

Vision sought by Comprehensive Reform of Social Security and Tax

- Increasing investment for the future (children and child raising) and enhancing measures against poverty and income inequality -

Situations calling for social security reform

Changes in the employment base,
e.g. increase of irregular
employment

Changes in family form and
communities

Aging population &
decreasing working
generations

Rapid increase of social security
costs because of the aging
population

- Because of relatively heavy benefits to older people, livelihood risks of working generations are not sufficiently covered.
- Measures against poverty problems and widening income inequality are insufficient.
- Most of social security costs are financed with deficit-covering government bonds, passing the burden on to future generations.

Need to enhance social security
function to meet
social/economic changes



Rebuilding a social security system whereby all the people, including working generations, can better realize the benefits

Key elements of reform

- ◆ Support independence of every citizen based on [mutual assistance and cooperation](#)
- ◆ Simultaneously implement functional [enhancement](#) and thorough [prioritization/rationalization](#) of benefits
- ◆ Emphasize [fairness](#) not only among generations but also [within a generation](#)
- ◆ Give higher priority in reform to (1) children and young people, (2) medical and long-term care services, (3) pension, and (4) measures against poverty and income inequality
- ◆ Expand allocation of consumption tax revenue to four fields: pension, medical care, long-term care, [childcare <four costs of social security>](#)
- ◆ Simultaneously achieve [stable financial resources for social security and fiscal consolidation](#)
⇒ Incrementally raise the consumption tax rate (national and local) to 8% in April 2014 and to 10% in October 2015
- ◆ Enhance the base for the social security system through [employment promotion](#)

Reform directions

1

Increase investment for the
future
(support for children and
child raising)

- Establish a new system to support children and child raising

2

Enhance both security of
medical/long-term care
services
and insurance system's
safety-net functions

- Establish an integrated community care system
- Enhance safety-net functions of medical/long-term care insurance systems
- Simultaneously revise medical service fees and long-term care fees

3

Enhance measures against
poverty and income
inequality
(build a multilayered safety
net)

- Comprehensively promote review of measures for the needy and the public assistance system
- Create a total accumulation system

4

Build a social security
system meeting diverse
work styles

- Extend social insurance to part-time workers
- Consider a new pension system

5

Realize a society with
participation of all the
people and decent work

- Consider legislation concerning fixed-term labor contracts, part-time work, and elderly employment

6

Secure stable financial
resources
for social security system

- Increase the consumption tax rate (e.g. secure stable financial resources to ensure that 50% of the basic pension is funded by the national treasury)

- Resolve the problem of the waiting-list children and integration of kindergarten and day nursery
- Enhance community-based childcare support under the responsibility of municipal government

A society friendly to child bearing and rearing



Major reforms under review

○ Resolution of the problem of the waiting-list children (quantitative expansion of childcare and after-school children's clubs).

Improvement of expertise of childcare staff and reinforcement of structure

	2010	2014	2017
Childcare service usage among infants aged under 3	23% (0.75 mil.)	→ 35% (1.02 mil.)	→ 44% (1.18 mil.)
After-school children's clubs	21% (0.81 mil.)	→ 32% (1.11 mil.)	



- Increase the volume of childcare service while maintaining quality (childcare service provided by preschools [provisionally called "kodomo-en"] designated by the government)
- Make various childcare services (e.g. small facilities, Childcare Moms) to meet regional needs
- Expand after-school children's clubs to increase the number of places where children can stay until their parents return home

○ Establishment of a system to provide high-quality school education and childcare in an integrated manner (integration of kindergarten and day nursery)

- Build integrated facilities (provisional name) that combine advantages of both kindergarten and nursery (integration of facilities)
- Unify school education and nursery benefits to preschool children (establishment of preschools, [integration of benefits])
- Elimination of double administration and integration of benefits in order to make the system easier to use for citizens, service providers and municipal governments

○ Enhancement of support to help child-raising parents in communities

Community childcare support centers	2010 7,100 sites	2014 → 10,000 sites	(*as of 2008)
Temporary childcare	3.48 mil. children in total *	→ 39.52 mil.	
Family Support Center program	637 municipalities	→ 950 municipalities	



- Enhance community-based childcare support, e.g. by building more places for consultation and exchange for parents and children (community childcare support centers, e.g. Childcare Square) and places for temporary childcare
- To allow expectant mothers to give birth to children safety and with peace of mind, give them access to necessary examinations for maternity health check-ups in any municipality

