

Annual Health, Labour and Welfare Report

2010-2011

(Summary)

Outlook and future prospects of the Japanese social security system

— Looking back over the fifty years with universal health insurance and universal pension systems —

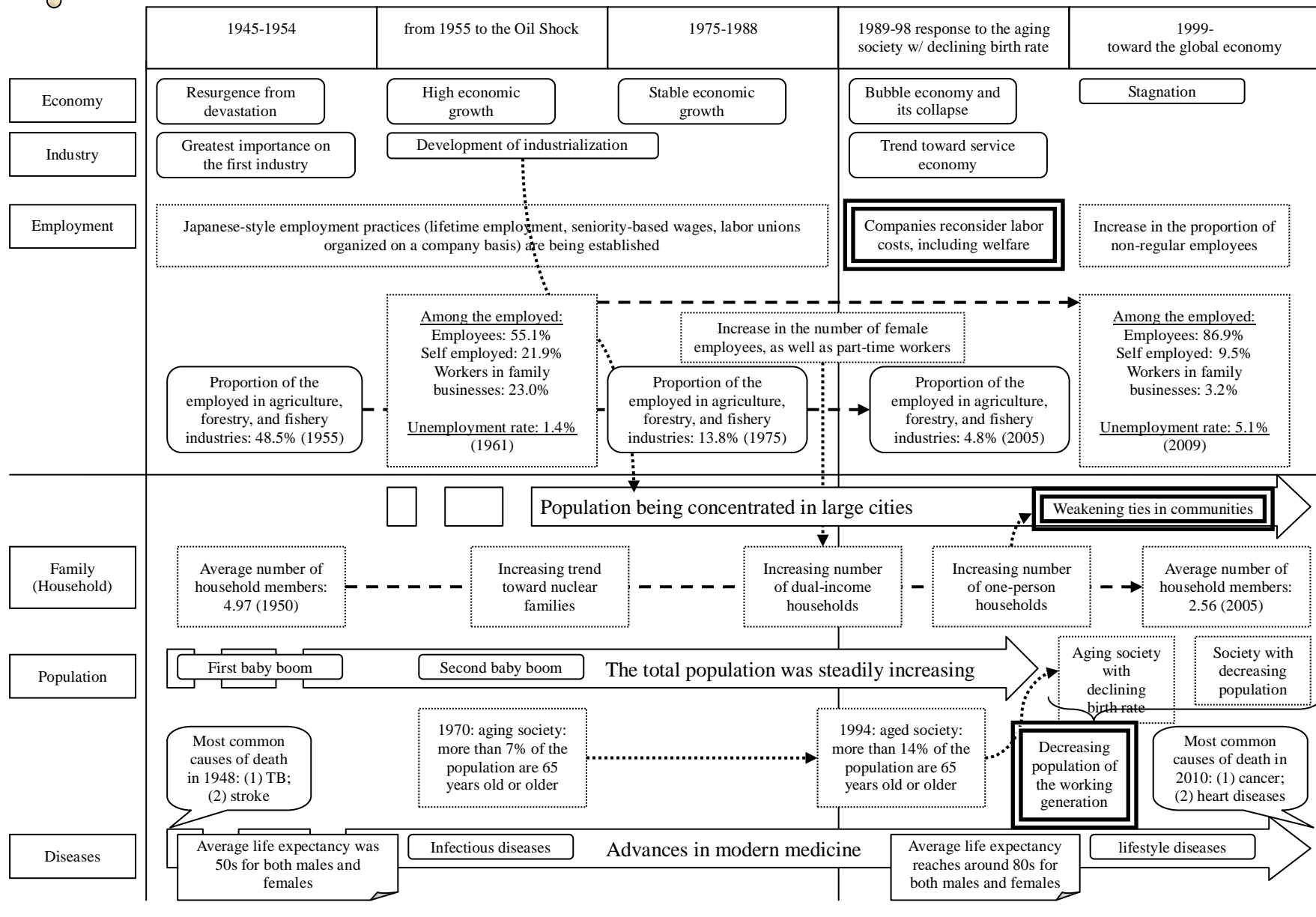
- Achievement of the ongoing social security reform discussion will require the understanding and cooperation of Japanese citizens and be based on a wide range of discussions involving various perspectives.
- Japan has had "universal health insurance and universal pension systems" since April 1961, or a half century ago, which enable all Japanese citizens to access to medical insurance and a pension, and is one of the best systems in the world.
- Part 1 of the Annual Health, Labour and Welfare Report 2010-2011 is therefore entitled '— Looking back over the fifty years with universal health insurance and universal pension systems —', and explains the roles Japan's social security systems have fulfilled, along with providing the background social and economic situations.
- - In addition, and because of the Great East Japan Earthquake that occurred on March 11th, 2011, our response to the earthquake is featured at the beginning of Part 2 of the Annual Report.

Part 1

Outlook and future prospects of the Japanese social security system

— Looking back over the fifty years with universal health insurance and universal pension systems —

Chapter 1: Historical background

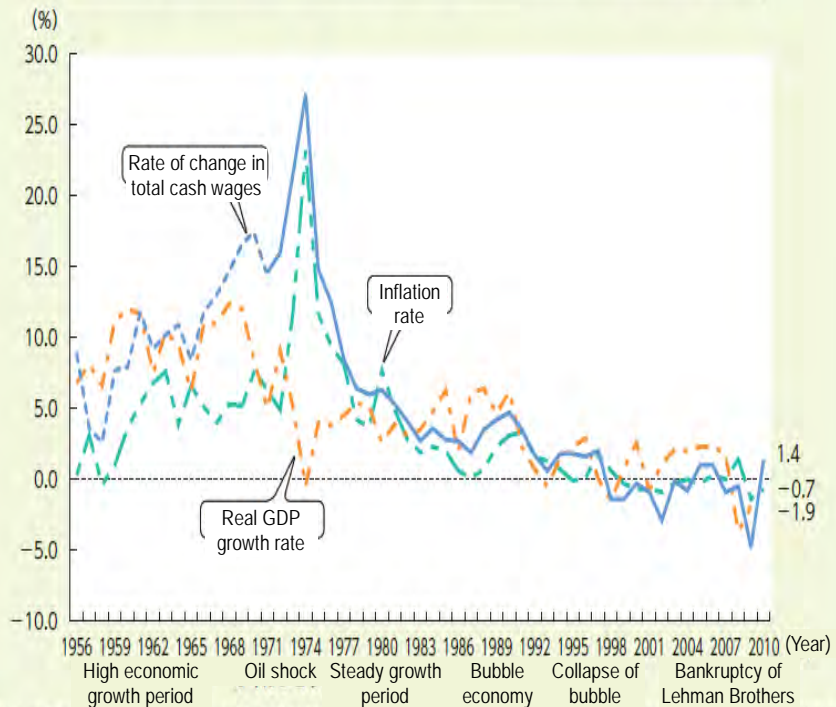


Chapter 1, Section 1: Changes in the economic situation and work environment

—Whereas living standards have been improving uncertainty with employment has recently been significantly increased— (1)

Chart 1-1-1 Real GDP growth rate, inflation rate, and changes in total cash wages (text p. 8)

- Real GDP growth rate was 6-10+ % in the high economic growth period; the oil shock has resulted in a sharp increase in commodity prices.

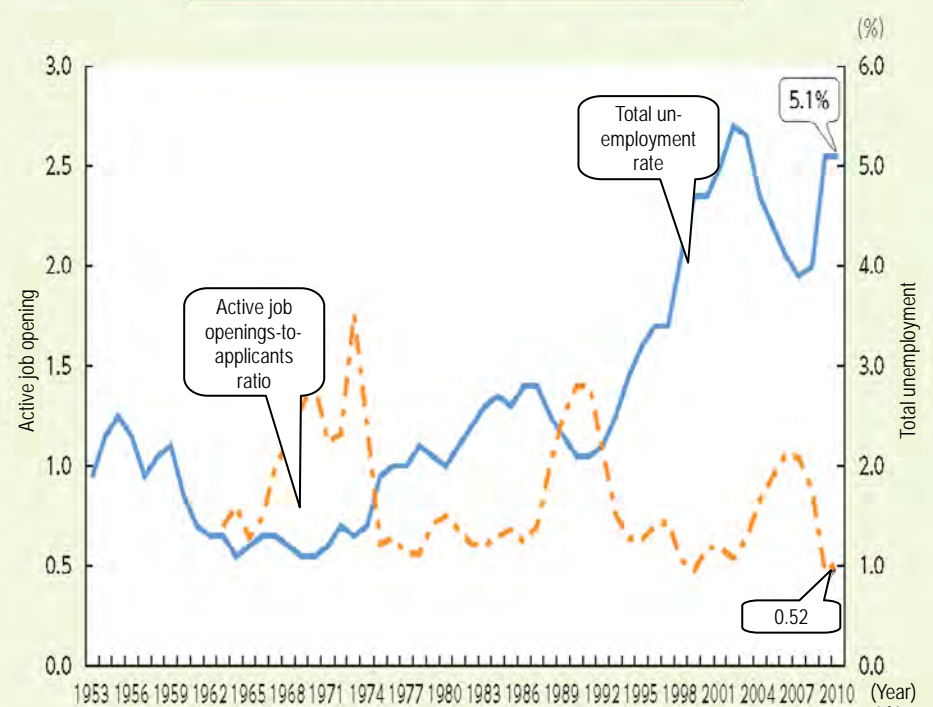


Source: Calculated by Counselor Office for Policy Evaluations, MHLW, and based on "National Accounts of Japan", Cabinet Office, "Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs, and "Monthly Labour Survey", Communications Statistics and Information Department, MHLW

Note: Figures for the rate of change in total cash wages are from the manufacturing industry and of businesses with 30+ employees until 1970, and the average of all industries and businesses with 30+ employees from 1971 and thereafter.

Chart 1-1-2 Changes in total unemployment rate and active job openings-to-applicants ratio (text p. 9)

- The total unemployment rate was around one percent until the 1970s but it has sharply risen in recent years.

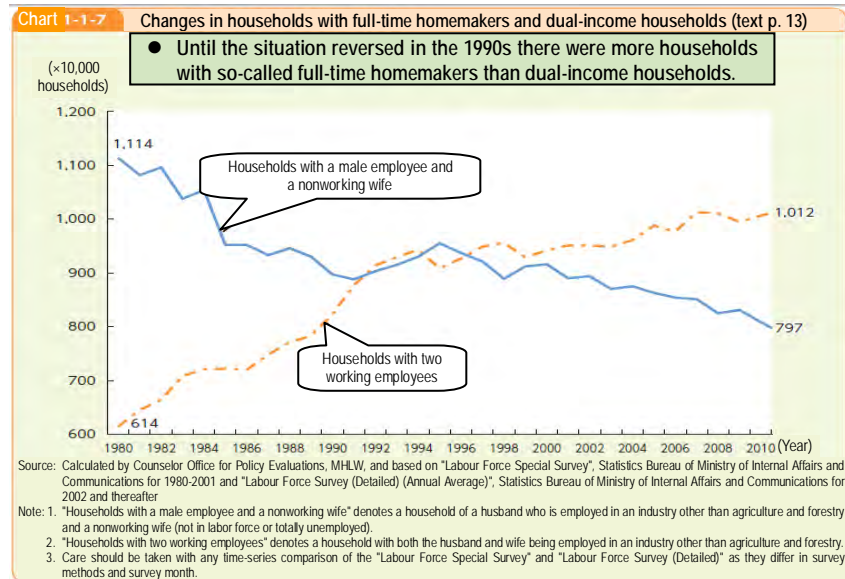
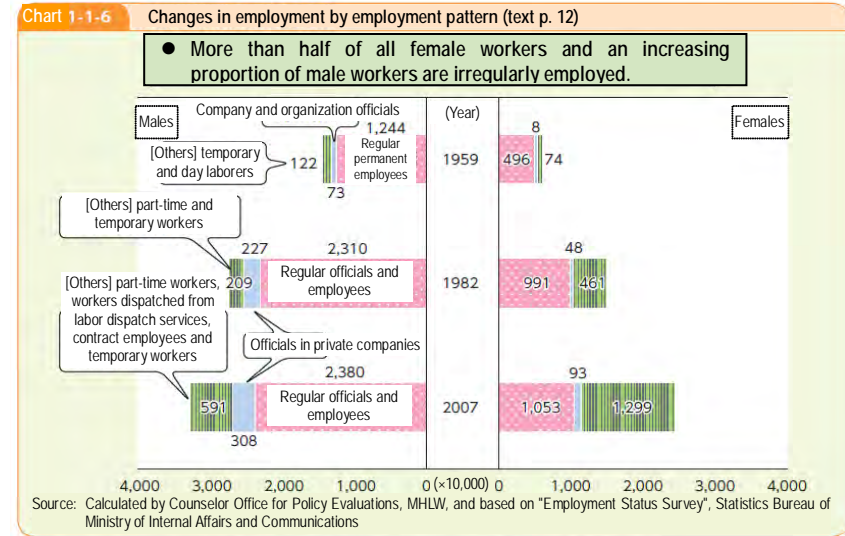
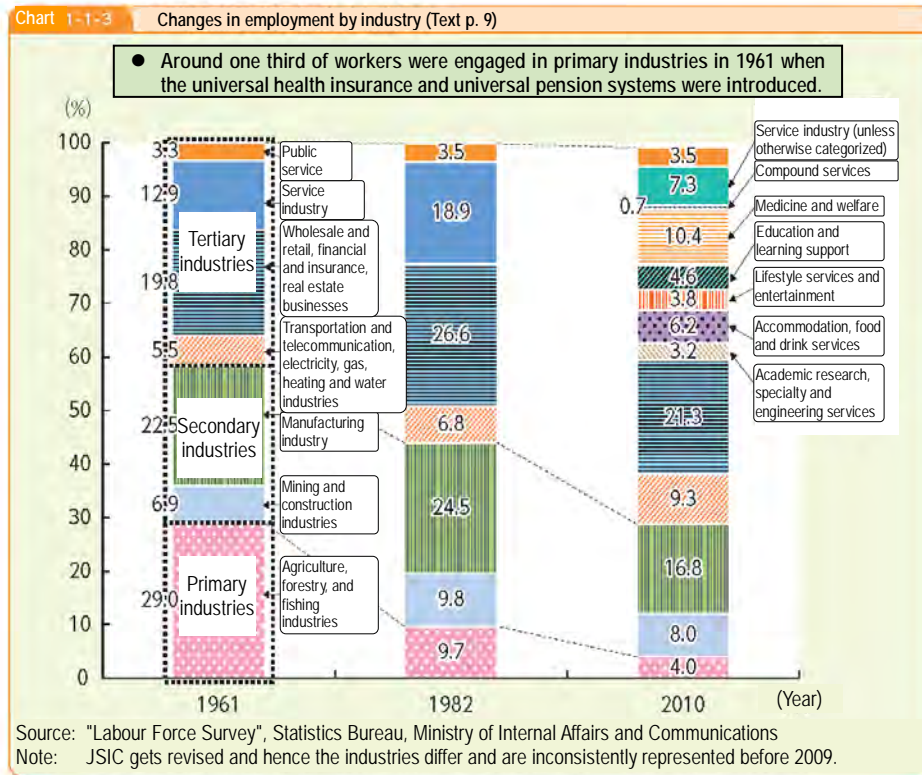


Source: "Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications, "Employment Security Services Statistics", Employment Security Bureau, MHLW

Note: The active job openings-to-applicants ratio is the annual average, and excludes new graduates but includes part-timers

Chapter 1, Section 1: Changes in the economic situation and work environment

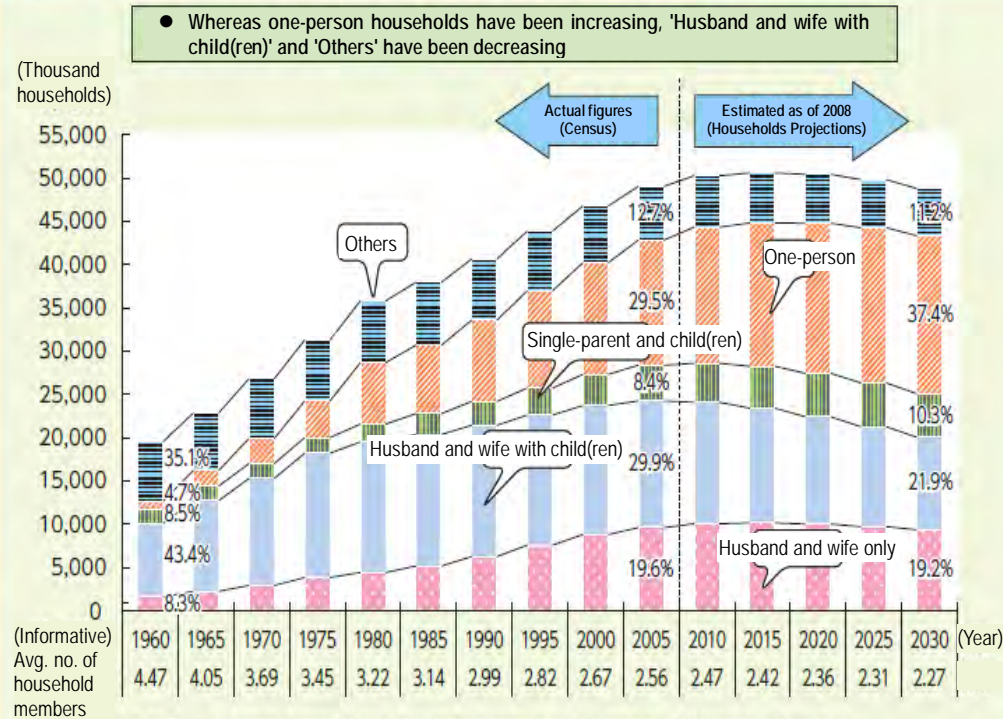
—Whereas living standards have been improving uncertainty with employment has recently been significantly increased— (2)



Chapter 1, Section 2: Changes in family structure

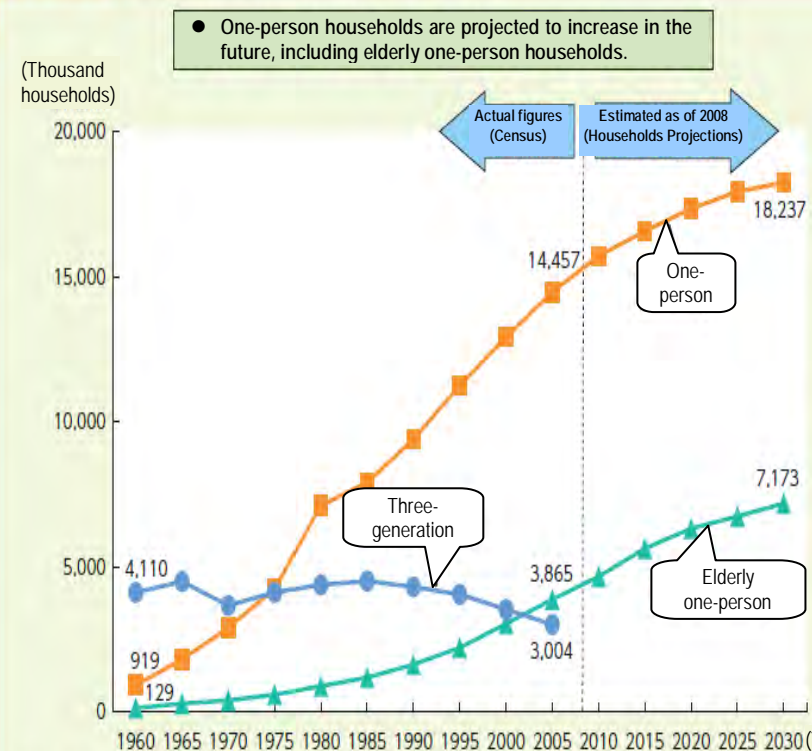
—Large families have been overwhelmed by an increasing number of one-person households— (1)

Chart 1-2-2 Changes in household numbers by family type and average number of household members (text p. 16)



Source: 'Household Projections for Japan (March 2008)', National Institute of Population and Social Security Research
 Note: The reference population, on which the statistics are based, was obtained from the 'Population Census' (2005), Statistics Bureau, Ministry of Internal Affairs and Communications and adjusted.

