outing assistance
	Support for activities	Outing assistance and necessary support to avoid danger surrounding persons with disabilities who have limitations in making personal judgments
	Comprehensive support for the severely disabled	Comprehensive program to provide multiple services including at-home care for persons having substantial need for nursing care
	Day services for children	Training on basic daily activities and orientation to adjust to group living offered for children with disabilities
	Respite care service	Respite care (daytime and nighttime) at facilities with bathing, toileting and eating, in case family caregivers become ill or unable to provide the necessary nursing care
	Nursing care	Daytime assistance for persons who require medical attention and constant nursing care including functional training at medical institutions, medical management, nursing care and personal care
	Personal care	Daytime assistance for persons who require constant nursing care including support with bathing, toileting and eating, and provision of opportunities for creative/ productive activities
	Nighttime care at support facilities for the disabled (Facility entrance support)	Nighttime support for persons entering care facilities including bathing, toileting and eating assistance
	Care home service	Nighttime or holiday support at group living residences including bathing, toileting and eating assistance
	Independence Training (rehabilitation, daily life training)	Training provided for a certain period of time to improve physical function and daily living abilities so that the person can achieve an independent daily/social life
Training services	Employment shift support	Training provided for a certain period of time to enhance necessary knowledge and skills for employment, offered to persons who wish to be employed in an ordinal corporation
	Continuous Employment Support (Type A: Employment, Type B)	Provide work place and necessary training to enhance knowledge and abilities for persons who have difficulties working in an ordinal corporation
	Group living support (Group homes)	Nighttime or holiday services at group living residences including consultation and daily support
	Transportation support	Assist disabled persons who have difficulties in transporting themselves outdoor
Community life support services	Community activity support center	Facility offering opportunities for creative/productive activities and promoting social interaction
	Welfare homes	

Source: Web-site of Ministry of Health, Welfare and Labour (http://www.mhlw.go.jp/bunya/shougaihoken/service/taikei.html).

The residential service regrouped with two types, which is day activities and residential support. Within the day activities, there are the care benefits, the training benefit, and the community based support programs. (See the Table 6.4)

II. Current Issues

Due to the economic downturn triggered by the Lehman Shock in 2008, many households have experienced a decline in income. Due to this situation, the need for household members to find employment increased particularly among the younger generation households, especially the wives. As a result, many mothers are seeking childcare, and there are more children on waiting lists for a daycare center. In October 2010, the government launched the Task Force Team for Eliminating Childcare Waiting Lists under the Cabinet Office, and review is underway by the state and local government to tack the issue together.

Although the issue of how to finance the child allowances that began in April 2010 has yet to be resolved, the allowance is slated for an increase from the current ¥13,000 to ¥20,000 for children under 3, starting in April 2011. Subsidies for high school tuition also began in April 2010.

Family policies include those adopted to balance work and family, and policies are being implemented to promote men to take childcare leave.

The policies related to persons with disability are also going through dramatic changes under the administration led by the Democratic Party of Japan, beginning with the amendment of the Basic Act for Persons with Disabilities in 2011. Under the Cabinet Office, review has begun for the Act for Comprehensive Welfare for Persons with Disabilities (tentative name) to replace the Services and Supports for Persons with Disabilities Act. In case for the elderly, the introduction of the long-term care insurance greatly promoted in home care services from facility centered welfare services. A similar trend is now starting for the environment surrounding persons with disabilities.

Chapter 7
Labour Insurance

I. General Characteristics

Japan uses the term "Labour Insurance" to mean both Employment Insurance and Workers' Compensation Insurance. The two insurances are operated under independent systems, but the government is the insurer and the prefectural labour bureau collects the insurance premiums for both insurances.

II. Employment Insurance

1. Basic Scheme

Employment Insurance has two functions. One is to provide employees cash benefit in case he/she loses the job as livelihood support and to promote reemployment. The other is to support employers to prevent them from laying off their employees. The former is called the Unemployment Benefits, and the latter consists of two components: Service for Employment Stabilization and Service for Developing Human Resources. The Unemployment Benefits also include a variety of benefits such as the Job Applicants' Benefits, Employment Promotion Benefits, the Education and Training Benefits, and the Continuous Employment Benefits. The entire scheme is shown in Fig. 7.1.

