

## **IV. Appendix**

### **1. Description of the Main Terms Used**

#### 1-1 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

Social expenditure is categorized into nine policy areas. The definition of each policy area is as follows. For the specific benefits and projects included in each policy area, see Appendix 2-2.

###### (1) Old Age

Old-age comprises all cash expenditures (including lump sum payments) on old-age pensions. Old age cash benefits provide an income for persons retired from the labour market or guarantee incomes when a person has reached a 'standard' pensionable age or fulfilled the necessary contributory requirements. This category also includes early retirement pensions: pensions paid

before the beneficiary has reached the standard' pensionable age relevant to the programme. Excluded are programmes concerning early retirement for labour market reasons which are classified under "Unemployment." Old age also includes social expenditure on services for the elderly people, services such as day care and rehabilitation services, home-help services and other benefits in kind. It also includes expenditure on the provision of residential care in an institution.

(2) Survivors

Survivors comprises social expenditure programmes in the public sphere which provide the spouse or dependent of a deceased person with a benefit (either in cash or in kind). Allowances and supplements for dependent children of the recipient of a survivors' benefit are also recorded here.

(3) Incapacity-related benefits

Disability cash benefits comprise of cash payments on account of complete or partial inability to participate gainfully in the labour market due to disability. The disability may be congenital, or the result of an accident or illness during the victim's lifetime.

Spending on Occupational injury and disease records all cash payments such as paid sick leave, special allowances and disability related payments such as pensions, if they are related to prescribe occupational injuries and diseases. Sickness cash benefits related to loss of earning because of the temporary inability to work due to illness are also recorded. This excludes paid leave related to sickness or injury of a dependent child which is recorded under family cash benefits. All expenditure regarding the public provision of health care is recorded under health. Social expenditure on services for the disabled people encompasses services such as day care and rehabilitation services, home-help services and other benefits in kind.

(4) Health

This category includes benefits in kind for medical care spent for treatment and does not include sickness and injury allowance.

(5) Family

Family includes expenditure which supports families (i.e. excluding one-person households). This expenditure is often related to the costs associated with raising children or with the support of other dependents. Expenditure related to maternity and parental leave is grouped under the family cash benefits sub-category.

(6) Active labour market programmes

Active labour market programmes - contains all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. This category includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled.

(7) Unemployment

This category includes all cash expenditure to people compensating for unemployment. This includes redundancy payments out of public resources as well as pensions to beneficiaries before they reach the 'standard' pensionable age if these payments are made because they are out of work or otherwise for reasons of labour market policy.

#### (8) Housing

Rent subsidies and other benefits to the individual to help with housing costs. This includes direct public subsidies to tenants earmarked for support with the cost of housing.

SOCX also reports direct housing provision to the elderly, disabled, low income families, but excludes mortgage relief (fiscal), (capital-) subsidies towards the construction of housing support or implicit subsidies.

By convention, all housing benefits are classified as in-kind benefit as they are earmarked expenditures.

#### (9) Other social policy areas

This category includes social benefits which fall outside the scope of the categories listed above. Specifically, these are public assistance benefits and any benefits in kind, which cannot be categorized into other categories.

### 1-2 ILO Standards

#### Social Security Benefit Expenditure

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 been tabulating social security benefit expenditures based on the ILO standards starting with the data for the 1950 fiscal year. It has been widely used as data to understand the part of benefits retuning to individuals, as basic data to help formulate policies, and so on.

#### Social Benefit by category

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.

##### (1) Medical Care

On the statement of revenues and expenses for social security benefits, this is the sum of medical care for sickness-maternity and that for employment injuries. It 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.

##### (2) Pension

On the statement of revenues and expenses for social security benefits, this is the sum of the employment injury pension and pension. It 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.

(3) Welfare and Others

On the statement of revenues and expenses for social security benefits, this is the sum of items other than “medical care” and “pension.” It 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 Security Benefit Expenditure by Function

Functional categories of Social Benefit are based on ILO's 19th International Inquiry on the Cost of Social Security. For the specific benefits and projects included in each policy area, see Appendix 2-4.

(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 means-tested benefit provided in order to directly help a household meet the costs of housing.

(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

Revenue refers to the overall revenue including operational losses and other expenditures (e.g.,

facility maintenance expenses, etc.) in addition to benefit payments. At the major classification level, they are divided into three categories: social contributions, taxes, and other receipts.

(1) Social Contributions

This is divided into employers and insured individuals. In the case of the public service personnel system where the employer is the national government, the amount the national government contributed as an employer is listed as an employer contribution even if it is a national expenditure (the same applies to the local public service personnel system).

(2) Taxes

These are divided into national government and local governments (other public contributions).

(3) Other Revenues

These are divided into investment and other receipts. Income from investment includes interest and dividends, and others include receipt from reserve funds, etc.

### Transfers between Institutional Schemes

(1) Transfers from other schemes

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 Employees' Pension to Mutual Aid Association Pensions; transfer payments from all health insurance schemes to Long-term Care Insurance, etc.

(2) Transfers to other schemes

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 Mutual Aid Association Pensions to Employees' Pension; transfer payments from all health insurance schemes to Long-term Care Insurance, etc.