○ Systematic enhancement of childcare support in accordance with the needs of local people under the responsibility of every municipality

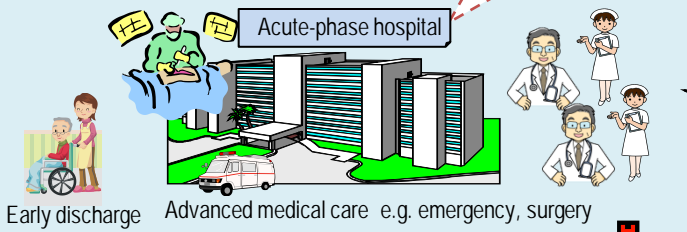
- Enhance inpatient medical care through intensive input of medical care resources into highly acute phase
- Improve home medical care and build an integrated community care system

A society where anyone can receive suitable medical and long-term care services regardless of place of residence

Reform concept

When you get sick

(1.6 to 2-fold increase in staff)



Subacute-/recovery-phase rehabilitation hospital



I recovered well and returned home



Local partner hospital



Family doctor



Daily medical care

Total management

- Home medical care coordination center
- Community General Support Center
- Care manager



- Promote smooth shift from medical care to long-term care
- Coordinate counseling and other services

When you leave hospital

<Integrated community care system> (for a community with 10,000 people)

Medical care



Home medical care - Home-visit nursing

- Home medical care, etc. (Daily capacity 17→29 patients)
- Home-visit nursing (Daily capacity 29→49 patients)

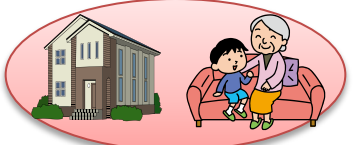
Long-term care



Home-visit Long-term and Nursing care

- 24-hour regular visiting/on-demand response services (for 15 patients)

Home



Home or services housing for elderly



Old people's clubs, residents' associations, preventive care, living support, etc.

Living support and preventive care

*The figures for the present are as of 2011, and target figures for 2025.

- Division of roles among local hospitals, key hospitals, and recovery-phase hospital, leading to closer collaboration
- Earlier rehabilitation in society enabled by smooth process from onset and hospitalization to recovery phase and discharge from hospital

- Provide security regardless of work style
- Reduce burden on patients receiving long-term, expensive medical care
- Consider income inequality in strengthening financial base and enhancing insurer's functions
- Improve inter- and intra-generational fairness

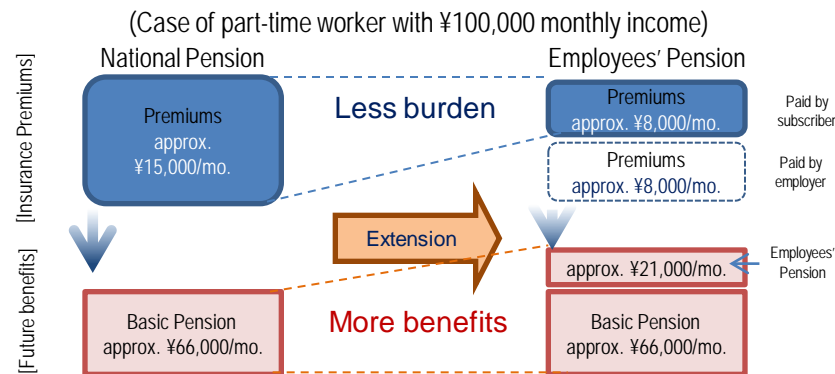


Mutual assistance = More powerful safety-net functions of social insurance

Major reforms under review

Pension & medical care

- Extend employees' pension and health insurance programs to more part-time workers
 - By subscribing to an employee's pension program, one can receive an employee's pension in addition to basic pension
 - By subscribing to a health insurance program, one can receive sickness and injury allowances and maternity allowance
 - Since half the insurance premiums is paid by the employer, the subscriber pays smaller amounts of insurance premiums than subscribers of National Pension and National Health Insurance.