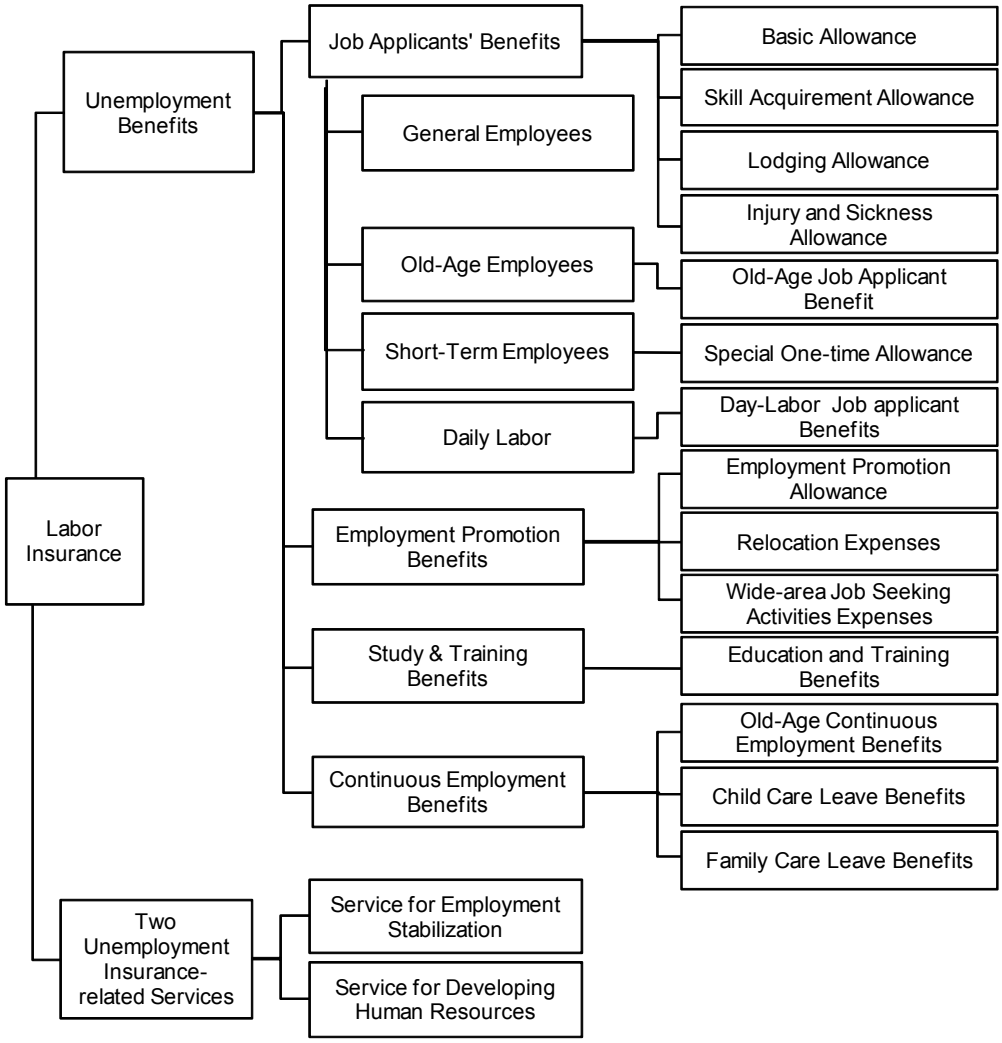
Since April 2010, any employee 1) whose scheduled working hours are 20 hours or more per week and 2) who is expected to be employed for 31 days or more is considered as insured under the employment insurance regardless of business size.

The employment insurance is funded by insurance premiums and by public expenditure (tax). The insurance premium is paid in principle by both the employers and employee. The employment insurance premium rate in Japan is not the so-called experience rating by individual businesses.