Chart 1-2-3 Changes in number of one-person (elderly one-person) and three-generation households (text p. 17)

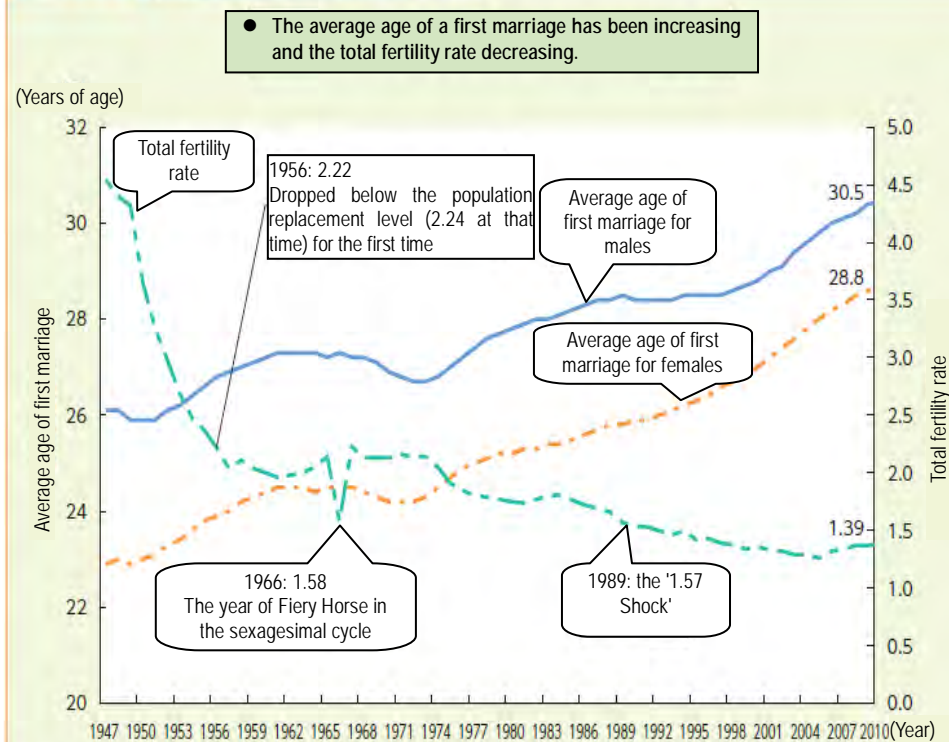


Source: 'Household Projections for Japan (March 2008)', National Institute of Population and Social Security Research
 Note: 1. The reference population, on which the statistics are based, was obtained from the 'Population Census' (2005), Statistics Bureau, Ministry of Internal Affairs and Communications and adjusted.
 2. Three-generation households denotes both a 'husband and wife with their child(ren) and parents' and 'husband and wife with their child(ren) and one parent' households.
 3. Elderly one-person households denotes one-person households of age 70 or older for the 1960 figures but aged 65 or older for 1965 and thereafter.

Chapter 1, Section 2: Changes in family structure

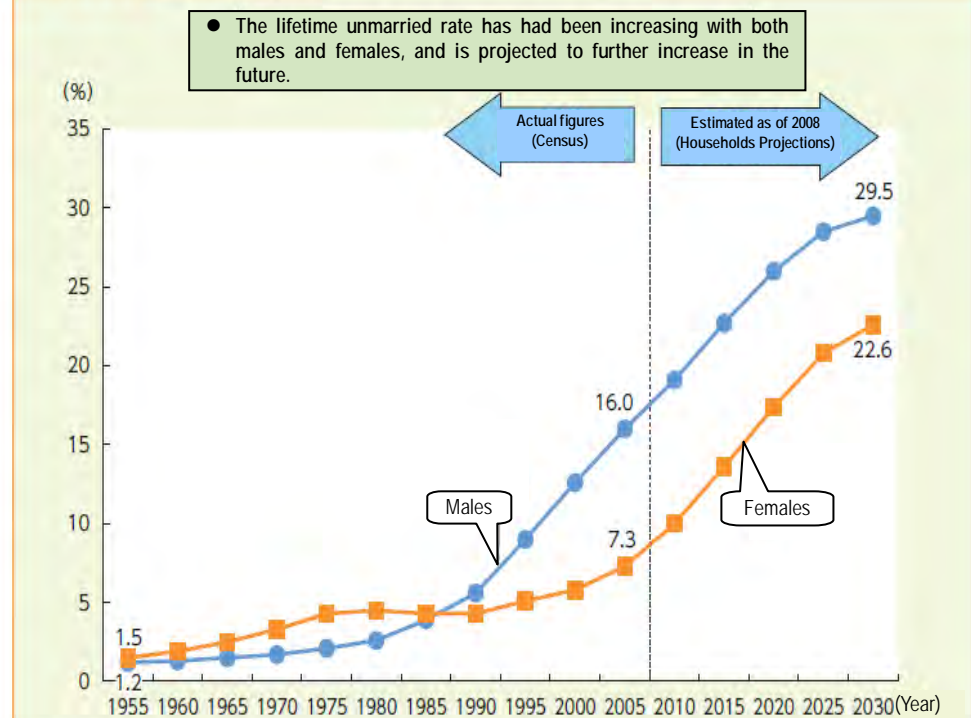
-Large families have been overwhelmed by an increasing number of one-person households— (2)

Chart 1-2-5 Changes in average age of first marriage and the total fertility rate (text p. 18)



Source: 'Vital Statistics', Statistics and Information Department, MHLW
 Note: 1. The age of a first marriage denotes their age when they held a wedding ceremony with figures for 1947-1967, and their age when they held a wedding ceremony or began living together, whichever comes first, with the figures for 1968 and thereafter.
 2. Approximate figures for 2010.

Chart 1-2-6 Changes in lifetime unmarried rate (text p. 19)



Source: 'Population Statistics' (2010) and 'Household Projections for Japan (March 2008)', National Institute of Population and Social Security Research
 Note: The lifetime unmarried rate denotes the percentage of persons not yet married at the age of fifty, and was calculated by averaging the unmarried rates for the ages of 45-49 and 50-54 from data from 'Population Statistics' (2010) until 2005 and 'Household Projections for Japan (March 2008)' for 2010 and thereafter.

Chapter 1, Section 3: Transition from increasing to decreasing population

-Decreasing working age generation population— (1)

Chart1-3-1 Changes in demographic structure (text p. 23)

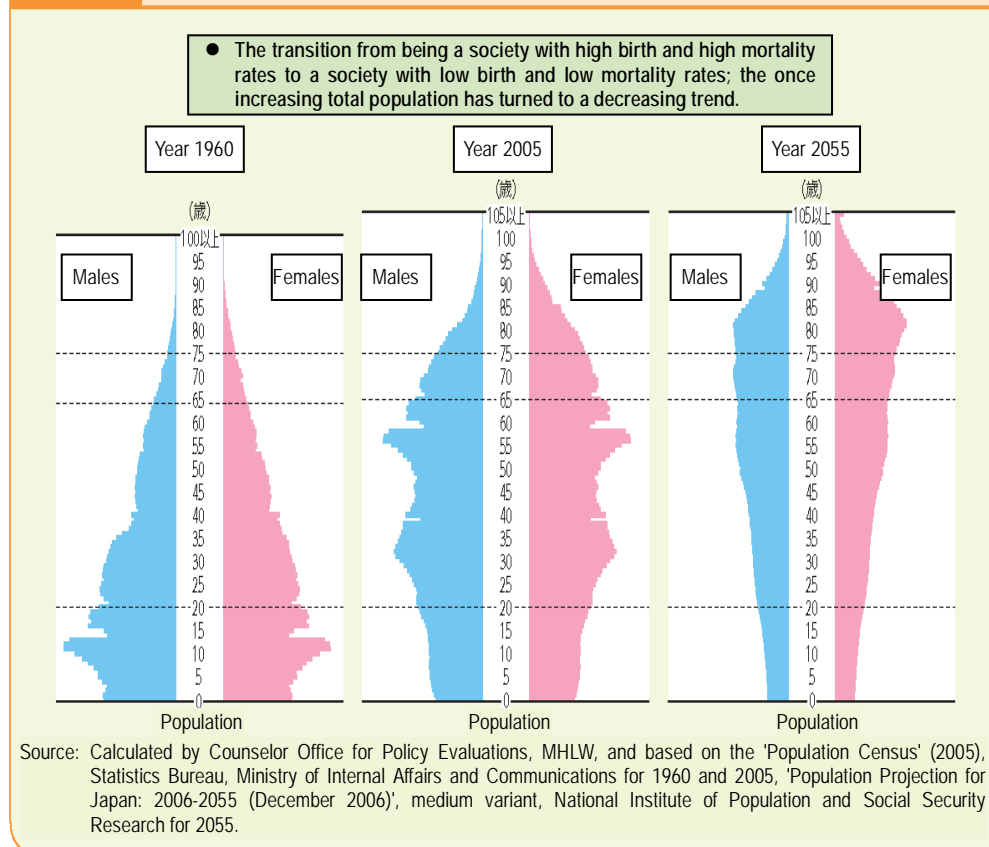
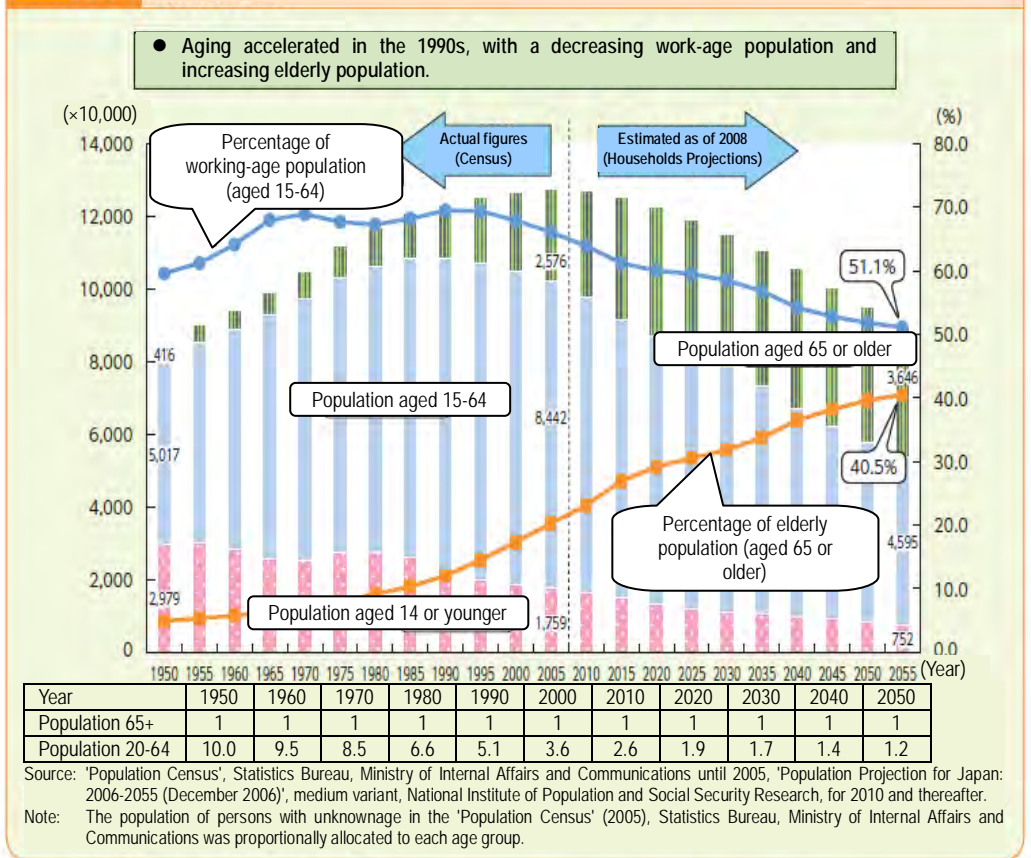


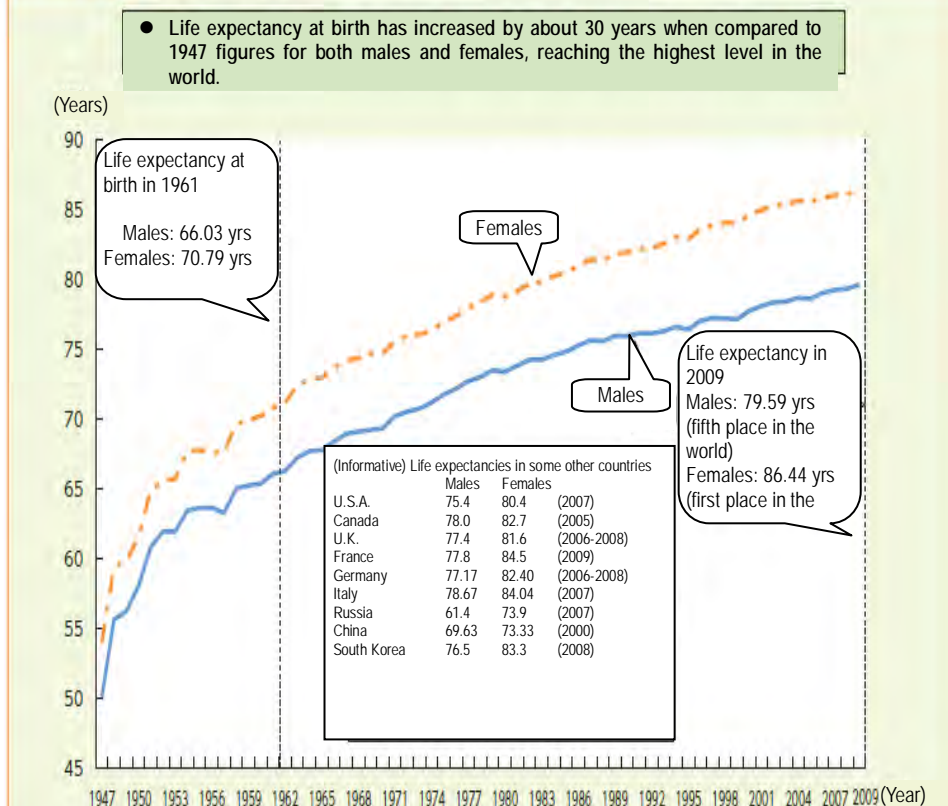
Chart1-3-2 Changes to overall population (text p. 24)



Chapter 1, Section 3: Transition from increasing to decreasing population

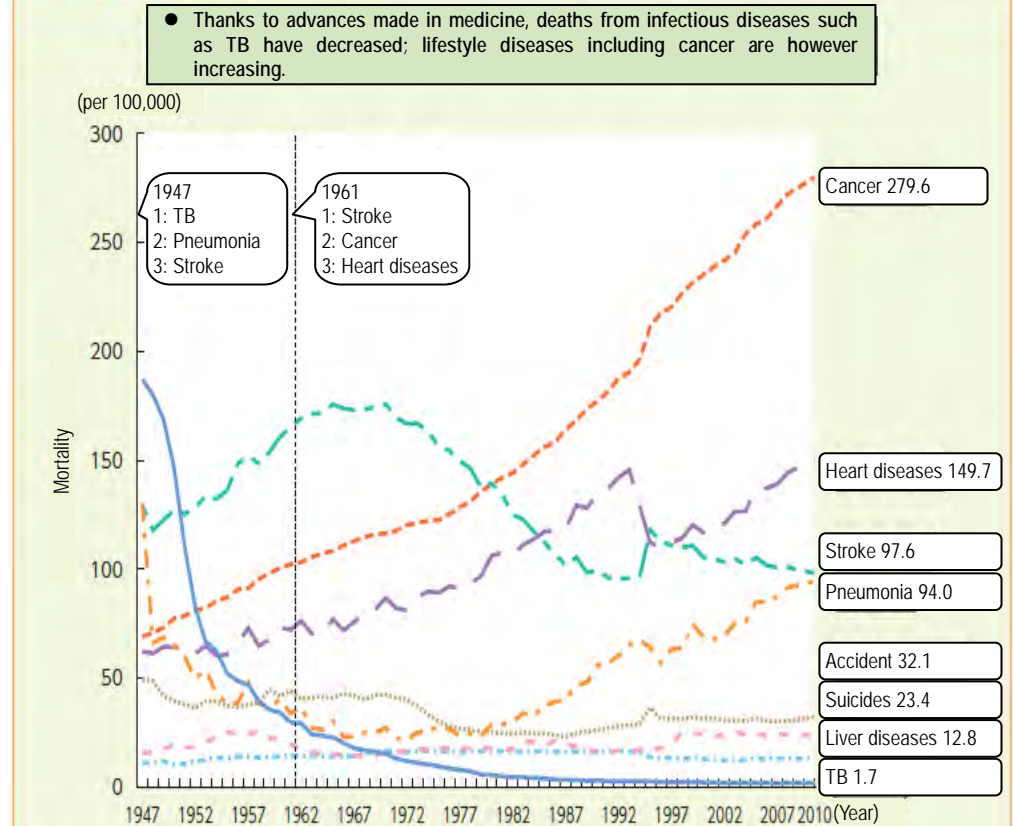
-Decreasing working age generation population— (2)

Chart 1-3-3 Changes in life expectancy at birth (text p. 25)



Source: (Japan) 'Complete Life Tables' and 'Abridged Life Tables', Statistics and Information Department, MHLW
(Other countries) 'Demographic Yearbook 2007', United Nations and materials published by the governments concerned