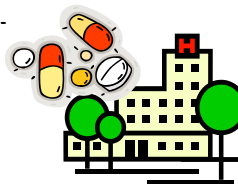


Pension

- Add benefits to basic pension recipients with low income
- Shorten eligible period to more closely link insurance premiums paid to benefits
- Remove the measure to pay pensions higher than regular amounts by suspending an indexed pension under exemption law
- Exempt mothers on maternity leave from payment of employees' pension insurance premiums

Medical care

- Review the high-cost medical care benefit system
 - Consider revenue source and measures needed for improvement of the high-cost medical care benefit system (aim to set annual payment limits for patients, following the adoption of a system to provide in-kind outpatients' payments)
- Review the elderly medical care system
 - Review the elderly medical care system based on report by the Elderly Medical Care System Reform Council
 - Regarding medical care subsidies for patients of intractable diseases, aim to establish a fairer and steadier support system (including expansion of the scope of rare/intractable diseases eligible for subsidies), with legislation in view

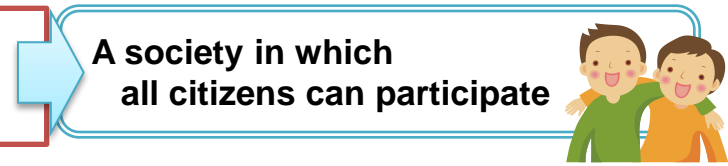


Medical/long-term care

- Stabilize the financial base of National Health Insurance and long-term care insurance
 - Reduce the burden of insurance premiums on low-income insured persons of municipal National Health Insurance and long-term care insurance
 - Increase financial support for municipal National Health Insurance as the last strongholds of universal health insurance and promote prefecture-based financial management in order to stabilize the financial base



- Help all those wishing to work find employment
- Give detailed consideration to low-income earners (fine-tuned measures using social security benefits, etc.)



A society in which all citizens can participate



Major reforms under review

Employment measures

[First net: Social/labor insurance]

- Establishment of total accumulation system (provided that data integration platform, e.g. identification number system, is introduced)
- Reduce the burden by setting limits based on the entire family livelihood rather than by individual systems (e.g. medical care, long-term care, childcare, disability)
- Extension of social insurance to part-time workers and enhancement of measures for low-income earners

[Second net: Job-seeker support system]

- Implementation of job-seeker support system
- Support those not eligible for employment insurance benefits through a system whereby they can receive benefits while engaging in vocational training, and help them swiftly find jobs

[Third net: Public assistance]

- Employment assistance for public assistance recipients
- Help public assistance recipients in cooperation with Hello Work Offices to allow them to swiftly find jobs and become independent
- *Enhance measures to prevent inappropriate receiving of public assistance

Multilayered safety net

Reduction of insurance contribution

[Health insurance]

- Further reduction of insurance premiums of low-income earners in municipality National Health Insurance (up to approx. ¥220 billion)

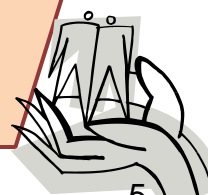
[Long-term care insurance]

- Further reduction of the insurance premiums of Primary Insured Persons to be paid by low-income earners (up to approx. ¥130 billion)

Establish and implement "Living Support Strategy" (provisional name)

- Integrated implementation of measures for the needy and review of the public assistance system

- (1) Promotion of measures for the needy
 - i) Develop a mid-term national plan for assisting the needy
 - ii) Systematize life independence support services for the independence of the needy
- (2) Review of the public assistance system
Specifically discuss and promote the review of the public assistance system, including revision of the law, with local governments



- **Extend social insurance to more part-time workers**
- **Exempt mothers on maternity leave from payment of insurance contribution**
- **Unify employees' pensions**
- **Review the No. 3 insured person system of the pension**
- **Review the old-age pension for active employees**



A social security system fair to diverse life styles, including child bearing and rearing

Major reforms under review

- **Extend the employees' pension and health insurance to more part-time workers**
- **Exempt mothers on maternity leave from payment of employees' pension insurance contribution**
 - Reduce financial burdens before and after childbirth and create an environment where mothers can comfortably work even after childbirth
- **Unify employees' pension systems**
 - Include public servants and private school employees in the employees' pension



- **Review the No. 3 insured person system**
 - Continue discussion on measures to eliminate the feeling of unfairness in consideration of the directions of a new pension system (splitting method).
- **Review the old-age pension for active employees**
 - Examine the possibility of setting the amount of income above which the pension begins to be reduced for persons in their early 60s to the same amount as for persons in their late 60s

- **Create a new pension system**
 - Promote discussions and infrastructure improvement for a national consensus toward the establishment of a new pension system that combines "earnings-related pension" and "minimum-guaranteed pension," followed by the submission of a bill to the 2013 Diet session

- Enhance employment measures especially for young people
- Stabilize employment and improve treatment for non-regular workers



An environment where everyone can work and live a stable life

- Addressing non-regular workers, who are growing in number these years, is especially important.