2. The Basic Allowance for the Job Applicants

This is the most commonly referred to as the "Unemployment Benefits". The benefit period varies by reason for unemployment, insured period, and age of the beneficiary. The benefit period is basically longer if the insured period is longer.

Fig. 7.1 Labor Insurance



If unemployment is due to "company bankruptcy" or involuntary retirement such as "termination" or "expiration of contract term" (for "Recipient with Specified Qualification" or "Displaced Worker for Specific Reasons"), the benefit period is basically set longer than unemployment due to other reasons. In addition, for "Recipient with Specified Qualification" or "Displaced Worker for Specific Reasons," the benefit period is set longer with higher age (excluding people aged 60 or older). The Tables 7.1 to 7.3 show the number of days for each kind of recipient. In case of voluntary retirement, benefits start approximately three months after unemployment (if the person is still unemployed at that time). The benefit amount is 50 to 80% of the average wage for the six months prior to unemployment (45 to 80% for persons aged 60 and 64), and the rate is higher if the wage prior to unemployment is lower.

Table 7.1 Duration of Basic Allowance (General Enployees)

(unit: days)

Years of being insured / Age of beneficialy	Less than 1 year	More than 1 year and Less than 5 years	More than 5 years and Less than 10 years	More than 10 years and Less than 20 years	More than 20 years
Less than 30	90	90	120	180	-
30 ~ 34		90	180	210	240
35 ~ 44				240	270
45 ~ 60		180	240	270	330
60 ~ 64		150	180	210	240

Table 7.2 Duration of Basic Allowance (Involuntary terminated Enployees)

(unit: days)

Years of being insured / Age of beneficialy	Less than 1 year	More than 1 year and Less than 5 years	More than 5 years and Less than 10 years	More than 10 years and Less than 20 years	More than 20 years
All	-	90		120	150

Table 7.3 Duration of Basic Allowance (For those difficult to get employed)

(unit: days)

Years of being insured / Age of beneficialy	Less than 1 year	More than 1 year and Less than 5 years	More than 5 years and Less than 10 years	More than 10 years and Less than 20 years	More than 20 years
Less than 45	150	300			
45 ~ 64		360			

3. Employment Promotion Benefits, Education and Training Benefits

Employment promotion benefits include re-employment allowance and employment allowance. Those qualified to receive the basic allowance and are successful in finding employment with a certain benefit period remaining are eligible to receive these benefits.

The education and training benefit is provided to those covered by employment insurance when they attend and complete education or training designated by the Minister of Health, Labour and Welfare. It compensates a certain percentage of the education and training expenses (up to ¥100,000).

4. Continuous Employment Benefits

The (basic) continuous employment benefit for the elderly is provided to insured persons aged of 60 to 64 years old who have been covered by the employment insurance for five or

more years. If a person's wage drops to less than 75% compared to the wage at age 60, then up to 15% of the monthly wage is paid. The benefit period is provided up to the 65th birthday.

The childcare leave benefit is a system for insured persons taking childcare leave to care for infants under the age of one. They receive benefits equivalent to 50% of the wage before taking the leave (there is an upper limit), assuming that the person was insured for a certain period prior to the start of the leave. In the past, part of the benefit was paid six months after returning to work, but the benefit is currently paid in full during the leave.

The family care benefit, as in the case of the childcare leave benefit, is a system for those taking a leave to provide nursing care for his/her family to receive benefits equivalent to 40% of the wage before taking the leave (there is an upper limit).

III. Workers' Compensation Insurance

Workers' compensation insurance is a system to provide benefits to compensate for workers' injury or sickness while at work or commuting to and from work. It also has projects to promote the social rehabilitation of the afflicted worker. All employees regardless of employment pattern or business size are covered by this insurance, which is, in principle, funded by premiums paid by employers. The premium rate varies greatly by industry as shown in Table 7.4.