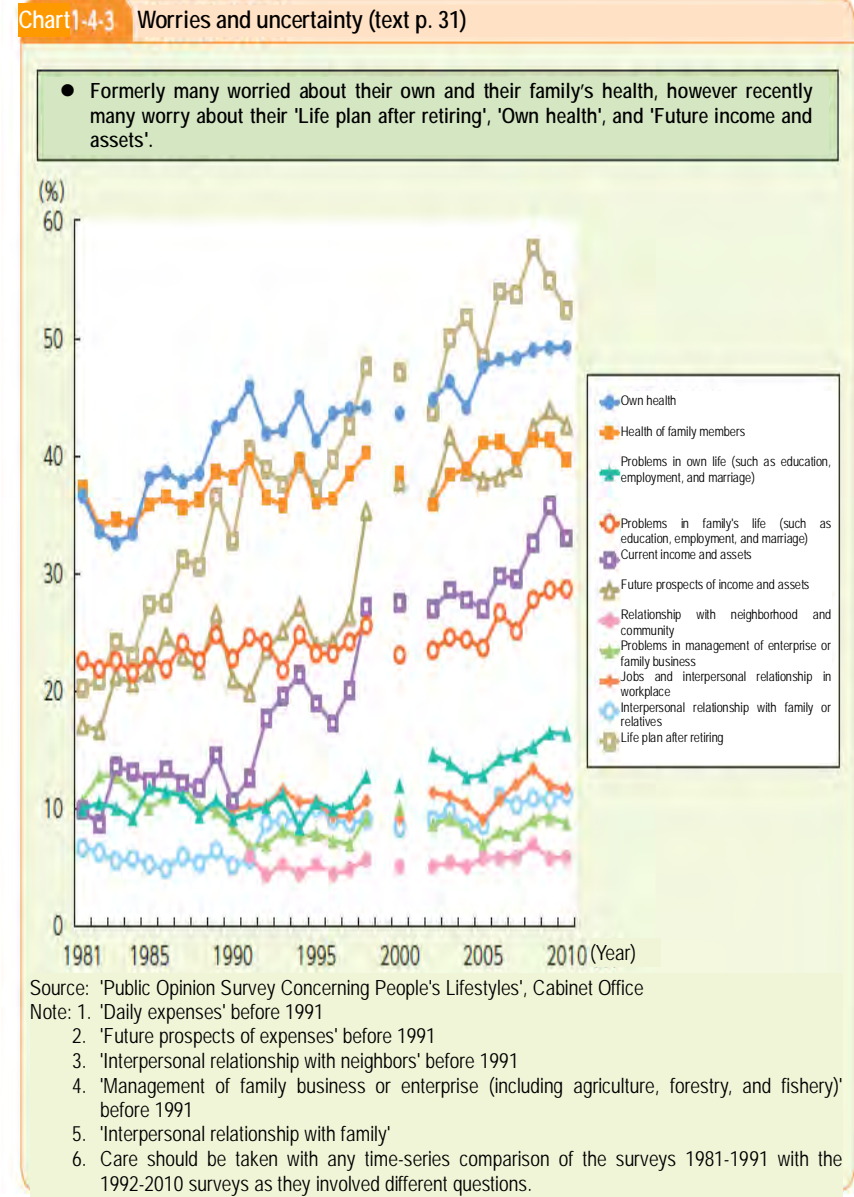
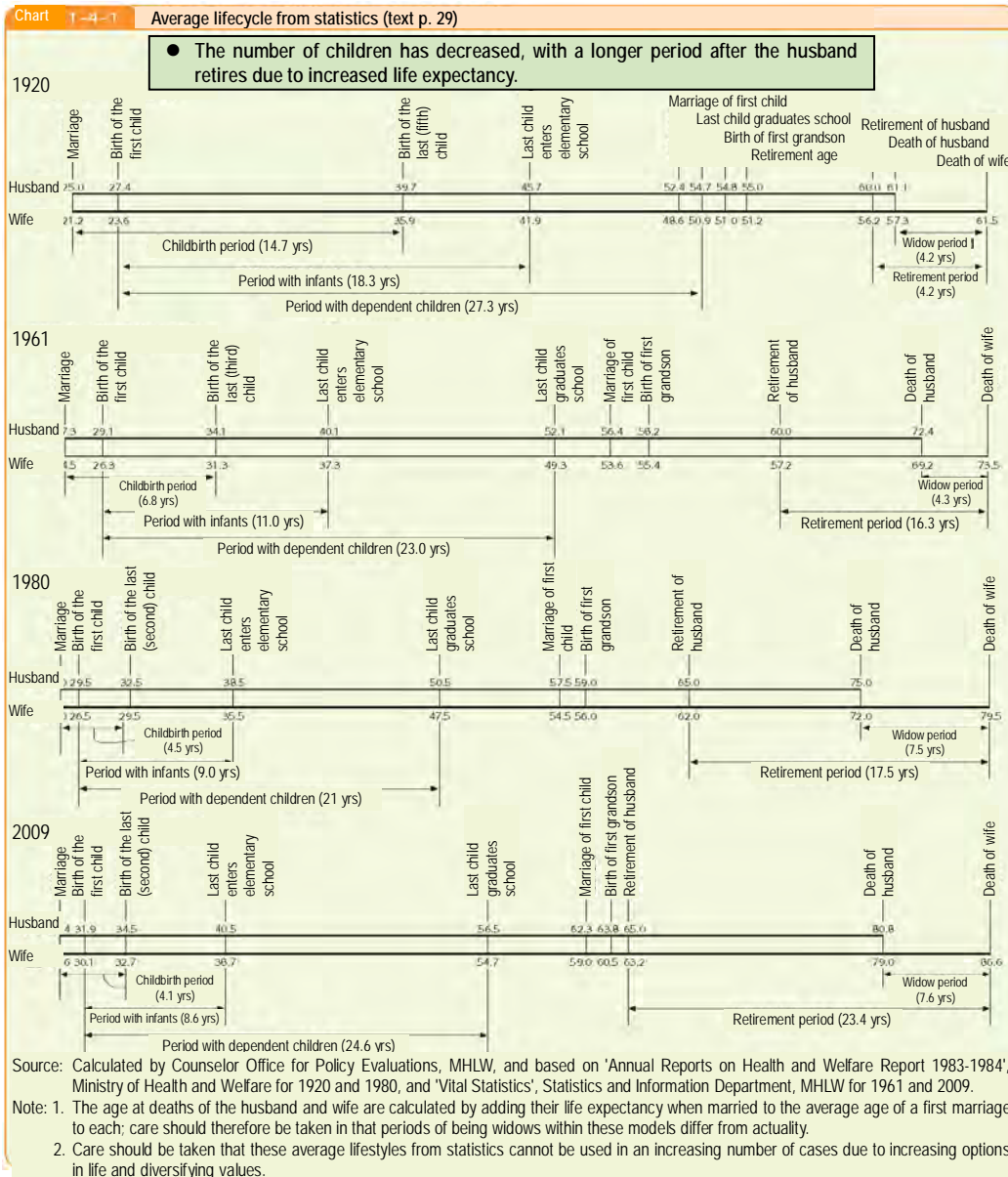
Chart 1-3-4 Changes in mortality rate by cause death (text p. 26)



Source: 'Vital Statistics', Statistics and Information Department, MHLW
Note: Approximate figures for 2010.

Chapter 1, Section 4: 80 years of life with increasing uncertainty

—Advent of a society filled with uncertainty—



Chapter 2: Looking back over the development of the social security systems according to the needs of the times

Division of period	(1) Social security systems before Japan had the universal health insurance and universal pension systems (until 1954)	(2) Establishment of universal health insurance and universal pension systems (from 1955 to the oil shock)	(3) Institutional reconsideration period (1975-1988)	(4) Response to an aging society with declining birth rate (1989-1998)	(5) Economic structural reform and social security (6) Change in government and social security (1989-)
Topics	<ul style="list-style-type: none"> ● Early stage of social insurance ● Care for the poor in the postwar period ● Formation of a foundation for social security administration 	<ul style="list-style-type: none"> ● High economic growth and improvement of living standards ● Development of fundamental institutions for social security systems ● Focusing on social insurance (from relief of the poor to prevention against being poor) ● Improvement of various benefits ● The first welfare year 	<ul style="list-style-type: none"> ● Transition to steady growth ● Normalization of social security costs ● Equitable benefits and burden-sharing ● Establishment of a stable and efficient institutional infrastructure 	<ul style="list-style-type: none"> ● Aging society with changing basic conditions of the economy 	<ul style="list-style-type: none"> ● Economic and financial structural reform (including reduction of 220 billion yen of social security cost per year)
Historical background	1945: End of the WWII 1947: Life expectancy at birth was 50 for male, 54 for female 1948: Revision of Civil Code First baby boom (1947-1949) 1950: Korean War (special procurement boom) 1952: San Francisco Peace Treaty (Independence from GHQ occupation) Security Treaty between Japan and the United States	The 'Jinmu Keiki' (1954-1957) 1956: "We are no longer in the postwar period", Economic White Paper 1964: Tokyo Olympic Games took place The Tokaido Shinkansen trains went into operation 1970: Signs of aging society (elderly population exceeded seven percent) 1971: Second baby boom (1971-1974) 1973: The first oil shock with skyrocketing prices	1974: Economic growth rate fell into negative figures for the first time after WWII 1980: The second Ad Hoc Commission on Administrative Reform 1984: Life expectancy at birth for female exceeded 80 years	The bubble economy (until 1991) 1989: Introduction of the consumption tax The '1.57 shock' (the total fertility rate became 1.57) 1994: Signs of aged society (elderly population exceeded 14 percent) 1995: The Great Hanshin and Awaji Earthquake 1997: The consumption tax raised to 5% (including one percent of the local consumption tax)	1999: International Year of Older Persons, the world population reached 6 billion 2005: The total fertility rate became the all-time low 1.26 2008: Financial crisis due to the bankruptcy of Lehman Brothers 2009: Change of government took place 2011: Great East Japan Earthquake
Changes in social security	<ul style="list-style-type: none"> ● Before WWII, medical insurance and pension systems for employees had been established, as well as some regional medical insurance systems 1942: 'Beveridge Report' in Great Britain 1947: The Constitution of Japan enforced 1950: 'Recommendations on Social Security Systems', Social Security Council	1961: Establishment of universal health insurance and universal pension systems 1965: Pension benefits amounted to ten thousand yen 1968: 70 percent payment from National Health Insurance 1969: Pension benefits amounted to twenty thousand yen 1973: Free medical care for the elderly The first welfare year 70 percent payment to family from medical insurance with institutionalization of major medical expenses Pension benefits amounted to fifty thousand yen, index-linked payments were introduced	1983: Abolition of free medical care for the elderly; co-payment of medical expenses for the elderly was introduced 1984: 90 percent payment for the person covered by the health insurance; formation of the medical system for the retired 1986: Introduction of the basic pension Passed the revised Act on Health Care for Elderly, aiming phased increase of the allotment up to 100 percent in 1990	1989: The 'gold plan' formulated 1994: The 'angel plan' formulated The 'new gold plan' formulated Passed the revised National Pension Act, aiming to raise the starting age for payment (of the fixed-amount component) 1995: 'Reconstruction of Social Security Systems', Social Security Council 2000: Passed the revised National Pension Act, aiming to raise the starting age for payment (of the component proportional to earnings) Enforcement of the revised Long-Term Care Insurance Act	2004: Schemes for a fixed level of pension premiums, including a link to the macro economy 2005: Formation of prevention-oriented system for long-term care insurance and community-based services 2008: Formation of medical care system for persons aged 75 or older 2010: Payment of child allowance started 2011: "Plan for combined reform of social security and tax" (cabinet report) from the social security reform study group of the government and ruling parties Enforcement of Pension Support Act 2012: Reinforcement of a long-term care service infrastructure with long-term care insurance (planned)

Chapter 2, Section 1: Social security systems before Japan had the universal health insurance and universal pension systems

- With regard to medical insurance and pensions, mainly insurance for employees was institutionalized in response to labor problems in accordance with heavy industrialization, even prior to WWII.
- Immediately after WWII livelihood support for needy persons and infectious disease control were focused upon.
- The government was prescribed as being responsible for providing social security within the enactment of the Constitution of Japan, Social Security Council, having been influenced by the "Beveridge Report", with the recommendation being made that social security systems should be constructed with social insurance at the core in 'Recommendations on Social Security Systems' published in 1950.

Chapter 2, Section 2: Establishment of universal health and universal pension systems

- Japan's social security systems were developed against a background of high economic growth and with the focus shifted from "relief for the poor" to "prevention against being poor". So-called Japanese employment practices were established and grew popular during that period, with Japan's social security system being based on the "standard family", which was comprised of a white-collar husband and full-time homemaker wife with children.
- Around 1955 many Japanese citizens were not covered by medical insurance and pension systems, particularly farmers and the self-employed. They started being covered in April 1961 by the National Health Insurance and National Pension systems, which have proved to have played such important roles in Japan's social security.
- Throughout the high economic growth period both medical insurance payments and pension benefits were improved, and moreover, free medical care for the elderly and systems such as the institutionalization of major medical expenses and index-linked pensions introduced in 1973, or the "first welfare year".

Chapter 2, Section 3: Institutional reconsideration period **(1975-1988)**

- During this period, it was required to respond to "Financial Reconstruction without any Tax Increases" and changes in economic and social conditions resulted from the first and second oil shocks that heralded the end of high economic growth and the transition to steady economic growth. In addition, the overall social security systems required reconsideration in view of the need to anticipate the advent of a future aging society.
- The rapid growth of the cost of health care for elderly persons had a severely impact on the financial condition of National Health Insurance. Free medical care for the elderly was subsequently abolished and elderly persons requested to share the burden via enactment of the Medical Care for Elderly Act, which requires equitable contributions from all Japanese citizens, as well as comprehensive medical care measures such as the prevention of diseases and promotion of good health practices commenced upon.
- Everyone (white-collar workers) covered by medical insurance was requested to make a 10 percent co-payment, while a medical care system for the retired was created in an attempt to solve the problem of a reduced payment rate after white-collar workers had retired.
- A 'Medical Plan' was institutionalized by which prefectures can assign necessary numbers of hospital beds on a regional basis according to the respective situation in thereby addressing issues such as a regional imbalance of medical institutions.
- Pension systems were reworked, including the introduction of a basic pension that covers all Japanese citizens, because there were disparities in the systems in terms of both the benefits and contributions due to the separation into seven systems of three kinds.

Chapter 2, Section 4: Response to an aging society with declining birth rate

- Japan's population structure changed in the 1990s where the working-age population started decreasing, with the working generation finding it rapidly and increasingly burdensome. In 1994 the population aged 65 or older exceeded 14.5 percent, foretelling the advent of an 'aged society'.
- The '1.57 shock' of 1990 also raised concern over the declining birth rate.
- In 1989 the 'gold plan' was formulated with the aim of enhancing the infrastructure of social welfare services for the elderly. Later, in 1994, it was totally reworked in the formulation of a 'new gold plan'. In addition, a long-term care insurance system was created, that ensuring a structure was in place that could provide services best suiting the self-support of the insured, and in response to the ever-increasing demand for long-term care.
- The age at which old-age pensions would be paid from was raised in response to the increase in life expectancy, while measures were also taken to extend the retirement age in thus promoting employment of the elderly and compensating their incomes.
- In 1994 the 'angel plan' was formulated around the position of social support for child rearing being a challenge for the whole of society, and with the aim to creating a child rearing supportive society.

Chapter 2. Section 5: Economic structural reform and social security

- The rapid aging of the society is resulting in a decrease in the overall population. Structural reforms such as regulatory reforms are being promoted, however, with widening resulting disparities and degraded safety net functions.
- In addition, and due to national finances being in the critical condition where the amount of outstanding government bonds far exceeds GDP, budgets related to social security, which naturally increase more than one trillion yen every year, are being more severely restricted. Remuneration for medical treatment was reviewed with regard to a decrease, excluding drug prices, in both 2002 and 2006. In addition, the request for a reduction of 1.1 trillion yen in five years (220 billion yen per year) starting fiscal year 2007 was made as part of the 'integrated reform of revenue and expenditure'.
- Because of these circumstances, and in order to ensure the sustainability of the social security systems, reconstruction of the systems is taking place that includes schemes for a fixed level of pension premiums, increased contribution to medical expenses, and the formation of a medical care system for persons aged 75 or older.
- In an attempt to address issues that include 'working poor' and 'unfair termination of dispatch workers' unemployment insurance is being reconsidered for applicability to a wider range of workers, and comprehensive support commenced upon, including vocational training and reemployment for anyone not covered by unemployment insurance, such as the self-employed.

Chapter 2, Section 6: Change in government and social security (1)

- A change of government took place in September 2009. The new regime resulted in a policy of reducing 220 billion yen every year from the natural increase in the cost of social security being abolished. The combined reformation of the social security and tax systems has been discussed since 2010, resulting in the 'plan for combined reformation of the social security and tax systems' being compiled at the end of June 2011.
- Remuneration for medical treatment was revised using net positive figures for the first time in ten years in 2010 in recognition of the need for reassuring medical care for Japanese citizens. The revised remuneration, with the focus on reconstruction of medical services that include emergency treatment, pediatrics, and surgery, resulted in evaluations having been raised for critical care centers which have extensive capacity for emergency patients, acceptance of emergency cases involving pregnant women, and interdisciplinary team efforts.
- A final report was compiled in December 2010 on a new institution to replace the medical care system for persons aged 75 or older.

Chapter 2, Section 6: Change in government and social security (2)

- The total fertility rate reached 1.39 (approximate figure) in 2010, thereby exceeding the rate of the previous year. However, reversing the trend of the declining birth rate will require that the child rearing environment be improved in thus allowing people to peacefully give birth to and raise their children; payment of a new 'child allowance' was therefore commenced upon because of the recognition that society as a whole needs to support the children who will be responsible as the next generation, as well as reducing the burden of child rearing. Further consideration has been made to the construction of a new comprehensive and unified system for raising the next generation, and which includes unification of kindergartens and nursery schools. In addition, support systems for single-parent families have been reconsidered.
- Focused efforts have been made on a 'national project' involving the much criticized issue of the national pension records, resulting in 16 million records having been integrated into the Basic Pension Numbers, as well as shortening the period of time until pension payments can be made after recovering the pertinent records. Moreover, the Pension Support Act was enacted that addresses no-pension or low-pension issues, and thus further aiding in ensuring the income of Japanese citizens in their old age.
- As well as reconsideration of long-term care insurance in thereby reinforcing the long-term care service infrastructure, reformation of the systems for persons with disabilities are being studied. In addition, a 'suicide prevention and measures for depression project' has been commenced upon that addresses various issues.
- A support system for job seekers has been created, thereby helping any job seekers that do not benefit from unemployment insurance.

