

IV. Appendix

1. Description of the main terms used

(1) Social Expenditure based on the OECD standards

• Social Expenditure

According to the OECD standards, the scope of social expenditure is defined as "The provision by public and private institutions of benefits to, and financial contributions targeted at, households and individuals in order to provide support during circumstances which adversely affect their welfare." However, it only includes benefits provided by institutions under certain schemes and does not include a direct payment for a particular good or service or an individual contract or transfer. The conditions for an expenditure item to be identified as "social" are twofold: (1) the benefits are expected to address one or more social purposes (nine policy areas) and (2) the scheme that makes the provisions of the benefits must contribute to the redistribution of income across individuals or involve compulsory participation. Based on these standards, Japan has aggregated and provided data on public social expenditure and mandatory private social expenditure (explained below), which include expenditure not directly transferred to individuals, such as facility maintenance expenses.

Public social expenditure and mandatory private social expenditure are two categories of social expenditure used by the OECD. The distinction between public and private social protection is made based on whoever controls the relevant financial flows public institutions or private bodies. The Financial Statistics of Social Security of our country cover the range of these two types of expenditure.

• Public Social Expenditure

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

• Mandatory Private Social Expenditure

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

• Social Expenditure by policy area (Refer to the Appendix 2-2 for more details)

The OECD SOCX Database groups benefits with a social purpose into nine policy areas: (1) "Old age" - pensions, early retirement pensions, home-help, and residential services for the elderly; (2) "Survivors" - pensions and funeral payments; (3) "Incapacity-related benefits" - care services, disability benefits, benefits accruing from occupational injury and accident legislation, and employee sickness payments; (4) "Health" - spending on in- and out-patient care, medical goods, and prevention; (5) "Family" - child allowances and credits, childcare support, income support

during leave, and sole parent payments; (6) "Active labour market programmes" - employment services, training, employment incentives, integration of the disabled, direct job creation, and start-up incentives; (7) "Unemployment" - unemployment compensation and early retirement for labor market reasons; (8) "Housing" - housing allowance and rent subsidies; and (9) "Other social policy areas" - non-categorical cash benefits to low income households and other social services, that is support programs such as food subsidies. SOCX includes expenditure not directly spent on individuals, such as expenditure on equipping expenditure, but not administrative costs for the provision of these benefits.

(2) Social Benefit based on the ILO standards

• Social Benefit

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

- (1) The objectives of the schemes must be to grant benefits for at least one of the following risks and needs:
 - (1) Old age, (2) Survivors, (3) Invalidity, (4) Employment injury, (5) Sickness and health, (6) Family, (7) Unemployment, (8) Housing, and (9) Social assistance and others.
- (2) The schemes must have been set up by legislation that attributes specific individual rights to, or-imposes specified obligations on a public, semi-public or autonomous body.
- (3) The schemes should be administered by a public, semi-public or autonomous body founded by legislation, or by a private body that has been granted rights to perform legal obligations.

Japan has aggregated and published data on Social Benefit based on the ILO standards since 1950, and the data have been used widely as basic material in policy making as well as for a variety of other purposes.

• Social Benefit by category (Refer to Table 7)

Social Benefit is classified into three categories: "Medical care," "Pensions," and "Welfare and others." While this categorization is unique to Japan, it is based on the summary table of balance of Social Benefit from the ILO's 18th International Inquiry on the Cost of Social Security.

"Medical care" includes costs for the health insurance, medical care system for the latter-stage elderly, medical aid for public assistance, medical services for the insured of the Workmen's Accident Compensation Insurance, and government-financed medical services such as the treatment of tuberculosis and mental disorders. "Pensions" includes payments by public pension schemes such as Employees' Pension Insurance and National Pensions. It also includes some cash benefits paid in the form of pensions within the scheme of gratuities for retired public employees, and the scheme for Workmen's Accident Compensation Insurance. "Welfare and others" includes expenses for social welfare services or long-term care, public assistance other than medical services, cash benefits for child allowance, and sickness and injury cash benefits within the health insurance schemes leave compensation benefits paid by the Workmen's

Accident Compensation Insurance and unemployment benefits from Employment Insurance. In addition, long-term care includes Long-term Care Insurance benefits and long-term care services of public assistance and co-payment of Long-term Care Insurance for atomic bomb victims.

• **Social Benefit by functional category (Refer to Table 9)**

Functional categories of Social Benefit are based on ILO's 19th International Inquiry on the Cost of Social Security. It represents nine risks and needs for which benefits are provided to alleviate deficiency and poverty:

(1) Old age - All benefits paid to persons who have withdrawn from the labor market due to retirement; (2) Survivors - Benefits paid to dependents of a protected person arising from death of this protected person; (3) Invalidity benefits - Benefits arising from partial or total inability of a protected person due to a chronic condition; (4) Employment injury - Benefits paid by a work injury program for work-related injury, diseases, incapacity, or death of a protected person; (5) Sickness and health - Benefits paid to a protected person for disease, injury, childbirth, etc., with a view of maintaining, restoring, or improving the health of the protected person (also provides benefits for earning losses during periods of absence from work due to disease or injury); (6) Family - Benefits provided to assist families (households) with children and other dependents; (7) Unemployment - Benefits provided to a protected person arising from the loss of gainful employment; (8) Housing - Any meanstested benefit provided in order to directly help a household meet the costs of housing; and (9) Social assistance and others - Benefits in cash or kind provided to individuals or certain targeted groups who require specific assistance in order to obtain a defined minimum level of income and meet minimum subsistence requirements.

• **Social Security Revenue (Refer to Summary Table 2)**

Revenue refers to the overall revenue including operational losses and other expenditure (facility maintenance expenses, etc.) in addition to benefits. It is broadly divided into three categories: social contributions, taxes, and other receipts. Social contributions are classified into employers' contribution and insured persons' contribution. Taxes are classified into those of the central government (state contribution) and those of local governments (other public contribution). Other receipts are classified into income from investment and other receipts. Income from investment includes interest and dividends, and others include receipt from reserve funds, etc.

Note: When the employer is the state as in the case of the civil service system, the amount contributed by the state as the employer is included in the contributions from employers even if it is a national treasury disbursement (this also applies to the local civil service system).

• **Transfer between Institutional Schemes (Refer to Summary Table 2)**

Transfers from other schemes include the following expenses: transfer payment among the health insurance schemes for early-stage elderly; transfer payments from all health insurance schemes to the Medical Care System for the Elderly in the Latter Stage of Life; transfer payments from all health insurance schemes to the Medical Care Service Program for Retired Employees in National Health Insurance; contributions to special schemes for persons employed on a daily-wage basis in the Association-Kenpo Health Insurance and National Health Insurance; transfer

payments from the National Pension to other schemes for the payment of universal Basic Pensions; transfer payments from all health insurance schemes to Long-term Care Insurance, etc.

Transfers to other systems include the following expenses: transfer payments from the other health insurance schemes to special schemes for persons employed on a daily-wage basis, for retired employees, for the early-stage elderly, and for the Medical Care System for Latter Stage Elderly; transfer payments from other pension schemes to the National Pension for universal basic pensions; transfer payments made by the National Pension to the other schemes for the universal basic pension; transfer payments from all health insurance schemes to Long-term Care Insurance, etc.