Table 7.4 Premium Rates of Workers' Compensation Insurance by Industry

(unit: ‰)

Industry	Premium Rate
Forestry	60
Fishery	32 ~ 41
Mining	6.5 ~ 87
Construction	9 ~ 103
Manufacturing	3 ~ 26
Transportation	5 ~ 17
Energy (electricity, gas, water or heat supply)	3.5
Others	3 ~ 50

Benefits include medical treatment (compensation) benefit for treatment received at medical institutions, temporary disability (compensation) benefit to compensate for the wage during the treatment period, injury and disease (compensation) benefit or physical disability (compensation) benefit for injuries/diseases that are not cured or leave disabilities, and

survivors (compensation) benefit in case a worker dies due to a work-related reason.

The system also has various projects to promote social rehabilitation of the afflicted worker as well as projects to ensure occupational safety and health.

IV. Current Issues

The percentage of contingent workers such as part-time workers among all workers is on the increase. This trend is redefining the role of the conventional employment insurance. If employment insurance benefit were only offered to those who have been continually employed for a long time, contingent workers whose employment period is unstable would not be covered by the insurance and would not be offered support in case they become unemployed. Due to the sharp rise in unemployment rate during the worldwide recession triggered by the Lehman Shock, the applicable requirement for employment insurance, which used to be one year (of expected employment) was relaxed to 6 months in April 2009, and 31 days or more in April 2010[1].

Furthermore, the unemployment rate is higher among the younger generation compared to the middle-aged people. After the Lehman Shock, the unemployment rate among persons aged 40 to 54 remains at 3 to 4%, while the rate among the young people (age 15 to 24) has hovered at 9 and 10%. In light of this situation, measures to promote employment for the young people have been launched, such as subsidizing businesses that employ young people.

[1] The trend to extend coverage of social insurance to contingent workers is also seen in the childcare leave system. Since 2005, the provision of maternity leave became mandatory even for fixed-term employers, based on the assumption that the worker is employed for a certain period.

Outline of the Employment Insurance System in Japan

1)	The Insured	(a) General Employees	
2)	Number of the insured		37.51 (million)
3)	Number of employers		2.02 (million)
4)	Insurer		Government
5)	Premium rate:	(General)	(for Agro-Forestry)
	The Insured	0.4%	0.5%
	Employer	0.7%	0.8%
6)	Gov't Subsidy:		
	Administrative cost		All
	Benefits paid	13.75% of benefits, none for Employment Continuation benefits (c)	
7)	Unemployment Benefits		
(A)	Job Applicants' Benefits		
	① Basic Allowance		
	Requirements	1) Scheduled weekly working hours are 20 hours or more and 2) is expected to be employed for 31 days or more	
	Amount	50 to 80% of previous wage	
	Duration	See Table 6.1-6.3	
	② Skill Acquirement Allowance	(1) ¥500/day for course fee, (2) up to ¥42,500 of transportation cost	
	③Lodging Allowance	¥10,700/mo	
	④Injury & Sickness Allowance	Same as the day rate of the Basic Allowance	
(B)	Employment Promotion Benefits	(1) (Re)employment Allowance: Remaining number of payment days * 30-50% * Basic daily allowance (2) Outfit Allowance for Regular Employment (for disabled, etc.), moving expenses, job seeking expenses	
(C)	Study & Training Benefits		
	Requirements	Those who have completed the study & training designated by the Minister with more than 3 years of insured period	
	Amount	20% of expense (up to ¥100,000)	
(D)	Continuous Employment Benefits		
	① Old Age Continuous Employment Benefits		
	Requirements	Those aged 60 to 64 year olds who have been insured for at least 5 years, and whose wage is less than 75% of the wage at 60.	
	Amount	15% of the wage after 60 (in case the current salary is 61-75% of the wage at 60, the rate is reduced gradually)	
	Duration	Until the 65th birthday (In case re-employed after receiving unemployment benefits, 2 years if the remaining days of unemployment benefit is more than 200 days, 1 year, if 100 days.)	
	Benefits		
	Requirements	Those who have taken a child care leave to raise a child of less than 1 year old, and who have worked more than 11 days in a month for more than 12 months in the past two years	
	Amount	50% of wage before the leave	
	Duration	During the child-leave	
	③ Family Care Leave Benefits		
	Requirements	Those who has taken a family care leave and who have worked more than 11 days in a month for more than 12 months in the past two years	
	Amount	40% of wage before the leave	
	Duration	Up to 93 days	

Schemes are as of April 2010.