Chapter 3: Reviewing the outcome of Japanese social security, with a focus on the universal insurance and universal pension systems

(1) Improvements in social security to date

- Japan's social security has been expanded, with social insurance in particular. Pensions and nursing care have shifted from being "private support between family members" to being "what should be shared by the whole of society".
- Universal insurance has reduced the mortality rate and life expectancy has reached the highest level in the world.
- Pension payments have been repeatedly improved, thus improving the economic conditions of elderly households.
- Long-term care insurance provides comprehensive services in the areas of health care, medical, and welfare, which the user can choose from.

(2) Improvements in the infrastructure used to provide services

- Universal insurance has resulted in the number of medical institutions and their employees having increased. In particular, the development of private medical institutions has been facilitated via systems that include the "free general practitioner system", "free access", which enables patients to be cared for by any medical institution using just the one insurance certificate, and a "fee-for-service system of remuneration for medical treatment".
- However, problems have also arisen that include "social hospitalization" or "a three hour wait for three minutes of medical treatment". In addition, in some areas, although mostly rural, there are not enough doctors, especially pediatricians and obstetricians, to meet demands. These problems are being taken care of via the functional differentiation of medical institutions and then cooperation between them.
- Long-term care insurance has resulted in the number of care workers having increased with the entry of various entities, including joint-stock corporations.

(3) Response to change in social security environment

- Changes in economic conditions and a rapidly aging society have had the impact on social security of payments not always being improved.
- Changes in the industrial structure require a response. Originally, most National Health Insurance and National Pension policyholders were farmers, forestry workers, fishermen, or self-employed. But most National Health Insurance policyholders are now elderly people and hence reconstruction of the system is underway.
- Changes in the disease structure and increasing proportion of elderly people to total deaths necessitate measures such as improved medical care at home.
- Measures also need to be taken according to advances in medical technologies and improved living standards.

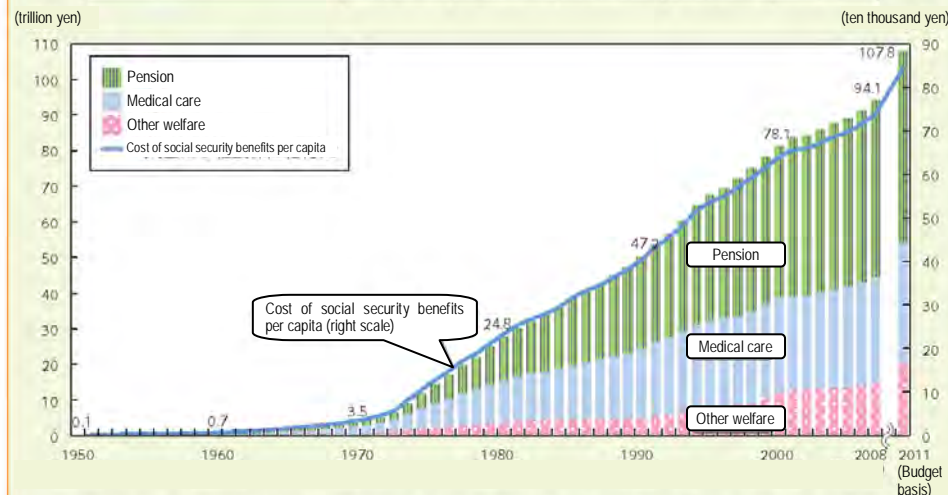
(4) Insurance premiums and public expenses

- Increased benefits due to improvements and aging have resulted in insurance premiums for the working generation rising due to their increased proportion of the imposed pension and contribution scheme of adjustments between the systems and in order to support medical care for elderly people in the case of medical insurance.
- However, the receipt rate of insurance premiums for National Pension has been gradually decreasing over time.
- Addressing the different financial strengths of the various insurance systems and the policy of preventing increases in insurance premiums will require public expenses to be accordingly expanded. Social security related costs are projected to increase to more than one trillion yen every year in the future.

Chapter 3, Section 1: Improvements in social security to date

Chart 3-1-1 Changes in cost of social security benefits (text p. 88)

	FY1970	FY1980	FY1990	FY2000	FY2011 (budget basis)
National income (trillion yen) A	61.0	203.9	346.9	371.8	351.1
Cost of social security benefits (trillion yen) B	3.5 (100.0%)	24.8 (100.0%)	47.2 (100.0%)	78.1 (100.0%)	107.8 (100.0%)
(Breakdown) Pension	0.9 (24.3%)	10.5 (42.2%)	24.0 (50.9%)	41.2 (52.7%)	53.6 (49.7%)
Medical care	2.1 (58.9%)	10.7 (43.3%)	18.4 (38.9%)	26.0 (33.3%)	33.6 (31.2%)
Other welfare	0.6 (16.8%)	3.6 (14.5%)	4.8 (10.2%)	10.9 (14.0%)	20.6 (19.1%)
B/A	5.77%	12.15%	13.61%	21.01%	30.70%

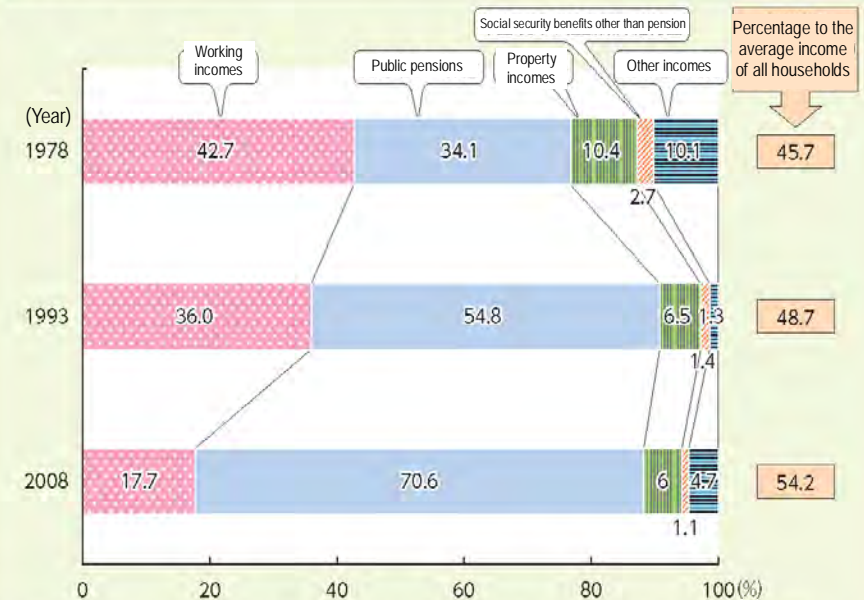


Source: 'Cost of Social Security Benefits 2008', National Institute of Population and Social Security, except for FY 2011 (budget basis) where the figures were estimated by MHLW using national incomes obtained from the 'Economic Forecast and Basic Attitude to Economic and Fiscal Management' (Cabinet decision, January 24, 2011)
 Note: Figures in the chart provide the cost of social security benefits (trillion yen) in 1950, 1960, 1970, 1980, 1990, 2000, 2008, and 2011 (budget for 2011).

○ Social insurance systems have merits in terms of rights and universality due to the clear relationship between benefits and contributions and hence Japanese social security has been mainly expanded into social insurance systems.

Chart 3-1-5 Time-series change in income of elderly households (text p. 91)

- Elderly household incomes have been improving more than the average of all households, with an increasing proportion of 'Public pensions' due to the improved pension systems.



Source: Calculated by Counselor Office for Policy Evaluations, MHLW, and based on 'Comprehensive Survey of Living Conditions', Statistics and Information Department, MHLW
 Note: 1. 'Working incomes' denotes employee's incomes, business incomes, farming and livestock incomes, and family business incomes.
 2. 'Personal pensions' is included as 'Other incomes' in 1978 and 1993.
 3. In 2008 'Rent income' and 'Interest and dividends' were summarized into 'Property incomes'.

○ Pension benefits have been repeatedly improved through being linked to commodity prices and wages, thus having improved the economic conditions of elderly households. In addition, the new long-term care insurance system, which is a way nursing care is supported by the whole of society, provides comprehensive services in areas of health care, medical, and welfare that the user can choose from.

Chapter 3, Section 2: Improvements in the infrastructure used to provide services

Chart 3-2-2 International comparison of medical care provision systems (text p. 96)

- Japan has more days of hospitalization on average than other nations. Japan also has more beds per capita, and therefore fewer medical care workers per bed.

Country	Average length of hospitalization	Beds per population of 1,000	Doctors per 100 beds	Doctors per population of 1,000	Nursing staff per 100 beds	Nursing staff per population of 1,000
Japan	33.2	13.8	15.7	2.2	69.4	9.5
Germany	9.9	8.2	43.3	3.6	130.0	10.7
France	12.9	6.9	48.5	3.3	115.2	7.9
UK	8.1	3.4	76.5	2.6	279.6	9.5 (forecast)
USA	6.3	3.1 (forecast)	77.9	2.4	344.2	10.8

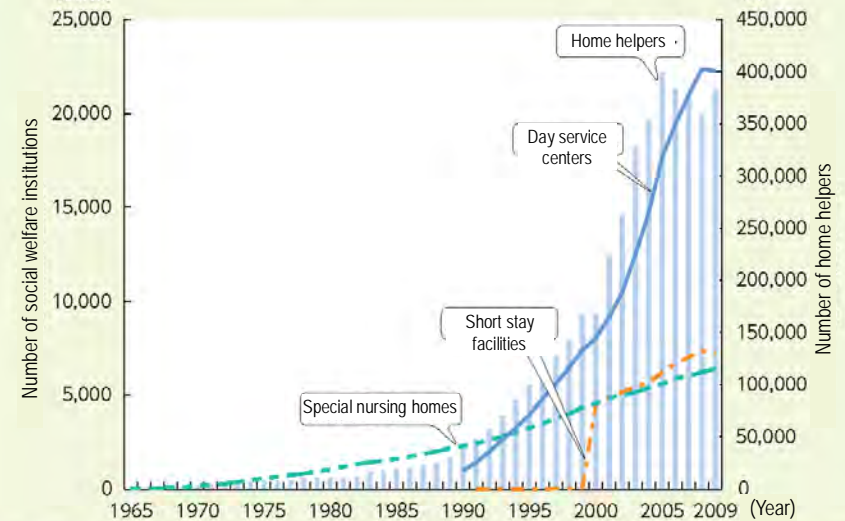
Source: 'OECD Health Data 2010'

- Note: 1. The number of doctors denotes the number of clinicians (France, however, includes doctors not in clinical practice who are for example, working at research institutes)
2. The nursing staff number denotes the number of clinical nurses (France and the USA, however, include nursing staff not in clinical practice who are, for example, working at research institutes)
3. The average length of hospitalization was calculated using the number of beds, which OECD statistics define differently for each country:
 Japan: Beds of all hospitals
 Germany: Beds for acute period and mental illnesses and at preventive treatment and rehabilitation facilities (excluding beds in nursing homes)
 France: Beds for acute period, long-term diseases, mental illnesses, and others
 UK: All beds registered with the National Health Service (excluding long-term beds)
 USA: Beds in all hospitals registered with the American Hospital Association
4. The average length of hospitalization in Japan is 18.5 days for general patients, 179.5 days for recuperation, and 307.4 days for psychiatric cases
- Source: 'Hospital Report 2009', Statistics and Information Department, MHLW

- Universal insurance has facilitated the development of medical care provision systems and hence Japan now has a comparable number of medical personnel to other countries. There are slightly fewer doctors, 2.2 per population of 1,000, but the ration of nurses is 9.5, which is comparable.

Chart 3-2-4 Changes in number of nursing care facilities and nursing care staff (text p. 98)

- The number of nursing care staff and businesses, mainly home care services, has increased significantly, and after the 1990s in particular.



Source: 'Social Welfare Policy Report', 'Survey of Institutions and Establishments for Long-term Care', 'Survey of Social Welfare Institutions', Statistics and Information Department, MHLW

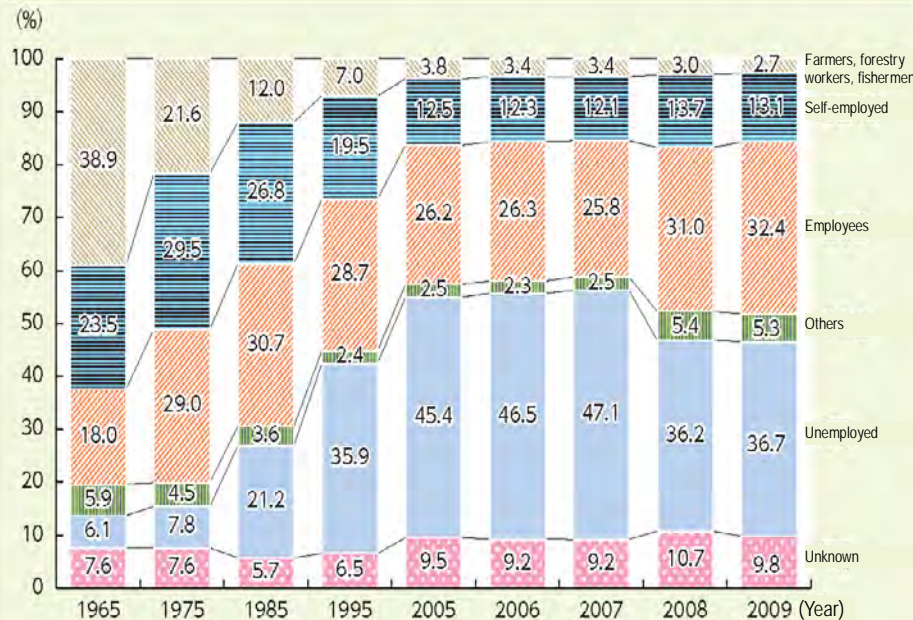
- Note: 1. The figures in 2009 were affected by fluctuations in the return rate due to changes in the survey methodology, thus making the actual number of facilities not suitable for comparison against the figures up to 2008.
2. The number of home helpers was obtained from the 'Social Welfare Policy Report' until 1999, and then the 'Survey of Institutions and Establishments for Long-term Care' from 2000 on.
3. The number of special nursing homes was obtained from the 'Social Welfare Policy Report'.
4. The number of day service centers denotes the number of facilities providing 'commuting rehabilitation service' in the 'Survey of Social Welfare Institutions'.
5. The number of short-stay facilities denotes the number of 'short-term stay facilities for the elderly' in the 'Survey of Social Welfare Institutions' until 1999, and then the number of facilities providing 'short-term stay for long-term care' in the 'Survey of Institutions and Establishments for Long-term Care' from 2000 on.

- The institution of long-term care insurance has resulted in an increasing number of care service facilities/businesses and care workers, and with the entry of various entities that include joint-stock corporations.

Chapter 3, Section 3: Response to changes in the social security environment

Chart 3-3-1 Percentage distribution of National Health Insurance policyholders by occupation (text p. 99)

- Although most National Health Insurance policyholders were farmers, forestry workers, fishermen, and the self-employed in the past more than half are employees and the unemployed now.



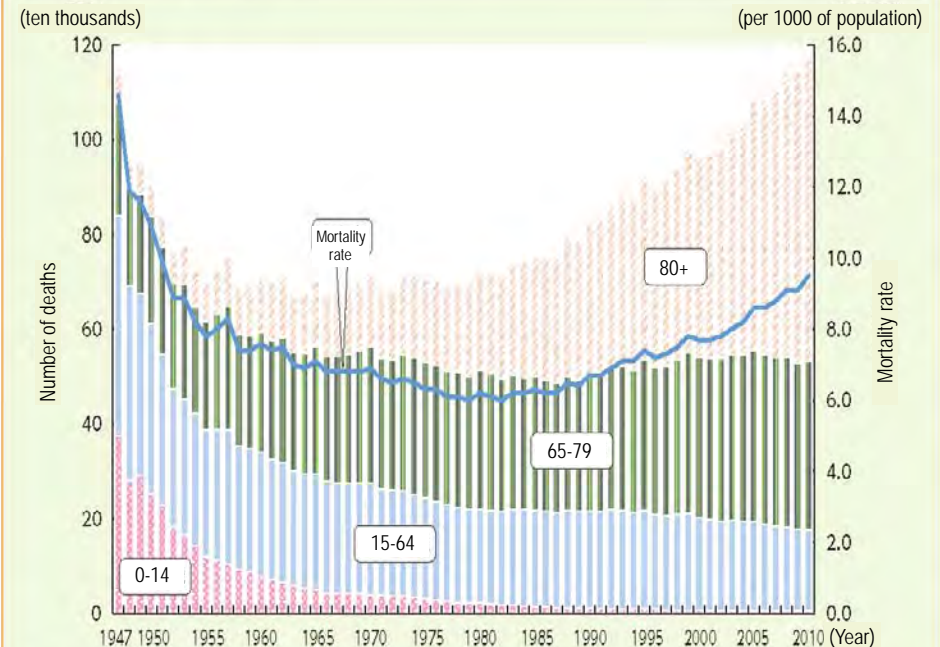
Source: 'National Health Insurance Survey Report', Health Insurance Bureau, MHLW

Note: The change in percentage distribution of policyholders between the 2007 and 2008 figures reflects the fact that since 2008 all National Health Insurance policyholders can be no more than 75 years old due to enforcement of the elderly health care system.

- Changes in the industrial structure have led to insurance having different characteristics. Originally, most National Health Insurance and National Pension policyholders were farmers, forestry workers, fishermen, and self-employed. Most National Health Insurance policyholders are now elderly people and people with low incomes and hence reconstruction of the system is under way.

Chart 3-3-3 Changes in number of deaths by age group (text p. 101)

- The number of deaths used to be significant for the 0-14 and 15-64 age groups in the past but most now occur in the 65-79 and 80+ age groups. The aging population has resulted in the per capita mortality rate increasing.



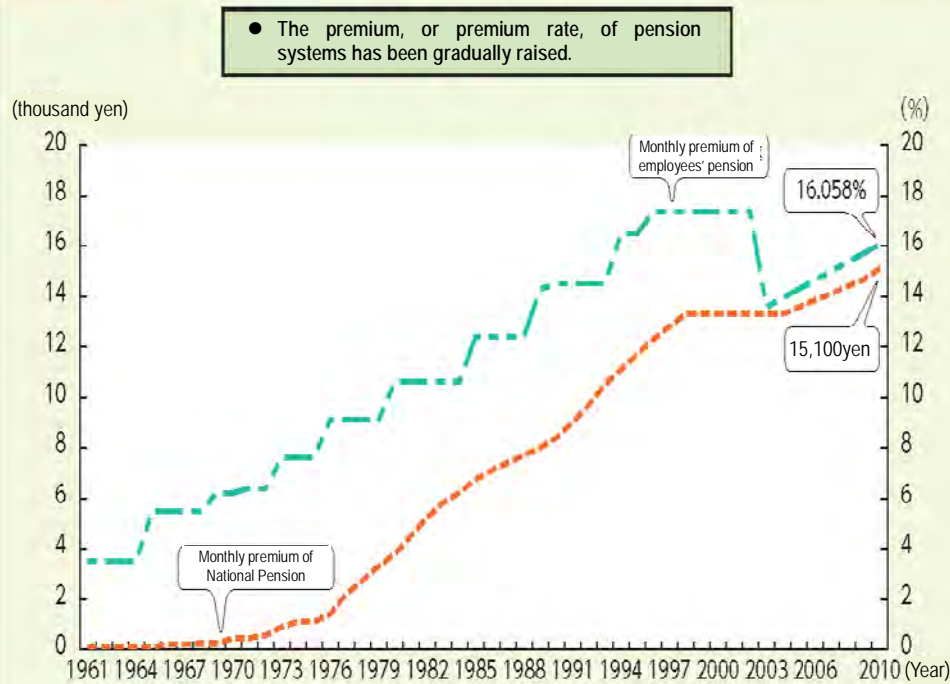
Source: 'Vital Statistics', Statistics and Information Department, MHLW

Note: Approximate figures for 2010.

