

Financial Statistics of Social Security in Japan

In this statistical report, we adopt two standards, which are determined and developed by international organisations - ILO (International Labour Organisation) and OECD (Organisation for Economic Co-operation and Development) - to generate the Financial Statistics of Social Security. In the following section, we explain the background and determination of each standard respectively.

1. Cost of Social Security based on the ILO standards¹

Cost of Social Security based on the ILO definition is one of the standards which we adopt in this report. Since 1949, the ILO had conducted 18 international inquiries on social benefits and published a report. In these inquiries, data on social security receipts and expenditures were collected within the framework of the ILO Convention No. 102 (1952) concerning Minimum Standards of Social Security, and ILO Recommendations No. 67 and No. 69 (1944). Japan had been cooperating with the ILO inquiries after acceding to the United Nations in 1957, and the relevant Ministry and institute (initially the former Ministry of Labour, followed by the Ministry of Health and Welfare, and currently the National Institute of Population and Social Security Research) had aggregated data on social security benefits of Japan and reported the results.

In response to changes in socio-economic circumstances around the world, the ILO revised the inquiry framework several times. In 1997, when the 19th International Inquiry was conducted, the methodology and framework were modified to take into account a wider range of social protection and to expand coverage which provides generalized basic assistance to all citizens, regardless of their contributions to the social security system or employment history. The 19th Inquiry decided to limit coverage to institutions meeting the following criteria;

- the objectives must provide benefits according to one of nine functions: (1) Old age; (2) Survivors; (3) Disability; (4) Employment injury (5) Sickness and health; (6) Family/Children; (7) Unemployment; (8) Housing; (9) Social assistance/others
- they must have been set up by legislation which attributes specified rights to, or which impose specified obligations on a public, semi-public or autonomous body;
- they should be administered by a public, semi-public or autonomous body which has been set up by legislation;
- they can be a private body which has been commissioned to execute legally defined obligations.

Since fiscal year 2000, we have been providing statistics on social security receipts and expenditures based on the 19th International Inquiry. However, statistics based on the 18th inquiry have been widely used among policymakers and researchers, so we will continue providing the data based on the previous framework as well.

It is absolutely important to grasp the entire picture of receipts and social security expenditures, and to continue updating data using the same standard. While ensuring international comparability of social security expenditures is also required. The ILO had published the reports of the international inquiries as “The Cost of Social Security” up to the 18th inquiry. Since then, the ILO has been providing a new database called the Social Security Inquiry (SSI). However, SSI is constructed by gathering data which international organisations have already published, instead of gathering data based on the ILO standard from the authorities in each country. At the same time, OECD has been developing the Social Expenditure database (SOCX), which is based on the OECD standard, among developed and middle class countries.

In July 2012, when the Financial Statistics of Social Security was designated as official statistics conforming to the Statistics Act, we included data based on the OECD standard in this report to improve the international

comparability of social security expenditures. In the next section, we explain the framework of the OECD standard.

2. Social Expenditure based on the OECD standards²

OECD began publishing the Social Expenditure Database in 1996. OECD defines social expenditures as:

“The provision by public and private institutions of benefits to, and financial contributions targeted at, households and individuals in order to provide support during circumstances which adversely affect their welfare, provided that the provision of the benefits and financial contributions constitutes neither a direct payment for a particular good or service nor an individual contract or transfer.” (OECD2007).

Every expenditure item is included in Social Expenditure if it satisfies the following two criteria; first, the benefits must be intended to address one or more social purposes; and second, the system that makes the provision of benefits either contribute to an inter-personal redistribution or involve compulsory participation. The OECD Social Expenditure groups social benefits with social purpose into the following nine policy areas. (1) Old age; (2) Survivors; (3) Incapacity related benefits; (4) Health; (5) Family; (6) Active labour market programmes; (7) Unemployment; (8) Housing; (9) Other social policy areas. Social benefits include cash benefits such as pensions, income security during maternity leave, welfare benefits, and others, as well as benefits in service or kind, such as childcare, care for the elderly, and care for people with disabilities.

The scope of Social Expenditure based on the OECD standard is broader than the Social Benefit based on the ILO standard, since the OECD standard includes the amount of expenditure not directly spent on individuals, such as expenditure on equipping facilities.

In addition, many developed countries have been updating the Social Expenditure database regularly and provided benefits according to the nine policy areas. In this way, the Social Expenditure based on the OECD standard is an important indicator for making an international comparison of social security expenditures.

In the main part of this report, we present aggregating results of social expenditures by the following two categories: (i) “public expenditures” and (ii) “mandatory private expenditures” which is operated by the private sector but prescribed by law. For international comparative analysis, we used the OECD Social Expenditure Database 2012 ed. (<http://www.oecd.org/els/social/expenditure>)

Finally, when the Financial Statistics of Social Security were designated as official fundamental statistics, it was decided to include necessary explanations about the relationship between the Financial Statistics of Social Security and the SNA (System of National Accounts) based on the UN Standards, as well as concise descriptions of the main terminologies used in the ILO and OECD standards (Refer to the •gAppendix•h for more details about the terminologies used in both standards) in order for the statistics to be useful for a wide range of users.

¹ This section is based on ILO(2005) *ILO Social Security Inquiry*, International Labour Office

² This section is based on OECD(2007) *The Social Expenditure database: An Interpretive Guide SOCX 1980-2003*, OECD