(b) Short-term special employees	(c) Continuously Employed Older Persons (Over Age 65)	Day-Laborers
		23 (thousand)
(for Construction) 0.5% 0.9%		Left and ¥48～88/day ¥48～88/day
		All 1/3 of benefits
Special One-time Allowance: 30(40) day worth of the Basic Allowance	turning 65, and till after 65, and insured for 6 months in the year before termination	Paid 26 days of premium in the past 2 months
	50 to 80% of previous wage	¥7,500～¥4,100/day
	For 30 days if the insured period is less than 1 year, for 50 days if insured for 1 year or more	13～17days
	---	---

Same as left, except (1)	---	Same as left
---		---
---		---

---	---	---

For More Information (web-sites)

Government and related organizations

Ministry of Health, Labour and Welfare (MHLW)
http://www.mhlw.go.jp/english/index.html

Cabinet Office (Policies on Cohesive Society)
http://www8.cao.go.jp/souki/index-eng.html

Statistics Bureau (Ministry of Internal Affairs and Communications)
http://www.stat.go.jp/english/index.htm

Portal Site of Official Statistics of Japan
http://www.e-stat.go.jp/SG1/estat/eStatTopPortalE.do

National Statistics Center http://www.nstac.go.jp/en/index.html

Japanese Law Translation (Ministry of Justice)
http://www.japaneselawtranslation.go.jp/?re=02

Research Institute (related to MHLW)

National Institute of Public Health http://www.niph.go.jp/English/index.html

National Institute of Infectious Diseases http://www.nih.go.jp/niid/index-e.html

The Japan Institute for Labour Policy and Training
http://www.jil.go.jp/english/index.html

International Medical Center of Japan http://www.imcj.go.jp/

National Institute of Health Sciences http://www.nihs.go.jp/english/index.html

National Institute of Biomedical Innovation http://www.nibio.go.jp/english/

National Institute of Health and Nutrition
http://www.nih.go.jp/eiken/html/index.html

National Cancer Center, Japan http://www.ncc.go.jp/index.html

National Rehabilitation Center for Persons with Disabilities
http://www.rehab.go.jp/english/index.html

National Institute of Population and Social Security Research
http://www.ipss.go.jp/index-e.asp

Our Publication

Periodical Journals (*in Japanese*)

We publish these journals as below on social security study, social security systems and its changes in other countries, as well as articles on international comparative studies and population study.

THE QUARTERLY OF SOCIAL SECURITY RESEARCH

THE REVIEW OF COMPARATIVE SOCIAL SECURITY RESEARCH

JOURNAL OF POPULATION PROBLEMS

Statistical Reports (*in English*)

The Cost of Social Security in Japan

The Report provides wide range of statistics and information regarding social security.

Population Statistics of Japan

This report provides tables and figures of important demographic indicators from the latest statistics.

IPSS Web Journal (*in English*)

IPSS Web Journal is professional journal of Population Study and Social Security Study. It covers all aspects of the field of population and social security study. IPSS Web Journal is available in Portable Document Format (PDF).

For more information, please visit our web-site
http://www.ipss.go.jp/index-e.asp

Editor

Katsuhisa Kojima: National Institute of Population and Social Security Research

Department of International Research and Cooperation

We invite comments and suggestions to be reflected in future editions of this publication. Please send all comments to below or by use the Inquiry / Comment page from the index "Contact Us" of our web site. (When you write message to us, please make the addressee the editor above.)

http://www.ipss.go.jp/mail/e_sendmail/mail.html

Social Security in Japan (2011 edition)

PUBLISHED BY NATIONAL INSTITUTE OF POPULATION AND SOCIAL SECURITY RESEARCH (IPSS)

2-2-3 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011 JAPAN

Tel: +81-3-3595-2984 (Direct) FAX +81-3-3991-4816

URL: http://www.ipss.go.jp/index-e.asp

ISSN 2186 - 0297

March 2011