*The percentage of non-regular employees in 2010 was the highest (34.4%) among comparable data since 2002.



Major reforms under review

- Formulate a comprehensive vision setting as policy the direction of measures needed for ensuring fair treatment in order to stabilize employment of non-regular workers and improve their treatment
- Clarify rules on the use of fixed-term labor contracts
- Further promote equal and balanced treatment for part-time workers
- Consider measures to secure jobs for all those wishing to work until the age of 65
- Enhance employment support for new graduates and so-called freeters
- Support early employment through the job-seeker support system



Expected reform outcomes

- Allow non-regular workers to make full use of their capabilities and work with peace of mind
- Create a system whereby jobs are secured for all those wishing to work until the age of 65
- Ensure stable employment of young people, who create the future
- Support early employment through the job-seeker support system and improve job stability



- Expand allocation of consumption tax revenue to medical care and childcare for the working generations
- Ensure that 50% of the basic pension is funded by the national treasury
- Help low-income earners e.g. by reducing their social insurance premiums for medical care and long-term care
- Ensure that social security is mainly financed by consumption tax revenue



Strengthening support for the working generations and letting every generation bear a fair share of the social security burden

Major reforms under review

- Expand allocation of consumption tax revenue to the four costs of social security (pension, medical care, long-term care, and childcare) from the current three elderly costs (basic pension, elderly medical care, and long-term care)
- Ensure that 50% of the basic pension is funded by the national treasury
- Reduce low-income earners' insurance premiums for medical care and long-term care
- Incrementally raise the consumption tax rate (national and local) to 8% in April 2014 and to 10% in October 2015

Expected reform outcomes

Increased expenditure on children and child raising allows every generation to approve of their burden.



A sustainable social security system is established with enhanced functionality to create a society where every citizen can live with peace of mind.

