

Preface

The "Financial Statistics of Social Security in Japan" is a collection of statistics compiled through the annual settlement of social security schemes for fiscal year (FY) 2014. Schemes such as pension, health insurance, long-term care insurance, employment insurance, public assistance, and child support are included. On July 2012, the Financial Statistics of Social Security was designated by the notice from the Minister of Internal Affairs and Communications as one of the Fundamental Statistics based on the Statistics Act in the area of social security.

The Financial Statistics of Social Security describes the volume of social security as a whole as well as a composition of social security by policy area in Japan. We hope that the statistics will be used broadly as fundamental resources to monitor social security policies and finance, and also as a significant index to conduct international comparison of social security expenditures.

The National Institute of Population and Social Security Research will make its best efforts to meet the national expectations of the Financial Statistics of Social Security as Fundamental Statistics.

We would like to express our deepest appreciation to the ministries and public organizations concerned for their cooperation in compiling the Financial Statistics of Social Security.

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National Institute of Population and Social Security Research

Akira Morita Director-General

Financial Statistics of Social Security in Japan

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

1. Cost of Social Security based on ILO standards¹

Based on the ILO definition, the Cost of Social Security is one standard that we adopt in this report. Since 1949, the ILO had conducted 18 international inquiries on social benefits and published reports. In these inquiries, data on social security receipts and expenditures were collected within the framework of ILO Convention No. 102 (1952) concerning Minimum Standards of Social Security as well as ILO Recommendations No. 67 and No. 69 (1944). Japan has been cooperating with 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) aggregated data on social security benefits of Japan and reported the results.

In response to the 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 consider a wider range of social protection and expand the coverage that 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 the coverage to institutions that meet the following criteria:

- (1) The institutions' 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, and (9) Social assistance/others.
- (2) They must have been set up by legislation that attributes specified rights to, or imposes specified obligations on, a public, semi-public, or autonomous body.
- (3) They should be administered by a public, semi-public, or autonomous body that has been set up by legislation.
- (4) They can be a private body that has been commissioned to execute legally defined obligations.

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

It is very important to grasp the entire picture of receipts and social security expenditures, and

¹ This section is based on ILO(2005) *ILO Social Security Inquiry*, ILO.

continue updating data using the same standard. Moreover, ensuring the international comparability of social security expenditures is also required. The ILO 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, the SSI is constructed by gathering data that international organizations have already published, instead of gathering data based on the ILO standard from the authorities in each country. At the same time, OECD is 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 Fundamental 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 SOCX in 1996. OECD defines social expenditures as follows:

“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 should either contribute to 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, and (9)Other social policy areas. Social benefits include cash benefits such as pension, 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, as 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 SOCX database regularly and providing benefits according to the nine policy areas. In this way, Social Expenditure based on the OECD standard is an important indicator for making an international comparison of social security

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

expenditures.

In the main part of this report, we present the aggregated results of social expenditures in the following two categories: (1) public expenditures and (2) mandatory private expenditures, which is operated by the private sector but prescribed by law. For international comparative analysis, we used the OECD SOCX Database.

(<http://www.oecd.org/els/social/expenditure>)

Finally, when the Financial Statistics of Social Security was designated as official Fundamental Statistics, it was decided to include necessary explanations about the relationship between the Financial Statistics of Social Security and the System of National Accounts (SNA) based on the United Nations Standards, as well as concise descriptions of the main terminologies used in the ILO and OECD standards (refer to the Appendix for more details about the terminologies used in both standards) to ensure the statistics are useful to a wide range of users.