- Disease structures have changed and the proportion of elderly people to total deaths increased. In many cases elderly people require nursing care in the wake of diseases. Measures are therefore being used that include reconsideration of the role of medical institutions and improving medical care at home as well as the institution of a long-term care insurance system.

Chapter 3, Section 4: Insurance premiums and public expenses

Chart 3-4-1 Changes in pension premiums (text p. 103)



Source: 'Annual Report' of the former Social Insurance Agency and materials prepared by the Pension Bureau, MHLW

- Note: 1. The same rate as insurance premium rates of a employees' pension is being applied to bonuses, as well as monthly salaries, following the introduction of the total remuneration system in April 2003.
2. The premium rate of the employees' pension is of insured persons (men); with the monthly premium of the National Pension in FY 1961-69 being for persons aged 20-34.
3. The premium rate of the employees' pension and the monthly premium of the National Pension figures are after any applicable increase.

○ Increased benefits due to improvements and aging have resulted in an increasing proportion of pension funds now operated in the form of pay-as-you-go method. In addition, insurance premiums for the working generation have been increasing

Chart 3-4-3 Changes in reception rate of National Health Insurance and National Pension (text p. 105)



Source: 'Annual Report of the National Health Insurance' of the Health Insurance Bureau, MHLW, and 'Annual Report' of the former Social Insurance Agency

Note: [National Health Insurance]

1. The reception rate was calculated using an adjusted amount from which the amount for anyone with an unknown address was deducted (rounded to two decimal places).
2. The adjusted amount after 2000 includes payments for nursing care; in addition, persons aged 75 or older are not included in the 2008 figures on and therefore care should be taken with any comparison with the figures up to 2007.

[National Pension]

1. The reception rate denotes the proportion of paid months to months to be paid.
2. The probation rate (sum of 'accumulated months probated' and 'accumulated months paid in cash' divided by 'accumulated months to be probated') is provided up to 2001.

○ The social insurance systems are based on social solidarity, and low reception rates are a problem that will affect the overall system. However, the reception rate of insurance premiums for the National Pension has been gradually decreasing over time.

Chapter 4: Future prospects of Social Security

(Future social security requirements)

(1) Increasing need for social security of the working generation

- Maintaining pace with the surfacing problem of the working generation facing poverty and increasing child rearing needs; the problem has also been pointed out that too much precedence is being given to the elderly generation with respect to the redistributive aspect of social security functions.

(2) Increasingly complex living difficulties

- The complexity of our current society often makes solving a problem using only one support menu within one system difficult, thus necessitating comprehensive support. aging, poverty, and suicides, ...

(3) Transition from 'relief for the poor' to 'prevention against being poor' to 'participation'

- Establishment of universal health insurance and universal pension systems converted 'relief for the poor' into 'prevention against being poor', and further transition to 'participatory social security' will be required, which guarantees social participation by all elements of society.

(4) The working generation is not comfortable with the both the burden and benefits of the current social security systems

- With regard to "lifetime benefits and the burden of the social security systems" more than 70 percent of persons in their 40s or younger have responded by stating "benefits less than the overall burden will be received".
- It has also been pointed out that the social security systems are not neutral, even among the same generation.

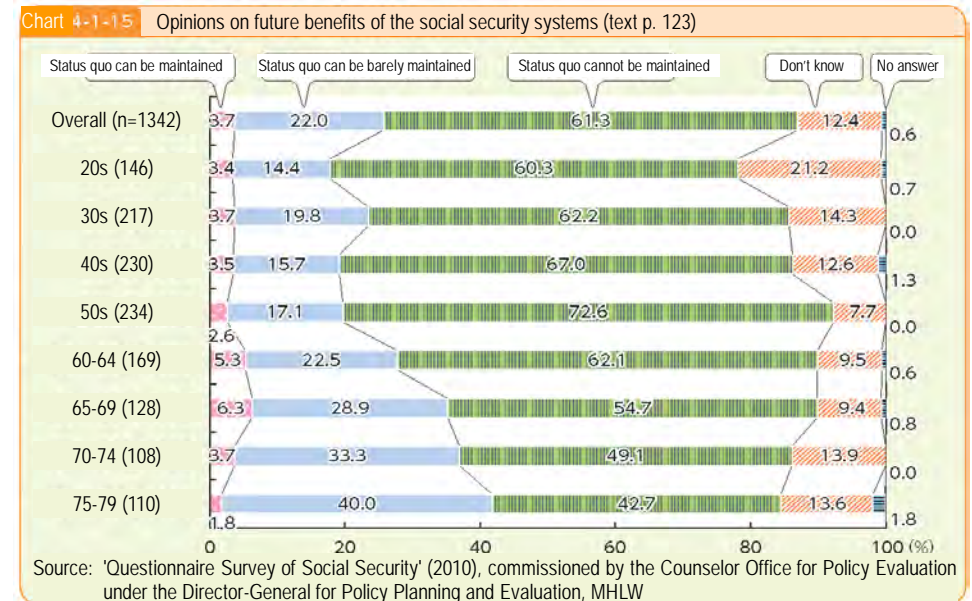
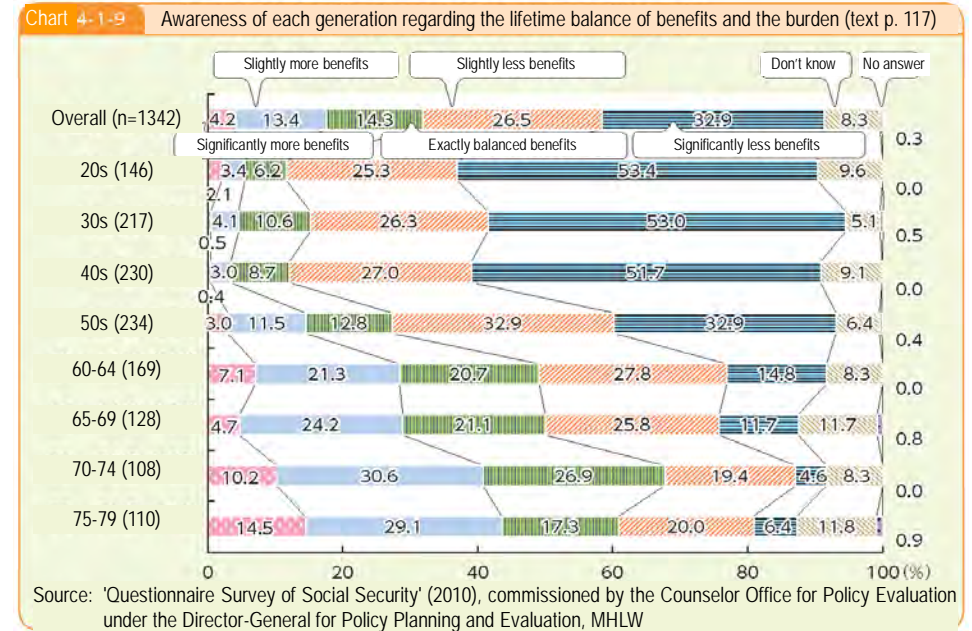
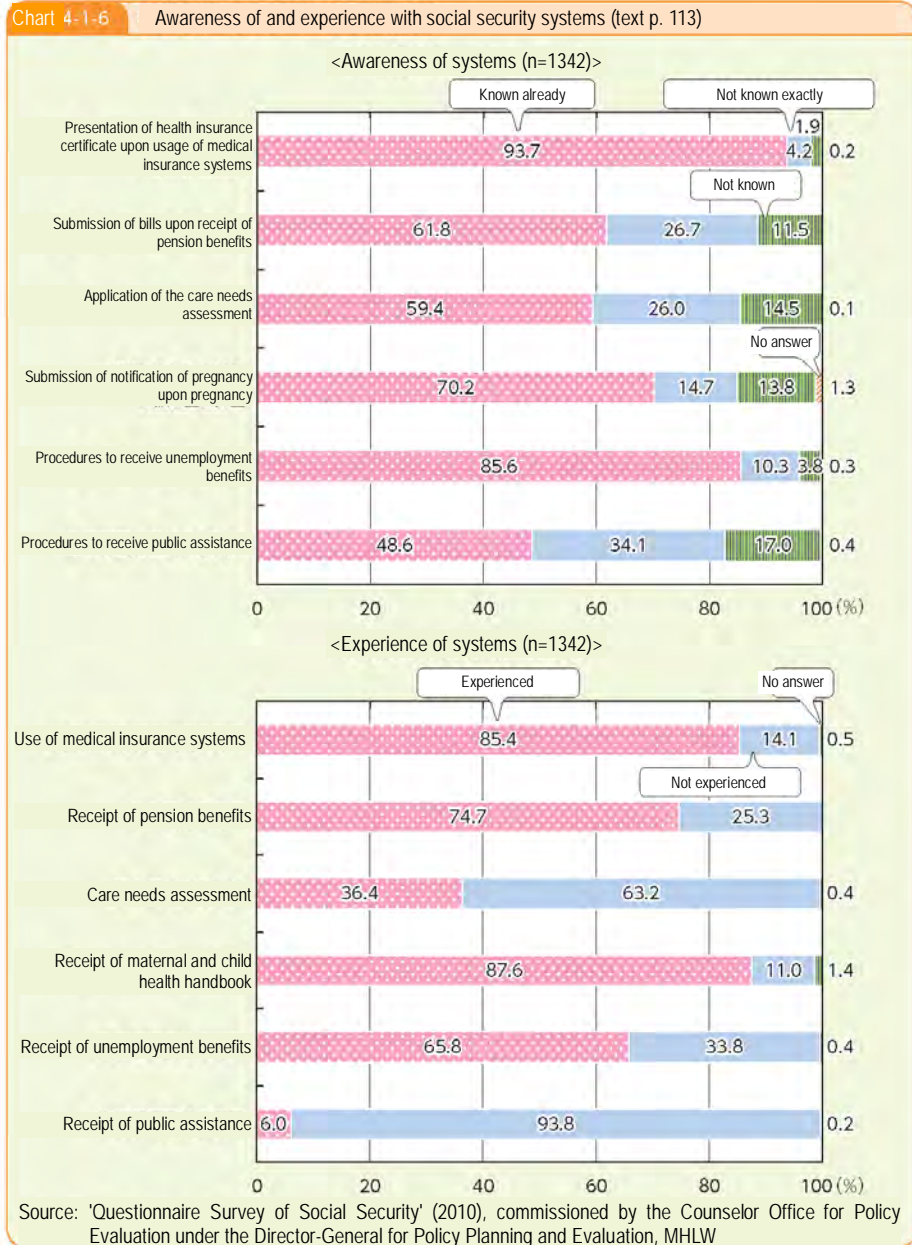
(5) The increasing cost of social security benefits and worsening financial situation of the state government

- The cost of social security benefits have significantly increased, thus imposing a burden upon the working generation. Moreover, both state and local governments face severe financial situations.
- In a survey questionnaire more than 60 percent of people, mainly of the younger generations, answered that "the status quo cannot be maintained".

(Problems to be solved using the social security systems in the future)

- New social security needs have to be supported, particularly those of the working generation, and for example child rearing.
→ People of the working generation living peaceful lives with rewarding jobs, and as consumers need to be the infrastructure of society.
- Everyone must be supported, regardless of generation, and with or without a disability, thus necessitating both individual and comprehensive support via the idea of participatory social security. Existing medical and nursing security and income compensation after retirement will also remain important.
- It is essential that stable sources of finance be established in thereby ensuring the long-term sustainability of the systems, as well as prioritized payments and more efficient operation.
- All-encompassing reformation is necessary in ensuring the required level of functional enhancement of the social security systems, as well as the overall sustainability of social security.

Chapter 4, Section 1: Future social security requirements



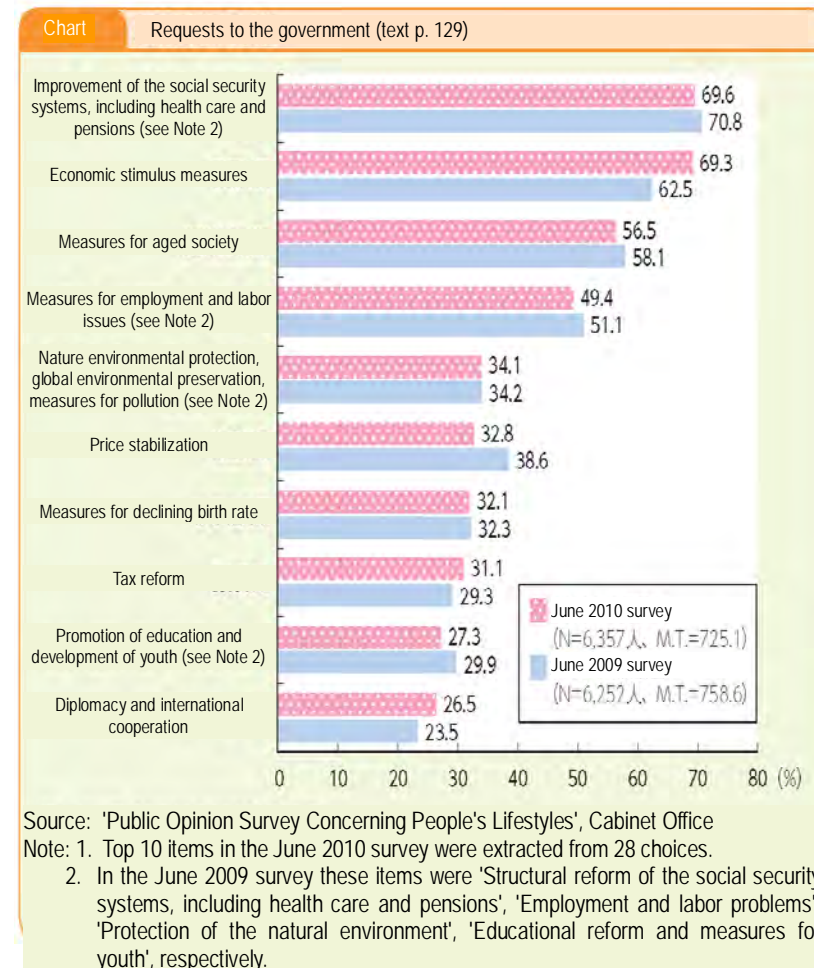
Chapter 4, Section 2: Ongoing discussions about social security reformation

[History of studies on social security reformation]

- 2008: Final report of the National Council for Social Security
- Specific recommendations were made regarding the functional enhancement of social security, with simulated medical and nursing costs and a quantitative simulation of the public pension system having been published
- 2009: Report on Conference for Establishing a Peaceful Society
- Outlook for a peaceful society in view of cooperative efforts in social security, employment, and education
- 2010: Establishment of a social security reform study group of the government and ruling parties
'Advisory Committee on Social Security Reform' was created within the study group, and the report 'Vision of Social Security toward a Peaceful and Vital Society' published in December.
'Research Commission for Radical Reformation of the Tax and Social Security Systems' was created within the Democratic Party, and an interim report published in December.
The reports resulted in 'Promotion of Social Security Reform' being determined upon by the social security reform study group, and then by the Cabinet.
Those decisions then resulted in a social security reform study group being created within the MHLW.
- 2011: An 'Intensive Study Commission on Social Security Reform' was created within the social security reform study group of the government and ruling parties.
The direction and specific measures for reformation of the social security systems were published by the MHLW in May.
A 'Plan for Combined Reformation of the Social Security and Tax Systems' was determined upon by the social security reform study group on June 30, which in turn was reported to the Cabinet on July 1.

Conclusion

- The social security systems have a great impact on lives of Japanese citizens, as indicated by the fact that 'Improvement of the social security systems, including health care and pensions' holds first place in a list of 'Requests to the government'.
- Social security basically involves the provision of mutual support to each other, thus making discussions that involve the entire country and which are based on objective data and accurate knowledge necessary in when decisions on social security systems are made in the future.
- Younger generations have very little interest in social security, as more than 10 percent of persons in their 20s responded in a 'Questionnaire Survey on Social Security' that they have basically no knowledge on social security.
- Reform of the social security systems will primarily necessitate Japanese citizens, who are all involved, possessing accurate knowledge on the purposes of the different social security systems and their current situations.
- Achieving social security reformation will require the understanding and cooperation of Japanese citizens and will have to be based on a wide range of discussions involving various perspectives.



Part 2

Response to current policy issues

- This second part, which is an annual administrative report, presents MHLW's activities in response to various current policy issues with charts and graphs, as well as 33 columns on endeavors from the fields of health, labor, and welfare.
- In addition, the MHLW's response to the Great East Japan Earthquake that occurred on March 11th, 2011 is featured at the beginning of Part 2 of the Annual Report.