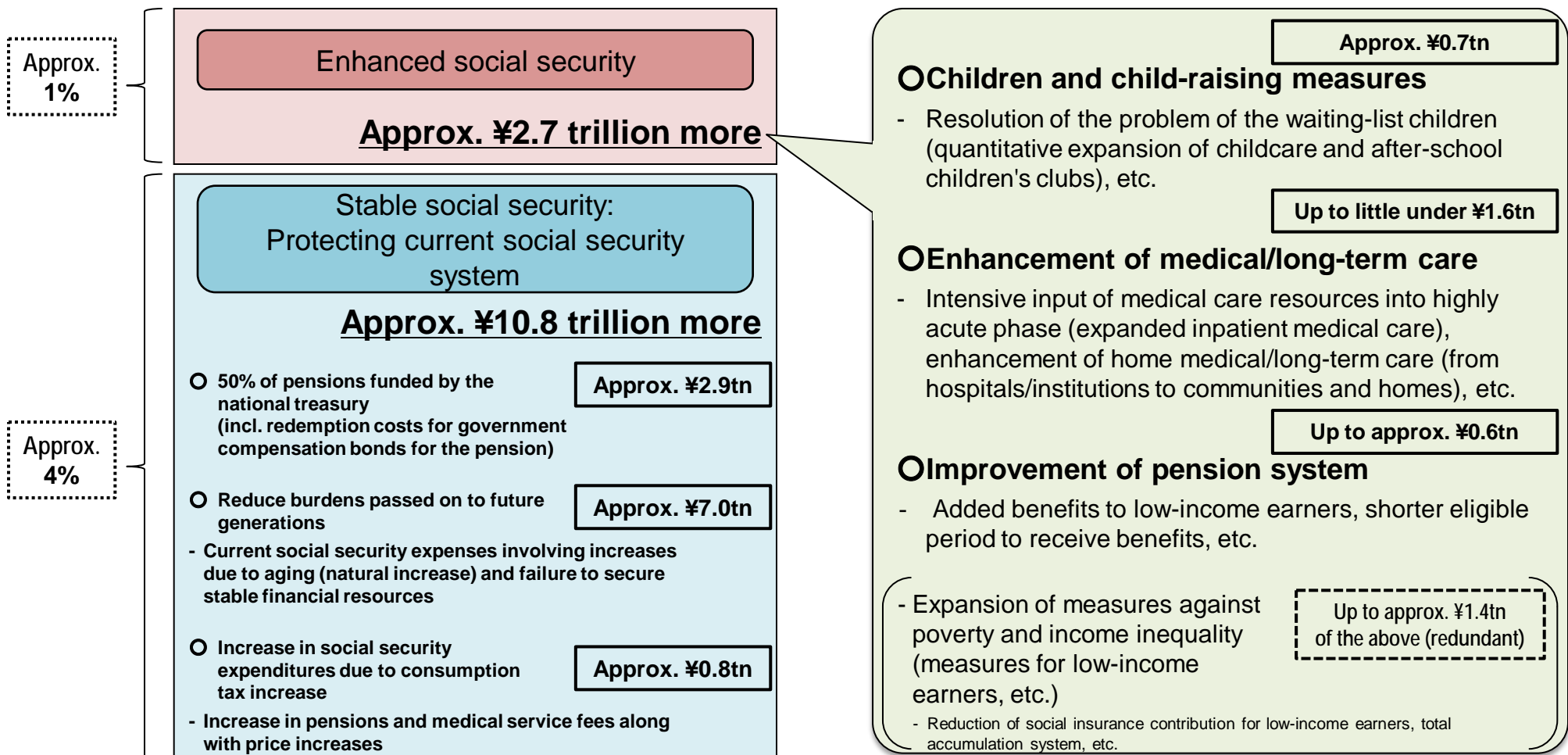


The burden is shared among every generation so that it would not be passed on to future generations.



Secure stable financial resources for the social security system by 5% consumption tax increase

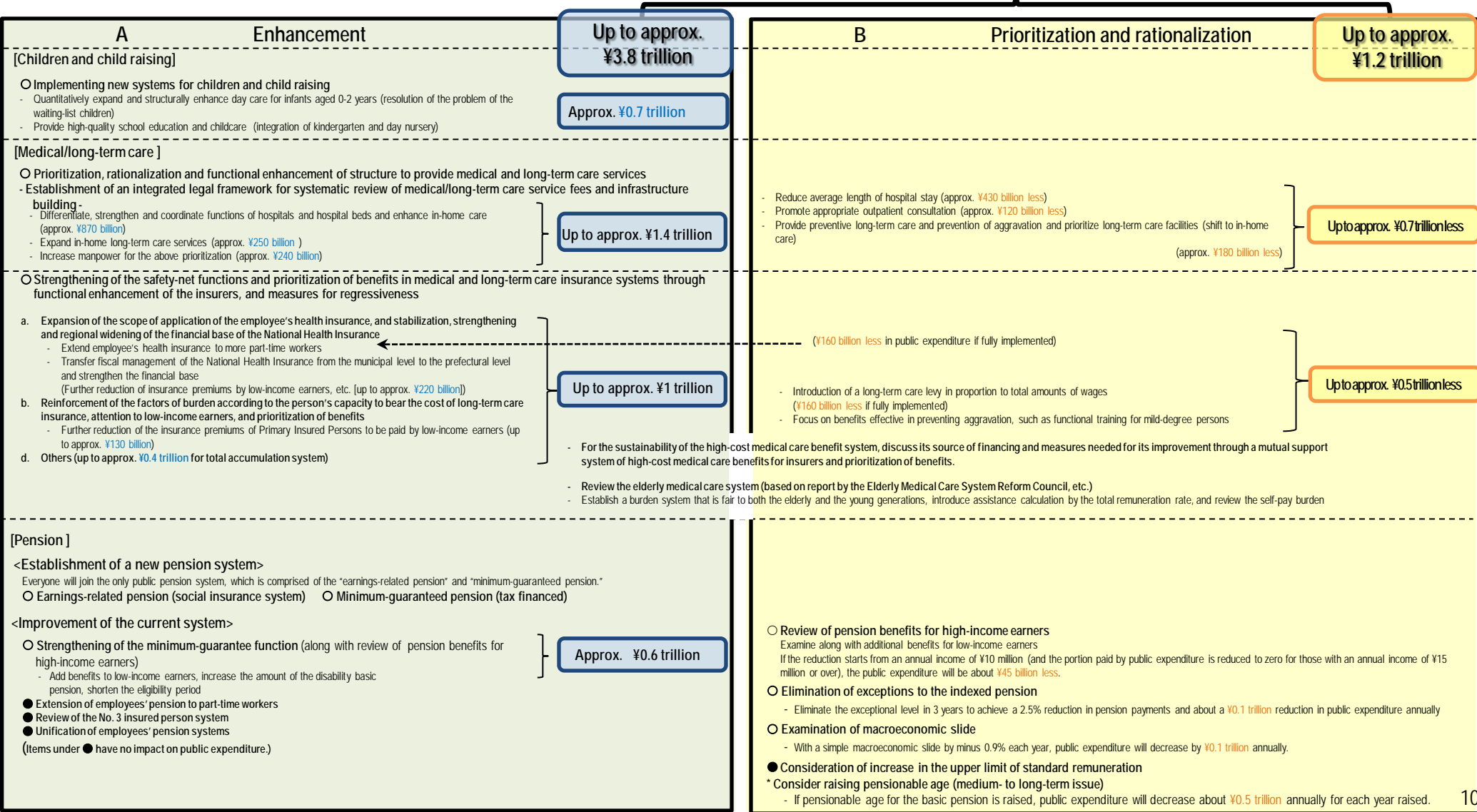
- Incrementally raise the consumption tax rate (national and local) to 8% in April 2014 and to 10% in October 2015
- Expand allocation of consumption tax revenue to the four costs of social security (pension, medical care, long-term care, and childcare) from the current three elderly costs (basic pension, elderly medical care, and long-term care)
- Clarify the use of consumption tax revenue (use consumption tax revenue to finance social security)
- Pass the entire consumption tax revenue to the people and not use it to enlarge government



■ To improve the function of social security, examine its prioritization and rationalization along with enhancement

Major reforms under review

Total budget required in FY 2015 (public expenditure) = approx. ¥2.7 trillion (up to ¥3.8 trillion minus up to ¥1.2 trillion)



Numerical assessment of service improvement

[Children and child raising]

Resolution of the problem of the waiting-list children for day nurseries to meet potential childcare needs

	2010	⇒	2014
○Weekday daytime childcare (Approved day nurseries, etc.)	2.15 mil. children		2.41 mil.
(Childcare service usage rate for children aged under 3)	{ (0.75 million [23%])		(1.02 million [35%])
	*1.18 million (44%) by 2017		
○Extended childcare service	0.79 million	⇒	0.96 million
○Certified preschools	358 sites (2009)	⇒	2,000 sites or more
○After-school children's clubs	0.81 million	⇒	1.11 million

Improvement of community childcare capabilities

	2010	⇒	2014
○Community-based childcare support centers	7,100 sites (incl. those independently run by a municipality)		10,000 sites
○Family Support Centers	637 municipalities	⇒	950 municipalities
○Temporary childcare	3.48 mil. children in total (2008)	⇒	39.52 mil.

[Medical/long-term care]

	FY 2011		FY 2025	
[Medical care]	Number of hospital beds, average length of hospital stay	1.07 million beds, about 19-20 days	[Highly acute phase]	0.22 million beds, about 15-16 days
			[General acute phase]	0.46 million beds, about 9 days
			[Subacute phase, etc.]	0.35 million beds, about 60 days
	Number of doctors	0.29 million people	0.32-0.34 million people	
	Number of nurses	1.41 million people	1.95-2.05 million people	
In-home medical care, etc. (per day)	Capacity for 0.17 million people	Capacity for 0.29 million people		
[Long-term care]	Number of users	4.26 million people	6.41 million people (1.5-fold) - 3% less in total as a result of preventive care and prevention of aggravation - Decrease in inpatients (shift to long-term care): 0.14 million people more	
	In-home long-term care Multifunctional small facilities Regular visiting/on-demand response services	Capacity for 3.04 million people Capacity for 0.05 million people —	Capacity for 4.49 million people (1.5-fold) Capacity for 0.40 million people (8.1-fold) Capacity for 0.15 million people (-)	
	Residential services Specified facilities Group homes	Capacity for 0.31 million people Capacity for 0.15 million people Capacity for 0.16 million people	Capacity for 0.61 million people (2.0-fold) Capacity for 0.24 million people (1.6-fold) Capacity for 0.37 million people (2.3-fold)	
	Long-term care facilities Special nursing homes Health services facilities (+long-term care sanatoriums)	Capacity for 0.92 million people Capacity for 0.48 million people (incl. units for 0.12 million [26%]) Capacity for 0.44 million people (incl. units for 0.02 million [4%])	Capacity for 1.31 million people (1.4-fold) Capacity for 0.72 million people (1.5-fold) (incl. units for 0.51 million [70%]) Capacity for 0.59 million people (1.3-fold) (incl. units for 0.29 million [50%])	
	Long-term care staff	1.40 million people	2.32 million to 2.44 million people	
	Home-visit nursing (per day)	Capacity for 0.29 million people	Capacity for 0.49 million people	

Social Security Reform Roadmap