[Content of Part 2]

Feature: MHLW's response to the Great East Japan Earthquake

Chapter 1: Creating an environment that enables carefree child rearing

Chapter 2: Securing employment and stable livings under severe economic conditions

Chapter 3: Toward reliable pension systems

Chapter 4: Stable provision of high-quality medical services

Chapter 5: Securing healthy and safe lives

Chapter 6: Securing quality nursing care services

Chapter 7: Comprehensive support for assisting persons with disabilities

Chapter 8: Creating an environment where people can work with peace of mind

Chapter 9: Securing peaceful lives

Chapter 10: Promoting measures for the peacefulness of Japanese citizens

Chapter 11: Contributions to the international community and appropriate responses to issues such as foreign national workers

Chapter 12: Development of administrative system

Reference material 1

Major changes in social security systems

Historical period	Historical background	Major changes in social security systems
<p>(1) Social security systems before Japan had the universal health insurance and universal pension systems (up to 1954)</p> <ul style="list-style-type: none"> ● Early stage of social insurance ● Care for the poor in the postwar period ● Formation of the foundation for social security administration 	<p>1945 End of WWII Establishment of the United Nations</p> <p>1947 Revision of Civil Code</p> <p>Life expectancy at birth was 50 for males and 54 for females</p> <p>First baby boom (1947-1949)</p> <p>1950 Korean War (special procurement boom)</p> <p>1951 Japan joined the ILO</p> <p>1952 San Francisco Peace Treaty (Independence from GHQ occupation) and Security Treaty between Japan and the United States</p>	<p>1922 Health Insurance Act enacted</p> <p>1938 National Health Insurance Act enacted</p> <p>1939 Mariners Insurance Act enacted</p> <p>1941 Workers' Pension Insurance Act enacted (which was renamed as 'Employees' Pension Insurance Act' in 1944)</p> <p>1942 'Beveridge Report' issued in Great Britain</p> <p>1946 (Former) Public Assistance Act enacted The Constitution of Japan enacted</p> <p>1947 Industrial Accident Compensation Insurance Act enacted The Constitution of Japan enforced</p> <p>Unemployment Insurance Act enacted</p> <p>1948 Medical Care Act enacted Employees' Pension Insurance Act revised (in response to inflation)</p> <p>1950 Public Assistance Act enacted 'Recommendations on Social Security Systems', Social Security Council Medical Care Act revised (introduction of medical corporation)</p> <p>1951 Local Tax Act revised (introduction of National Health Insurance tax)</p> <p>1954 Employees' Pension Insurance Act fully revised (which then became the current Employees' Pension)</p> <p>1955 National Health Insurance Act revised (introduction of state subsidies)</p>

Historical period	Historical background	Major changes in social security systems
<p>(2) Establishment of universal health insurance and universal pension systems (from 1955 to the oil shock)</p> <ul style="list-style-type: none"> ● High economic growth and improved living standards ● Development of fundamental institutions for social security systems ● Focus on social insurance (from relief of the poor to prevention against being poor) ● Improvement of various benefits ● The first welfare year 	<p>The 'Jinmu Keiki' (1954-1957)</p> <p>1956 Japan joined the United Nations "The postwar period is over", Economic White Paper "Is the postwar period really over", the first Health and Welfare Report</p> <p>1959 The 'Iwato Keiki' (1958-1960)</p> <p>1960 National Income Doubling Plan Struggle over the Security Treaty Mitsui Miike dispute</p> <p>1962 Comprehensive National Development Plan</p> <p>1963 Assassination of the U.S. President, John F. Kennedy</p> <p>1964 Japan joined the OECD</p> <p>Tokyo Olympic Games took place The Tokaido Shinkansen trains commenced operation</p> <p>1965 U.S. Forces began bombing North Vietnam</p> <p>First year of nine consecutive national championships of Tokyo Yomiuri Giants (a professional baseball team) The average age of Japanese citizens exceeded 30 years</p> <p>1966 The 'Izanagi Keiki' (1965-70)</p> <p>1968 Japan's GNP ranked third in the world</p>	<p>1958 National Health Insurance Act revised (universal health care system)</p> <p>1959 National Pension Act enacted (universal pension system)</p> <p>1961 Establishment of universal health insurance and universal pension systems Act on General Rules of Aggregate Pension (which was abolished with introduction of the basic pensions)</p> <p>1963 Act on Social Welfare Service for Elderly enacted</p> <p>1964 Act on Welfare of Mothers with Dependents (six welfare laws)</p> <p>1965 Employees' Pension Insurance Act revised (pension benefits amounted to ten thousand yen)</p> <p>1966 Act on Partial Revision of the National Health Insurance Act enacted (70 percent payment)</p> <p>1968 70 percent payment from National Health Insurance</p>

Historical period	Historical background	Major changes in social security systems
	<p>University disputes intensified</p> <p>1969 Moon landing of Apollo 11</p> <p>1970 Signs of aging society (elderly population exceeded seven percent)</p> <p>1971 Establishment of Environment Agency Dollar shock (\$1 became 308 Yen) Second baby boom (1971-74)</p> <p>1972 Sapporo Olympic Games took place Reversion of Okinawa Normalization of diplomatic relations with China</p> <p>1973 The first oil shock Skyrocketing prices</p> <p>End of the Vietnam War</p> <p>Transition to floating exchange rate of the yen</p>	<p>1969 Employees' Pension Insurance Act revised (pension benefits amounted to twenty thousand yen)</p> <p>1971 Child Allowance Act enacted</p> <p>1973 (The first welfare year) Act on Social Welfare Service for Elderly revised (free medical care for the elderly) Health Insurance Act revised (70 percent payments to families from medical insurance and institutionalization of major medical expenses) Pension systems revised (Pension benefits amounted to fifty thousand yen, index-linked payments introduced)</p>
<p>(3) Institutional reconsideration period (1975-1988)</p> <ul style="list-style-type: none"> ● Transition to steady growth ● Normalization of social security costs ● Equitable benefits and burden-sharing ● Establishment of a stable and efficient institutional infrastructure 	<p>1974 Economic growth rate fell into negative figures for the first time after WWII</p> <p>1975 International Women's Year People born after WWII accounted for more than half the total Japanese population First summit meeting</p> <p>1978 Narita Airport commenced operation</p> <p>1979 International Year of the Child The second oil shock</p> <p>1980 The second Ad Hoc Commission on Administrative Reform Japan became the largest car producing country</p> <p>1981 International Year of Disabled Persons Japan-US trade friction</p>	<p>1974 Employment Insurance Act enacted</p>

Historical period	Historical background	Major changes in social security systems
	<p>1983 First year of "United Nations Decade of Disabled Persons"</p> <p>1984 Japan became the country with the highest life expectancy</p> <p>Life expectancy at birth for females exceeded 80 years</p> <p>1985 Plaza Accord</p> <p>Tsukuba World Science Exposition 85 took place</p> <p>1986 Appreciation of the yen Overconcentration to Tokyo</p> <p>Soaring land prices</p>	<p>1982 Act on Health Care for Elderly enacted (co-payment introduced for elderly health services)</p> <p>1983 Abolition of free medical care for the elderly; co-payment of medical expenses for the elderly introduced</p> <p>1984 Health Insurance Act revised (90 percent payments for anyone covered by health insurance; formation of medical system for retired people)</p> <p>1985 Pension systems revised (including introduction of basic pension) Medical Care Act revised (Medical Plan) Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers enacted Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment enacted</p> <p>1986 Introduction of basic pension Act on Health Care for Elderly revised (introduction of health care facilities for elderly persons and phased increase in allotments of up to 100 percent)</p>
<p>(4) Response to an aging society with declining birth rate (1989-1998)</p> <p>● Aging society with changing basic economic conditions</p>	<p>1987 Inauguration of Japan Railroad companies The bubble economy (until 1991)</p> <p>1989 Introduction of consumption tax</p> <p>The peak of average stock prices The '1.57 shock' (total fertility rate became 1.57)</p>	<p>1989 Strategy for promoting health care for elderly persons ('Gold Plan') formulated</p>

Historical period	Historical background	Major changes in social security systems
<ul style="list-style-type: none"> ● Normalization of social security costs ● Equitable benefits and burden-sharing ● Establishment of a stable and efficient institutional infrastructure 	1990 Birth of united Germany	1990 Revision of eight laws including the Act on Social Welfare Service for Elderly (promotion of welfare services at home and unification of welfare services into municipalities)
	1991 Stock market began to crash	1991 Child Care Leave Act enacted
	1991 Gulf War	
	1992 Birth of the Russian Federation	
	1992 Falling land prices	
	1994 Signs of aged society (elderly population exceeded 14 percent)	1993 Act on Improvement, etc. of Employment Management for Part-Time Workers enacted
		1994 The 'Angel Plan' formulated
		The 'New Gold Plan' formulated
		Pension system revised (including increase in the start age of payments (of fixed-amount component))
		Act on Stabilization of Employment of Elderly Persons revised (minimum mandatory retirement age of 60 and mandatory efforts to maintain employment of persons after reaching the age of 65)
	Employment Insurance Act revised (introduction of subsidies for maintaining employment of elderly persons and for child care leave)	
1995 The Great Hanshin and Awaji Earthquake	1995 'Reconstruction of Social Security Systems', Social Security Council	
1996 Tokyo Subway Sarin Incident		
1996 Pathogenic E. coli O157 problem		
1997 The average age of Japanese citizens exceeded 40 years	1997 Long-Term Care Insurance Act enacted	
Consumption tax raised to 5% (including one percent for local consumption tax)		
The elderly population exceeded the young population	Health Insurance Act revised (co-payment of medical expenses for anyone covered by health insurance was reconsidered (20 percent))	
1998 Nagano Olympic Games took place		

Historical period	Historical background		Major changes in social security systems	
<p>(5) Economic structural reform and social security (1989-)</p> <ul style="list-style-type: none"> ● Economic and financial structural reform ● Normalization of social security costs (including reduction of 220 billion yen of the cost of social security per year) ● Equitable benefits and burden-sharing 	1999	<p>International Year of Older Persons</p> <p>The global population reached 6 billion</p>	1999	<p>Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers revised (liberalization of the allowable types of work, in principle)</p>
	2000		2000	<p>Revision of National Pension Act (rise in the start age of payments (of the component proportional to earnings))</p> <p>Long-Term Care Insurance Act enforced</p> <p>Act on Health Care for Elderly revised (co-payment of medical expenses for the elderly (10% with monthly limit) introduced)</p> <p>Medical Care Act revised (separation of beds for recuperation from beds for general patients, deregulation of advertisements relating to medical institutions, compulsory clinical training for doctors and dentists)</p> <p>Act on Revision, Etc. of the Social Welfare Services Act, Etc. (welfare for disabled persons was changed from 'measures' to 'services' and a support cost system introduced)</p>
	2001	<p>Establishment of the Ministry of Health, Labour and Welfare</p>	2002	<p>Health Insurance Act revised (30 percent co-payment of medical expenses, uniform across the various medical insurance systems)</p> <p>Measures for declining birthrate plus one</p>
2003	<p>The unemployment rate hit 5.5% (highest on record)</p>	2003	<p>Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers revised (extended dispatch period except for 26 types of professional work)</p> <p>Basic Act for Measures to Cope with Society with Declining Birthrate enacted</p> <p>Act on Advancement of Measures to Support Raising Next-Generation Children enacted</p>	

Historical period	Historical background	Major changes in social security systems
	<p data-bbox="685 464 1330 523">2005 The total fertility rate became the all-time low of 1.26</p> <p data-bbox="779 560 1196 587">Society with a decreasing population</p> <p data-bbox="685 919 1330 978">2008 Financial crisis due to the bankruptcy of Lehman Brothers</p>	<p data-bbox="1377 272 2022 363">2004 Pension system revised (scheme for a fixed level of pension premiums, including a link to the macro economy)</p> <p data-bbox="1377 368 2022 459">Act on Stabilization of Employment of Elderly Persons revised (mandatory measures to secure employment until age 65)</p> <p data-bbox="1377 464 2022 555">2005 Long-Term Care Insurance Act revised (conversion to prevention-oriented system and introduction of community-based services)</p> <p data-bbox="1377 592 2022 651">Services and Supports for Persons with Disabilities Act enacted</p> <p data-bbox="1377 655 2022 874">2006 Reformation of medical systems (comprehensive promotion of normalization of medical costs, formation of medical care system for persons aged 75 or older, rearrangement and integration of insurers on a prefectural basis, and implementation of measures to secure doctors)</p> <p data-bbox="1377 879 2022 906">2007 Labor Contract Act enacted</p> <p data-bbox="1377 911 2022 970">2008 Formation of medical care system for persons aged 75 or older</p> <p data-bbox="1377 975 2022 1066">2009 2009 Pension Revision (the government's share of contributions to the basic pension was raised from one third to one half)</p> <p data-bbox="1377 1070 2022 1129">Employment Insurance Act revised (relaxation of applicability and requirements for benefits)</p>
(6) Change in government and social security	2009 Change in government	<p data-bbox="1377 1182 2022 1241">2010 'Suicide prevention and measures for depression project' commenced upon</p> <p data-bbox="1377 1246 2022 1305">Remuneration for medical treatment revised with positive figures</p> <p data-bbox="1377 1310 2022 1369">Payment of new child allowance commenced upon</p> <p data-bbox="1377 1374 2022 1465">'Outline of draft basic institutions for new systems regarding children and parenting' determined</p>

Historical period	Historical background	Major changes in social security systems
	2011 Great East Japan Earthquake	<p>2011</p> <ul style="list-style-type: none"> 'Basic direction for promotion of reformation in systems for disabled persons' (Cabinet decision) Payment of childcare allowance for single-male-parent families commenced upon 'NENKIN NET' (Pension net) commenced ※'NENKIN NET' is a system which provides individual pension record through the Internet. 'Plan for combined reform of social security and tax' (determined by a social security reform study group of the government and ruling parties) Act for Partial Revision of National Pension Act, etc. in order to support securement of income at later stage by Pension and Corporate Pension. Establishment of a job seeker support system (planned) <p>2012</p> <ul style="list-style-type: none"> Reinforcement of long-term care service infrastructure with long-term care insurance (planned)

Reference material 2

Direction and concrete measures in reforming the social security systems, published by the Ministry of Health, Labour and Welfare on May 12, 2011

Direction and concrete measures in reforming the social security systems

—Sustainable social security systems with 'intergenerational equity' and 'mutual aid' as the core—

May 12, 2011
Ministry of Health, Labour and Welfare

Background to social security reformation

* This reform plan reflects all the discussions, including those of the National Social Security Commission and Peaceful Society Commission held during the LDP-Komeito regime, as well as those of the DPJ Research Commission and Advisory Committee, which assembled their reports last year, and public hearings conducted at the Intensive Study Commission up to this April.

- The framework of the current social security system was formed during the high economic growth period (from 1960 through to the 1970s)
 - It was based on 'regular, lifetime, and full employment', 'a steadily growing economy', 'a standard family model that was comprised of a nuclear family with a full-time homemaker wife', 'generous welfare being provided by corporations', and 'relationships within communities and with relatives'
 - Social security expenditure remained low with regard to its ratio to GDP and of public to national income when compared to other developed countries
- Changes in the situation surrounding the social security systems
 - Changes in the employment infrastructure (such as increasing non-regular employment), family types (such as an increasing number of one-person households), regional infrastructure (such as aging in urban areas), the lifestyle and risk infrastructure (such issues as disparity and poverty), and corporate infrastructure (employment practices in an era of globalization)
 - The majority of the cost of social security was covered by deficit-financing bonds, thus bestowing the burden on future generations
 - Relatively generous benefits for elderly persons, thus creating an intergenerational imbalance between benefits and the burden

[Matters to be considered in the reformation of the social security systems]

- The restoration and strengthening of the fundamental functions of the social security systems and the development of an infrastructure that supports the peaceful and self-supporting lifestyles of Japanese citizens from their point of view
- A trinity (triangle) of 'peacefulness', 'mutual aid', and 'equity'
 - A society that supports a variety of types of households and lifestyles, and where everyone can exhibit their abilities in a 'comfortable place' and with 'chances' secured for all
 - Contribution to a new form of regional cooperation and the reconstruction of communities
 - Ensuring intergenerational equity, maintenance of social solidarity via elimination of issues such as poverty and disparities, and mechanisms for use in sharing responsibilities and the burden between Japanese citizens on the basis of mutual aid

Primary direction of reformation in social security systems

Three philosophies: (1) guaranteed participation, (2) universalism, and (3) vitality on the basis of peacefulness

Five principles: (1) encompassing all generations, (2) investing in the future, (3) decentralized and pluralistic supply systems, (4) comprehensive support, and (5) stable sources of finance without bestowing the burden on the next generations

Steady enhancement of social security functions is necessary

1. Encompassing all generations and investing the future

—Social security systems that aim at 'intergenerational equity'—

- The creation of social security systems that enable all generations to feel secure and confident based on mutual aid and solidarity through converting the systems to encompass all generations with consideration being given to not only the elderly but also the current and next working generations.
 - Support for the employment and social participation of the working age, as well as encouraging the next generations.
 - The provision of more opportunities for all persons to create and exhibit their own personal abilities, regardless of age or gender.
- ⇒ • Guarantee of participation via employment (enhanced support for self-supporting youth, in particular, who are the 'foundation of the working generation' and will be the 'core generation in the future')
• Enhancement of support for children and child-rearing (realization of a 'new system for children and child-rearing' and support for the working generation to start families)

2. Guarantee of participation and comprehensive support (society that supports the participation of all people)

—Construction of a 'multi-layered safety net' on the basis of 'mutual aid'—

- Construction of social security systems using enhanced 'mutual aid' that support and are supported by the whole of society, which then prevents and eliminates poverty and disparities, and their reproduction that can then lead to the fragmentation and polarization of society.
 - Establishment of a multi-layered safety net on the basis of 'mutual aid'.
- ⇒ • Correction of fluctuations within the 'primary layer of the safety net' (universal insurance and universal pension systems)
(for example wider application of social insurance in thereby covering non-regular employees and enhanced measures for anyone with a low income)
• Construction of the 'secondary layer of the safety net', which needs to resemble a trampoline
(for example the establishment of a support system for job seekers and promotion of personal support services)
• Reconsideration of the public assistance system as the 'final layer of the safety net'

Resurgence from the Great Earthquake

- Prioritized benefits in consideration of the changes in social and economic conditions via careful selection and concentration
- Enhancement of social security functions with a focus on mutual aid
- Presentation of future-oriented models for 'peaceful communities'

3. Universalism, decentralized and pluralistic service delivery systems

—Comprehensive community-based care systems in collaboration with and the cooperation of various entities—

- Construction of 'comprehensive community-based care systems' that provide consistent integrated medical and nursing care services in their own areas via the construction of networks and diverse functions.
 - Provision of efficient services of guaranteed quality in providing Japanese citizens with both comfort and satisfaction.
 - Simultaneous improvement in both functionality and efficiency by selective and intensive investment in human and material resources based on individual regions (communities).
- ⇒ • Network that provides comfortable and quality medical and nursing care services (for example shorter hospitalization periods and more timely rehabilitation with intensive investment of resources into acute medical care, the promotion of functional specialization into rehabilitation and chronic medical care, enhancement of in-home medical and nursing care, and the promotion of team medical efforts and personnel procurements)
• Prioritization and efficiency of benefits (for example adaptation into advanced medical care and prioritized functions of medical insurance)

4. Vitality on the basis of peacefulness

—A virtuous cycle with economic growth via the achievement of the new growth strategy—

- Social security can be considered to often contribute to growth strategy in terms of both demand and supply, and the growth of Japan's economy can lead to ensuring stable revenue from tax and social insurance contributions, thus enhancing the functionality of social security.
 - Ensuring the sustainability of the social security systems makes the creation of a positive cycle of a strong economy, strong finances, and strong social security very important, rather than the constant imposition of being a heavily excessive burden on finances.
- ⇒ • Promotion of innovations in medical care (for example pharmaceuticals, medical equipment, regenerative medicine, and personalized medical care)
• Expansion of employment in areas that include medical and nursing care as well as support for children and child rearing, which will also contribute to improving the regional employment situation
• 'Expansion of employment' and 'decent work' using measures that improve the employment situation
• Expansion of and underpinning consumption via the 'creation of peacefulness' through social security reform

Direction and concrete measures in reforming the social security systems

—Sustainable social security systems with 'intergenerational equity' and 'mutual aid' as the core—

May 12, 2011
Ministry of Health, Labour and
Welfare

Direction of reform in specific areas (1)

Support for child and childcare

—Establishment of new system for child and childcare

■ Ensuring quality development environments for all children, and support for child and childcare families from all of society

- Support for all child and childcare families (child allowance, community-based childcare support, etc.)
- Integration of kindergartens and day-care centers (creation of childcare centers (tentative name))

- Provision of high quality school educations at infancy and unified day-care services
- Reducing wait-listed children via quantitative expansion and diversification of day-care services
- Achievement of improved in-home child care support

■ Establishment of new unified system

- Basic local government units (municipalities) shall be the primary implementers
 - Municipalities formulate implementation plans according to local needs and provide benefits/services
 - The government and prefectures provide multi-layered support to the primary implementers of municipalities
- Establishment of Child and Childcare conference (tentative name)
 - A system in which those actually engaged in childcare can participate in the process of childcare support policies, etc shall be discussed
- Financial support from all of society (the government, local governments, business operators, and individuals)
 - Assumes that permanent financial resources will be secured by the government and local governments
- Unified promotion systems/ financial resources of the government
 - Unification of promotion systems/financial resources of the government that differ across different systems

Medical and long-term care

—Consideration for all generations and long-term sustainability—

■ Establishment of more efficient, more prioritized, and more functionally enhanced provision systems for medical and nursing care

- Ensuring the necessary quantity and quality of doctors and human resources, including nursing staff
- Functional specialization and enhancement of hospitals and beds, cooperation between specialists, and reconsideration of their roles
- Enhanced systems for in-home care and nursing care, and the establishment of comprehensive community-based care systems
- Reducing waiting lists for special nursing homes via improving residential services, such as houses for elderly persons that can provide care services
- Reformation of mental health care, enhanced measures for cognitive impairment, more focus on preventive care, and prevention of aggravation

⇒ Revision of remuneration for medical treatment and care services
⇒ Comprehensive legislation for use in developing the necessary infrastructure

■ Prioritized benefits and enhancement of the functionality of the medical and long-term care insurance systems as a safety net via enhancing functionality of the insurer

- Wider coverage of employees' insurance to include non-regular workers and in order to provide a safety net regardless of a person's work style
- Wider sources of finance for the National Health Insurance in municipalities and enhanced measures for anyone with a low income
- Prioritized response to advanced medicine and expensive and long-term medical care
- Enhancement of functionality of the insurer and a more equitable sharing of the burden between the elderly and the working generation in relation to medical and nursing costs for the elderly

■ Promotion of prevention, and greater efficiency in operation of systems

- Prevention of lifestyle diseases, preventive care and prevention against aggravation, promotion of ICT utilization, and further promotion of the use of generic drugs

Promoting employment

—Working together in a human manner—

■ Formation of a participation-oriented society (improving the employment/population ratios)

- Ensuring stable employment for youth
 - Enhanced functionality of employment support for youth, especially for new graduates and 'freeters', through face-to-face support from job supporters
 - Prioritized support via a support system for job seekers and human resource development utilizing job-card
 - Vocational training utilizing the creativity of the private sector, thus leading to human resource development and employment in growth industries, and with prompt responses to any changes in the industrial structure
- Expanding areas for female employment (elimination of M-shaped curve of the female employment/population ratios)
 - Establish systems that labor-management grasp equity between men and women promote positive action.
 - Combined efforts in both a good work-life balance and improved child care services (a new system for children and child rearing)
- Promotion of employment for the elderly
 - Consideration of employment-related legislation in conformance with a super-aged society (for example employment security measures for elderly people and employment insurance)
 - Creation of more places to work in support of society and work within communities

■ Realization of decent work (rewarding and humane work)

- Measures for non-regular workers
 - Formation of a comprehensive vision for interdisciplinary efforts in thus ensuring equitable treatment for non-regular workers
 - Legislation is being considered that ensures more secure employment and better treatment of fixed-term contract workers
 - Reformation of the social security systems in making them neutral with regard to choosing work styles, such as social insurance being applicable to non-regular workers
 - Efforts to increase the minimum wage (elimination of reversal phenomenon with public assistance and support for small- and medium-sized enterprises)
- Ensuring the health and safety of workers

■ Development of a system that promotes policies which facilitate employment (active labor market policies)

- Development of structures for use by Public Employment Security Offices, government's contribution to the employment security system, and a support system for job seekers that will be financed by the treasury

Medical Innovations

—Towards the stronger international competitiveness of Japanese made pharmaceuticals and the medical equipment industry—

■ Development and commercialization of Japanese made innovative pharmaceuticals and medical equipment

- Promotion of research and development of Japanese made innovative pharmaceuticals and medical equipment
 - Improving the quantity and quality of clinical research in Japan (for example the establishment of hospitals for core clinical research in enabling clinical research to take place at the ICH-GCP level, efforts in advanced medicine at hospitals positioned for use in core clinical research, a collaboration between PMDA and MHLW, human resource development, and utilization of IT)
 - Support for research and development in specific priority areas (for example cancer, regenerative medicine, medical equipment, and personalized medicine)
- Effective setting of official drug prices and development of an infrastructure to feed the results of clinical research into clinical trials and then approval
 - Consultations with PMDA on pharmaceutical strategies
 - Enhanced structures including PMDA
 - Promotion of regulatory science in connection with commercialization
 - Enhanced support for development of orphan drugs provided by the National Institute of Biomedical Innovation
 - Further study of schemes for use in evaluating innovations from the viewpoint of medical economics in then setting official drug prices
- Prompt delivery of pharmaceuticals and medical equipment needed by patients (countermeasures against drug lag and device lag)
 - Efforts in combatting 'application lag' and 'inspection lag' and in the medical insurance systems (reconsideration of the relevant operation of advanced medical systems in relation to pharmaceuticals that are very much needed and consideration to ensuring the quality of advanced medical data)

Direction and concrete measures in reforming the social security systems

—Sustainable social security systems with 'intergenerational equity' and 'mutual aid' as the core—

May 12, 2011
Ministry of Health, Labour and
Welfare

Direction of reform in specific areas (2)

Pension systems

—Toward the creation of new pension systems—

■ Framework of new pension systems

- **Earning-based pensions (social insurance):** Everyone joins the same system regardless of their type of job, resulting in the same premium and same benefit if earnings are the same
- **Minimum guaranteed pension (financed by tax):** clear indication of minimum guaranteed old age benefits

■ Improvement of current systems

- Efforts to be made in improving the current systems in accordance with the direction of the new pension system
 - The systems should not affect people's choice of work and life style (for example wider applicability of employees' pension)
 - Unification of employees' pension
 - Improvement of minimum guarantee function
 - Burden in accordance with capacity
 - Ensuring sustainability of pension financing

■ Operation of pension systems

- Improvement in the operations that support the public pension systems

Measures against low-incomes

—Compensation for fluctuations in social insurance and enhancement of the income redistribution functions—

[Co-payment]

■ Consideration to introducing a total aggregation system (tentative name)

- Imposing an upper limit for the total amount of co-payments with regard to medical, nursing, child, and disability care, and tracking the overall household economy rather than individual systems
- Detailed setting for anyone with a low income, for example limiting co-payments to a fixed proportion of annual incomes, and after taking basic expenditure into account
- Introduction of the system will be based on the assumption that the infrastructure for informational cooperation such as the 'numbering system relating to social security and tax' will be developed, and which will have wider applicability after 2015

■ Reconsideration of the reimbursement system for high cost medical care

- The upper limit of co-payments for general working earners with lower incomes will be reconsidered
- Setting an annual upper limit for co-payments will be considered for the purpose of easing the burden of high medical costs over a long period of time
- Improved payment procedures (payment in kind for outpatients)
- ※Fiscal neutrality on the basis of payment costs, while avoiding any increases in insurance premiums due to increased payments

[Insurance premiums]

■ Enhanced measures for anyone with a low income with respect to National Health Insurance and Long-Term Care Insurance

■ Wider application of employees' pension and health insurance to include non-regular workers

[Housing]

■ Consideration for an enhanced mechanism for use in supporting housing

- Measures to support housing, which typically varies depending on the applicable social security benefits, will be considered from the point of view of establishing and developing 'safety housing net'.

Poverty and disparities

—Establishment of a multi-layered safety net—

■ Assistance for self-support with enhancement of the 'safety net for the working generation'

- Improving the employment situation is of the highest priority. Stabilization of the financial infrastructure of employment insurance
- Establishment of a support system for job seekers (including reconsideration of sources of finance)
- Comprehensive promotion of the 'secondary layer of the safety net', including housing allowances and loans of comprehensive support funds for the unemployed
- Employment assistance for anyone receiving public assistance and housing allowances as well as single mothers, being based on agreements between municipalities and Public Employment Security Offices

■ Enhancement of infrastructures of mutual assistance in communities

- Consistent and accompanying support such as livelihood support and employment assistance (support for establishment of dedicated organizations that provide organic coordination between social resources and comprehensive consultations, with municipalities taking the leadership role)

■ Reconsideration of public assistance as the 'final layer of the safety net'

- Enhanced support and improved menus for self-support and employment assistance for anyone being provided with public assistance but having earning capacity
- Prevention of children being impacted by poverty (for example consultations on child rearing and employment and educational assistance within their community)
- Thorough measures against dishonest receipt (optimization of medical assistance and exclusion of any 'poverty businesses')
- Verification of criteria for public assistance based on objective data

■ Verification of effectiveness of measures

- Development of multiple objective indicators in order to identify the reality of any poverty and disparities in a consistently comprehensive manner

※Responses to the Great East Japan Earthquake

- Appropriate initial and long-term responses in preventing any of the weak from being even more impoverished due to the disaster, which could then lead to fixed disparities

Recommendations for the resurgence from the Great East Japan Earthquake

■ Construction of 'new town planning' and a 'new network of social securities' as an advanced model for Japan's aging society with a declining birthrate for use in the future, and not limited to restoration or recovery of the status quo of before the disaster occurred

- Presentation of a 'new peaceful community model' through a resurgence in the stricken areas
 - Inclusion of a 'comprehensive community-based care system' into 'new town planning'
 - Model cases for the networking of medical institutions, cooperation between medical and nursing care, and inter-community cooperation

Sources of finance required for implementation of measures for persons with disabilities and reformation of social security

■ Ensuring stable sources of the finance required for the health and welfare of persons with disabilities

- 'Act on Comprehensive Welfare for Persons with Disabilities' (tentative name) is being discussed by the study group for reformation of systems for persons with disabilities with the purpose of providing support without gaps between systems, and with the aim of submission to the Diet in 2012 and enforcement by August 2013

■ Consideration of sources of social security finance based on fiscal sustainability

- Efforts in accordance with the road map, and with the aim of achieving it simultaneously with sound public finance in the light of combined reforms with tax, as well as taking account of the relationship to the route to resurgence from the disaster

Reference material 3

Outline of the 'Plan for Combined Reform of Social Security and Tax' determined by the Social Security Reform Study Group of the government and ruling parties on June 30, 2011

Background of discussion

<2008>

National Council for Social Security (final report: Dec. 2008)

A medium-term program for establishing a sustainable social security system and stable sources of finance therefor (Dec. 2008)

2009 tax reform (March 2009)

[Paragraph (1) of Article 104 of the supplementary provisions of the Tax Reform Act 2009]

Necessary legislative measures to implement fundamental reform of the tax system without due delay and in stages, which will include consumption tax, shall be taken by March 2012, and on the premise that the economic situation will improve.

<2009>

Conference on Establishing a Peaceful Society (report of June 2009)

<2010>

The Social Security Reform Study Group of the government and ruling parties (Oct. 2010)

An interim report of the Research Commission for Radical Reformation of the Tax and Social Security Systems of the Democratic Party (Dec. 2010)

A report from the Advisory Committee on Social Security Reform (Dec. 2010)

Promotion of Social Security Reform (Cabinet Decision made on Dec. 14, 2010)

In addition to clarifying a concrete systematic reform plan for stable and enhanced social security and the sources of finance required for it, consideration should also be given to any tax reformation that is necessary in achieving sound public finance simultaneously with the establishment of the required stable sources of finance, which will result in a plan, as well as a road map therefor, which should be by the middle of 2011, and with the aim of its achievement being based on a national consensus.

<2011>

Intensive Study Commission on Social Security Reform

- Intensive study on a combined reform of social security and tax with the discussions being open to Japanese citizens
- The first meeting was held on Feb. 5; a 'Draft from MHLW' released on the sixth (May 12); and a 'Social Security Reform Plan' on the 10th (June 2)

Toward the establishment of the 'ideal social security' (Research Commission on Radical Reformation of the Tax and Social Security Systems of the Democratic Party, May 2011)

Meetings held for the Social Security Reform Study Group of the government and ruling parties to prepare a plan

- Meetings held for a plan on a combined reform of social security and tax to be prepared by the Social Security Reform Study Group of the government and ruling parties
- The first meeting was held on June 8; There have been five meetings held up to the fifth (Jun. 30).

Exchange of opinions with local organizations at a 'discussion forum consisting of national and local governments' (June 13)

A Plan on the Combined Reform of Social Security and Tax determined upon by the Social Security Reform Study Group of the government and ruling parties on June 30, 2011; then reported to the Cabinet on July 1

Overview of Plan

I. Overall view of social security reform

Changes in social and economic situations

- To date various changes in the social and economic situations have occurred and particularly since the 1960s, when the basic framework of the current social security systems was first formed. The changes include: (1) changes in the employment infrastructure, for example an increase in non-regular employment; (2) diminished safety-net functions in communities and with families; (3) a substantial decrease in the population, in particular of the working generation; (4) a rapid increase in the cost of social security due to the aging society; (5) severe economic and financial conditions that include a sluggish economy and prolonged deflation; and (6) the diminished safety-net functionality of enterprises.

- Report of all the discussions made by the National Council for Social Security and Conference on Establishing a Peaceful Society
- Report of the Advisory Committee on Social Security Reform ('three philosophies' and 'five principles')

Basic concepts of reformation

- **Security should be ensured across all generations, along with the increased peace of mind of all Japanese citizens.**

All Japanese citizens should have a sense of being a beneficiary of social security. A society that supports people's individual choice of work and life style, and assures their participation.

- **Social security systems should be reformed and be thus based on a balanced combination of self-help, mutual aid, and public assistance but with improved fairness and equity.**

Measures for immediate issues that Japanese citizens face, and which include a lack of services, a difficult employment situation, working poor, social exclusion, and abuse, along with the establishment of a comprehensive support system.

- **Systems should be designed on the premise of a balance between benefits and the burden, and in view of their level in OECD developed nations**

⇒ Aim at a medium-scale but highly functional social security system

Priorities with reformation and concrete measures in specific areas

Priorities will be (1) support for children and child rearing along with measures for providing employment for youth, (2) reformation of the medical and nursing care services, (3) reformation of the pension system, (4) 'measures against poverty and disparities (multi-layered safety net)' and 'measures for the low-income'.

Items to be improved and those with more efficient and prioritized operation in individual areas are also indicated.

Early introduction of a common numbering system for use with social security and tax

II. Estimation of the cost of social security

- Estimated costs involved in reformation indicated in I
⇒ The necessary additional amount of public expenses in 2015 will be about 2.7 trillion yen

[Amount required for improvements to be made: 3.8 trillion yen
Amount reduced by more efficient and prioritized operation: up to - 1.2 trillion yen]

- Estimate of the overall necessary (national and local) public expenses required for social security benefits

⇒ Comprehensive understanding of the overall picture with social security benefits will be necessary in then estimating the cost, including local independent projects.

III. The basic picture with the combined reform of social security and tax

1. Basic framework for securing stable sources of social security finance

- The public expenses required for social security benefits will be mainly financed using consumption tax (national and local) revenue
- National consumption tax revenue is currently assigned to three expense items for the elderly. It will remain basically allocated to them in the future, too, but also to four other social security expenses (pensions, medical care, nursing care, and measures against declining birth rate).
- Use of consumption tax revenue (national and local, but excluding the current portion of local consumption tax) should be clearly accounted for (consumption tax revenue will be used exclusively for social security)
- Whereas the increased portion of national and local consumption tax revenue will be allocated to the national and local governments in accordance with the roles shared by them in paying social security benefits, the current allocation of national and local consumption tax revenue to the national and local governments and the basic framework for local consumption tax will not change.
- The rate of national and local consumption tax will gradually increase to 10% by the middle of the 2010s

2. Simultaneous achievement of sound public finance alongside the establishment of stable sources of finance required for social security reform

- Aim of achieving the target of sound public finance in FY 2015 will be a milestone for the aforementioned simultaneous achievement.

IV. Fundamental reform of the entire taxation system

- Concepts of reform of individual income taxation, corporate taxation, consumption taxation, and property taxation

V. Schedule of combined reform of social security and tax

- Reformation should be based on sincere discussions made at a 'discussion forum between the national and local governments'.
- Reformation of social security will be implemented according to the road map.
- The necessary legislative measures to implement fundamental reformation of the tax system will be in place by March 2012, although on the premise that the economic situation will improve, and in accordance with the road map described in Article 104 of the supplementary provisions
 - Improving the economic situation will be comprehensively assessed
 - A mechanism that enables flexible responses to unexpected economic fluctuations
 - Administrative reforms should be consistently carried out and be accompanied by thorough elimination of any wasteful expenditure

VI. Policies for recovering from deflation and creating a virtuous cycle of economic growth

- The national government and the Bank of Japan will make every effort to combat deflation
- Combined reformation of social security and tax will contribute to the creation of a virtuous cycle of economic growth

Major social security reform topics

I Children and child rearing

- Quantitative improvement of childcare according to regional circumstances as a result of establishing a new system for children and child-rearing, as well as functional enhancement that will include unification of kindergartens and nursery schools
- Less waiting lists, realization of high-quality school education and childcare, expansion of clubs for after school activities for children, and improved social nursing
- Encouragement of various business entities to enter into services that will include childcare, more effective use of existing facilities, and unification of implementation systems

Amount required (public expenses) in 2015

0.7 trillion yen

* Funding of more than 1 trillion yen will be considered in the future, including from sources other than the fundamental tax reform

II Medical and nursing care

- A more efficient and prioritized system will be created in providing medical and nursing care services according to regional circumstances, and of enhanced functionality. Systematic reworking of remuneration for medical treatment and nursing care services will therefore take place, as well as comprehensive legislation for developing the infrastructure thereof.

- Functional specialization and enhancement of hospitals and beds, correction of the uneven distribution of doctors in different regions and departments, enhancement of preventive measures, improved medical care at home, the creation of comprehensive regional care systems, functional enhancement of care management, improved residential services, unitization of facilities, and the additional manpower required for prioritization
- Reduction in average length of hospitalization, normalization of outpatients, and reduction of duplicate treatment, duplicate examinations, or overdosing via utilization of ICT

Amount required (public expenses) in 2015

Up to 0.6 trillion yen

- Prioritized benefits and enhanced functionality of the medical and long-term care insurance systems as a safety net via enhancing the functionality of the insurer

a) Wider applicability of employees' insurance and a more stable and stronger financial infrastructure for National Health Insurance and from a wider range of sources

- Broader application of employees' insurance to include short-time workers, and fiscal integration of municipal National Health Insurance into prefectural units that will result in a stronger financial infrastructure

b) Long-term care insurance will focus more on the principle of the burden being in accordance with the defrayal capacity, care for low-incomes, and prioritized insurance benefits

- Further reduction in insurance premiums for primarily insured persons with low incomes
- Introduction of earnings-based payments for nursing care, and prioritized benefits for treatment effective in preventing any aggravation

c) Measures for advanced and long-term medical care (enhanced safety-net functionality) and prioritized benefits

- Reduction of the burden via reconsideration of expensive medical care expenses, coupled with fixed-amount co-payments at the time of medical treatment, which will be implemented in accordance with the size of the reduced burden (normalization of outpatients will also be considered in view of the roles shared by hospitals and/or clinics) with consideration provided to persons with low incomes.

d) Other

- Total aggregation system and measures for persons with low incomes that involve regressiveness will be considered.
- Further promotion of the use of generic drugs, reconsideration of co-payments for pharmaceuticals, and reconsideration of state subsidies to National Health Insurance associations will all take place.
- Reconsideration of medical care systems for the elderly (such as a more equitable and understandable mechanism for use in sharing the burden between the elderly and young generations, introduction of earnings-based payments for assistance funding, and reconsideration of co-payments) will take place.

Amount required (public expenses) in 2015

Up to a maximum of 1 trillion yen

Major social security reform topics

I Children and child rearing

- Quantitative improvement of childcare according to regional circumstances as a result of establishing a new system for children and child-rearing, as well as functional enhancement that will include unification of kindergartens and nursery schools
- Less waiting lists, realization of high-quality school education and childcare, expansion of clubs for after school activities for children, and improved social nursing
- Encouragement of various business entities to enter into services that will include childcare, more effective use of existing facilities, and unification of implementation systems

Amount required (public expenses) in 2015

0.7 trillion yen

* Funding of more than 1 trillion yen will be considered in the future, including from sources other than the fundamental tax reform

II Medical and nursing care

- A more efficient and prioritized system will be created in providing medical and nursing care services according to regional circumstances, and of enhanced functionality. Systematic reworking of remuneration for medical treatment and nursing care services will therefore take place, as well as comprehensive legislation for developing the infrastructure thereof.
- Functional specialization and enhancement of hospitals and beds, correction of the uneven distribution of doctors in different regions and departments, enhancement of preventive measures, improved medical care at home, the creation of comprehensive regional care systems, functional enhancement of care management, improved residential services, unitization of facilities, and the additional manpower required for prioritization
- Reduction in average length of hospitalization, normalization of outpatients, and reduction of duplicate treatment, duplicate examinations, or overdosing via utilization of ICT
- Prioritized benefits and enhanced functionality of the medical and long-term care insurance systems as a safety net via enhancing the functionality of the insurer
- a) Wider applicability of employees' insurance and a more stable and stronger financial infrastructure for National Health Insurance and from a wider range of sources
 - Broader application of employees' insurance to include short-time workers, and fiscal integration of municipal National Health Insurance into prefectural units that will result in a stronger financial infrastructure
- b) Long-term care insurance will focus more on the principle of the burden being in accordance with the defrayal capacity, care for low-incomes, and prioritized insurance benefits
 - Further reduction of the insurance premiums of primary insured persons to be paid by low-income earners
 - Introduction of a long-term care levy in proportion to total amounts of wages, and prioritized benefits for treatment effective in preventing any aggravation
- c) Measures for advanced and long-term medical care (enhanced safety-net functionality) and prioritized benefits
 - Reduction of the burden via reconsideration of expensive medical care expenses, coupled with fixed-amount co-payments at the time of medical treatment, which will be implemented in accordance with the size of the reduced burden (normalization of outpatients will also be considered in view of the roles shared by hospitals and/or clinics) with consideration provided to persons with low incomes.
- d) Other
 - Total aggregation system and measures for persons with low incomes that involve regressiveness will be considered.
 - Further promotion of the use of generic drugs, reconsideration of co-payments for pharmaceuticals, and reconsideration of state subsidies to National Health Insurance associations will all take place.
 - Reconsideration of medical care systems for the elderly (such as a more equitable and understandable mechanism for use in sharing the burden between the elderly and young generations, introduction of earnings-based payments for assistance funding, and reconsideration of co-payments) will take place.

Amount required (public expenses) in 2015

Up to 0.6 trillion yen

Amount required (public expenses) in 2015

Up to a maximum of 1 trillion yen

■ Basic framework for use in securing stable sources of social security finance

(1) Securing stable sources of finance for social security benefits mainly through consumption tax revenue

- The public expenses required for social security benefits will be mainly financed by consumption tax revenue (national and local).
- National consumption tax revenue is currently assigned to three expense items for the elderly. It will remain basically allocated to them in the future, too, but also to four other social security expenses (pensions, medical care, nursing care, and measures against declining birth rate).
- Consumption tax revenue will be utilized at both the national and local level in view of the balance between the size of consumption tax revenue and above-mentioned costs, and for the purpose of securing stable sources of finance for social security.

(2) Expenditure of consumption tax revenues clearly accounted for

- All consumption tax revenue (national and local, but excluding the current portion of local consumption tax) will be returned to Japanese citizens, none of it used for a bloated bureaucracy, and be clearly accounted for with thoroughly separated accounting and clear provisions in legislation that consumption tax shall be specifically used for social security (ensuring that consumption tax revenue is specifically used for social security).
- In the future consumption tax revenue (national and local) will be secured as the main and stable source of finance for the overall public expense of social security benefits.

(3) Securing stable sources of finance for social security benefits at both the national and local level

- The current allocation of consumption tax revenue (national and local) to the national and local governments (with regard to allocation to the local government the current local consumption tax and current rate stipulated in the Local Allocation Tax Act) and basic framework for local consumption tax will not change.
- The increased portion of consumption tax revenue (national and local) will be allocated to the national and local governments in accordance with the roles shared between them with regard to paying social security benefits, and to the extent described in (1) above.
- In the light of the concept of securing stable sources of finance for social security reform at this time comprehensive understanding of the overall pictures with social security benefits will be necessary in estimating the cost including of local independent projects, which will in turn result in stable sources of finance required for local independent projects being secured via the implementation of local tax system reform within the fundamental tax reform.

(4) Consumption tax rate to be gradually increased

- As an initial step the consumption tax rate (national and local) will be gradually increased to 10% by the middle of 2010s, thereby securing stable sources of finance for social security for the time being.

■ Simultaneous achievement of sound public finance alongside the establishment of stable sources of finance required for social security reform.

- The reformation of social security aims at 'functional enhancement of social security' and 'maintenance of functionality', both of which can only be realized via the simultaneous achievement of sound public finance alongside the establishment of stable sources of finance required for social security reform.
 - From this perspective the Combined Reform of Social Security and Tax will need to achieve sound public finance via securing stable sources of finance for social security benefits.
 - More specifically, and as an initial step, the consumption tax rate (national and local) will be gradually increased to 10% by the middle of 2010s, which will then account for, at both the national and local level:
 - the cost of the 'functional enhancement',
 - increased cost of the progress of an aging society,
 - the cost of realizing a one-half contribution to the basic pension program being borne by the national government,
 - the cost of 'maintaining functionality' that is currently being bestowed on future generations, and
 - the cost of the increments in social security expenses due to the increased consumption tax rate;
- and thereby securing stable sources of finance for social security.
- With these efforts the aim of completing the targets for sound public finance in FY 2015 will be a milestone for the simultaneous achievement.

■ Fundamental reformation of the entire taxation system

(1) Individual income tax

- Various tax deductions will be reconsidered along with structural reformation of tax rates.
- Tax deductions with benefits will be considered on the premise of the introduction of a numbering system, and in combination with reworking of the social security systems.
- With taxation of financial securities the effort will be made to integrate the taxation of financial incomes.

(2) Corporate tax

- The effective corporate tax rate will be reduced, and the taxation base broadened (including a reduced tax rate for small- and medium-size corporations).

(3) Consumption tax

- Consumption tax (national and local) will be revised in accordance with this plan. With regard to so-called regressiveness, and if some countermeasures are still required even after the consumption tax rate (national and local) is increased to a certain level and tax revenue redistributed across the entire social security system, comprehensive measures will be considered that will be basically benefits rather than plural taxation rates.
- Consideration will be given to more equitable taxation, as well as issues such as the relationship between consumption tax and individual indirect taxes.
- Taxation to reduce CO2 emissions that originate from energy will be introduced. Consideration will also be given to securing sources of finance for local governments in thus developing comprehensive regional measures against global warming. With regard to taxation on vehicles (automobiles), a more simplified, greener, and less burdensome scheme will be introduced.

(4) Property tax

- Inheritance tax will be reconsidered within the tax base and tax rate structure in normalizing the burden, as well reducing gift tax.

(5) Local taxation system

- Local consumption tax will be more important from the point of view of promoting local sovereignty reform and securing stable sources of finance for the social security system for both national and local governments, in constructing a local taxation system with stable tax revenue and more evenly distributed sources, and combined with a reconsideration of local corporate taxation.

(6) Other

- Better environment for taxpayers, including the introduction of a common numbering system for social security and tax.

Efforts have already been made in FY 2010 and 2011 on the urgently required reforms in these directions as a part of the fundamental tax reform, but continued efforts will be made to ensure the early implementation of the 2011 tax revision, which is being discussed by the Diet.

■ Schedule for Combined Reform of Social Security and Tax

- The Combined Reform of Social Security and Tax will be based on sincere discussions at a 'discussion forum between the national and local governments' in thus facilitating smooth and steady reform at both the national and local level.
- Reform of social security will be implemented without delay in every area, the pace with implementation of the fundamental tax reform maintained, and according to the road map.
- With regard to the fundamental tax reform the national government, together with the Bank of Japan, will make the effort to stimulate the economy and combat deflation, which will then improve the economic situation and enable implementation of the fundamental tax reform, including consumption tax, without delay by making legislative measures needed in FY 2011 via Article 104 of the supplementary provisions of the 2009 Tax Reform Act.
- 'Improvements in the economic situation' will be comprehensively assessed in view of the economic recovery process from the effect of the Great East Japan Earthquake and trends in the global economy, as well as investigating numerical improvements using various economic indicators that include nominal and real growth rates. Implementation of the fundamental tax reform will be accompanied by a mechanism that enables flexible responses to unexpected economic fluctuations. These issues, including what economic indicators will be referenced and criteria for their figures, will require the full consideration of the national government and ruling parties substantiating the necessary measures through the above-mentioned legislation.
- According to this schedule the combined reform of social security and tax will be implemented with the understanding and cooperation having been obtained of Japanese citizens, and in line with efforts that include a reduced number of Diet seats, reduced public personnel expenses, constant administrative reforms with respect to special accounts and public procurements, and thorough elimination of wasteful expenditure via the more effective rearrangement of the budget.

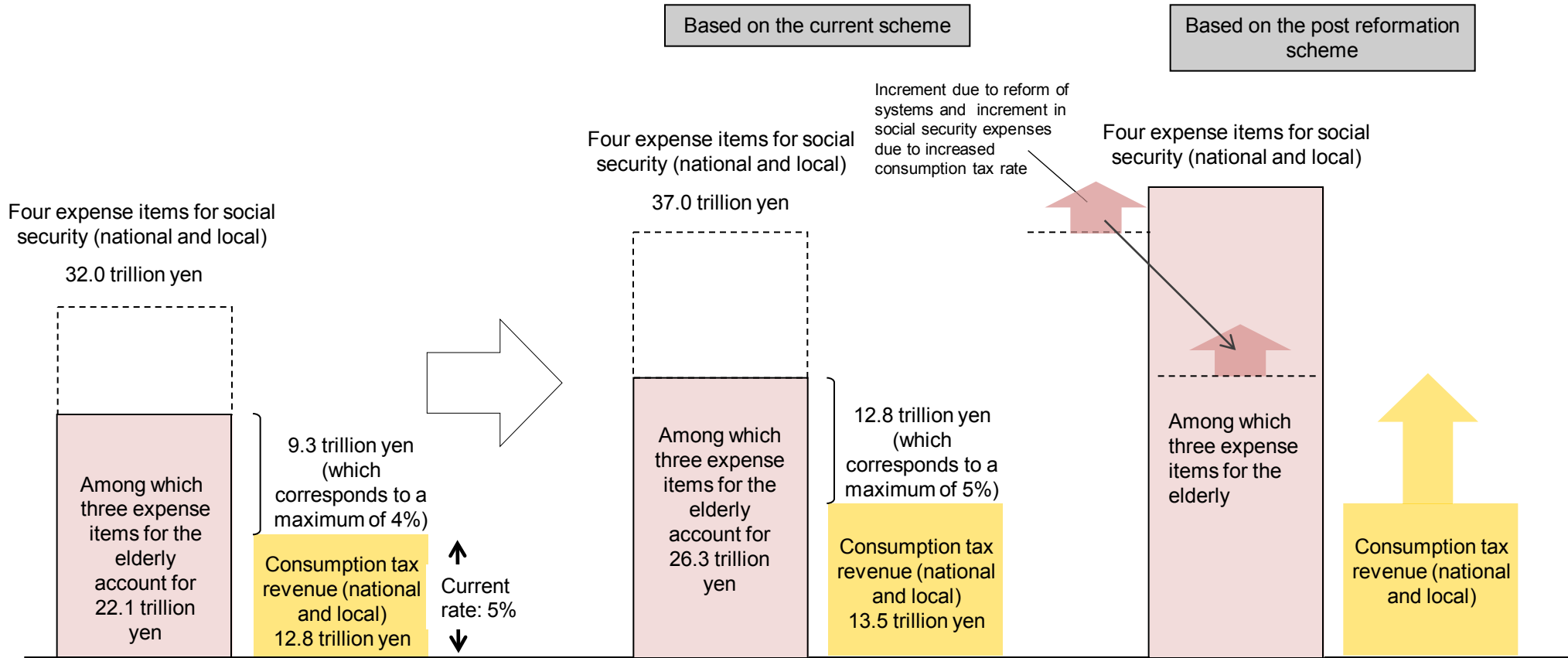
■ Policies for combatting deflation and realizing a virtuous cycle of economic growth

- Combatting deflation will require maximum efforts be put in that are in line with powerful and comprehensive policies on the part of the government, while appropriate and flexible operations of a monetary policy to underpin the economy will be expected on the part of the Bank of Japan, with close collaboration and exchanges of views between them. These measures should put Japan's economy back on the path to strong growth.
- The Combined Reform of Social Security and Tax will reveal the potential demand in the social security sector and establish a social security system that provides greater peace of mind to Japanese citizens, thus creating employment and expanding consumption in a virtuous cycle of economic growth, which then contributes to the steady growth of the economy and commodity prices.
- Social security can potentially contribute to economic growth with regard to both demand and supply, including the creation of employment in the medical and nursing care sectors, environmental improvement through new private-sector services appearing, optimization of social security costs utilizing technologies such as ICT, qualitative improvement of services, medical innovations, prompt reduction of drug lags and device lags, the operational improvement of advanced medical systems, encourage various business entities to enter into services, and the creation of a 'New Public' where reforms can take place from point of view of developing new industrial sectors and usefulness for users and Japanese citizens.

Appendix (basic framework for use in securing stable sources of finance for social security)

(FY 2011)

(FY 2015*)



*: The plan states that 'consumption tax rate (national and local) will be gradually increased to 10% by the middle of 2010s, thereby securing stable sources of finance for social security for the time being.'

Note 1: Currently the national portion of consumption tax revenue is allocated to three expense items for the elderly, whereas the local portion is general revenue.

Note 2: Where the (national) consumption tax revenue will be assigned as of FY 2015 will be examined in the future, but with priority given to the three expense items for the elderly.

Note 3: The four expense items in the cost of social security include the 'cost of implementing policies to address issues that include social security benefits for institutionalized pensions, medical and nursing care, as well as measures against the declining birthrate' (Article 104 of the supplementary provisions of the 2009 Tax Reform Act) within the governmental contribution to social security benefits. The required amount is an estimation that was made by the MHLW, and as of May 2011. In addition, local independent projects are basically not included and hence comprehensive understanding of the overall picture with social security benefits will be necessary in estimating the cost, including of local independent projects.

Note 4: The consumption tax revenue in FY 2015 is an estimation that was based on the 'Medium and Long Term Estimates for Use in Economic and Fiscal Policies of the Cabinet Office (January 2011) (to be revised in the middle of 2011).

Appendix (securing stable sources of social security finance)

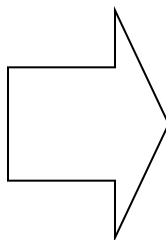
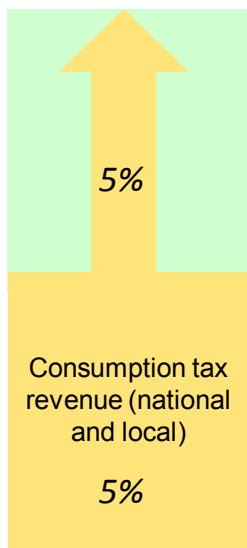
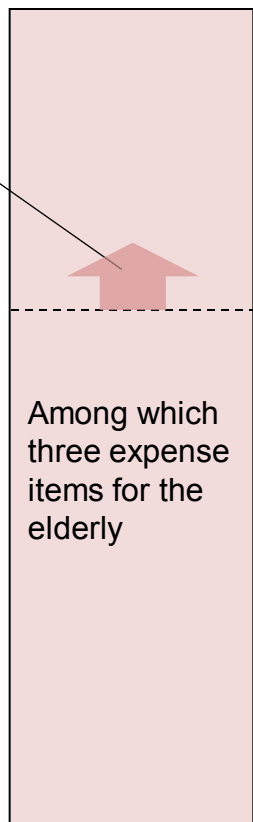
(FY 2015*)

Based on the post reformation scheme

Four expense items for social security (national and local)

(national and local)

Increment due to reform of systems and increment in social security expenses due to increased consumption tax rate



Stable sources of finance corresponding to 5% will need to be secured:

Increment in social security expenses due to increased consumption tax rate: 1%

Functional enhancement: 3%

- Increment due to system reform
- Increment due to progress of aging society
- Stable sources of finance for one-half of contribution to the basic pension program

* Sources of finance for a one-half contribution to the basic pension program until the fundamental tax reform has been implemented

Maintenance of functionality: 1%

*: The plan states that consumption tax rate (national and local) will be gradually increased to 10% by the middle of 2010s, thereby securing stable sources of finance for social security for the time being.

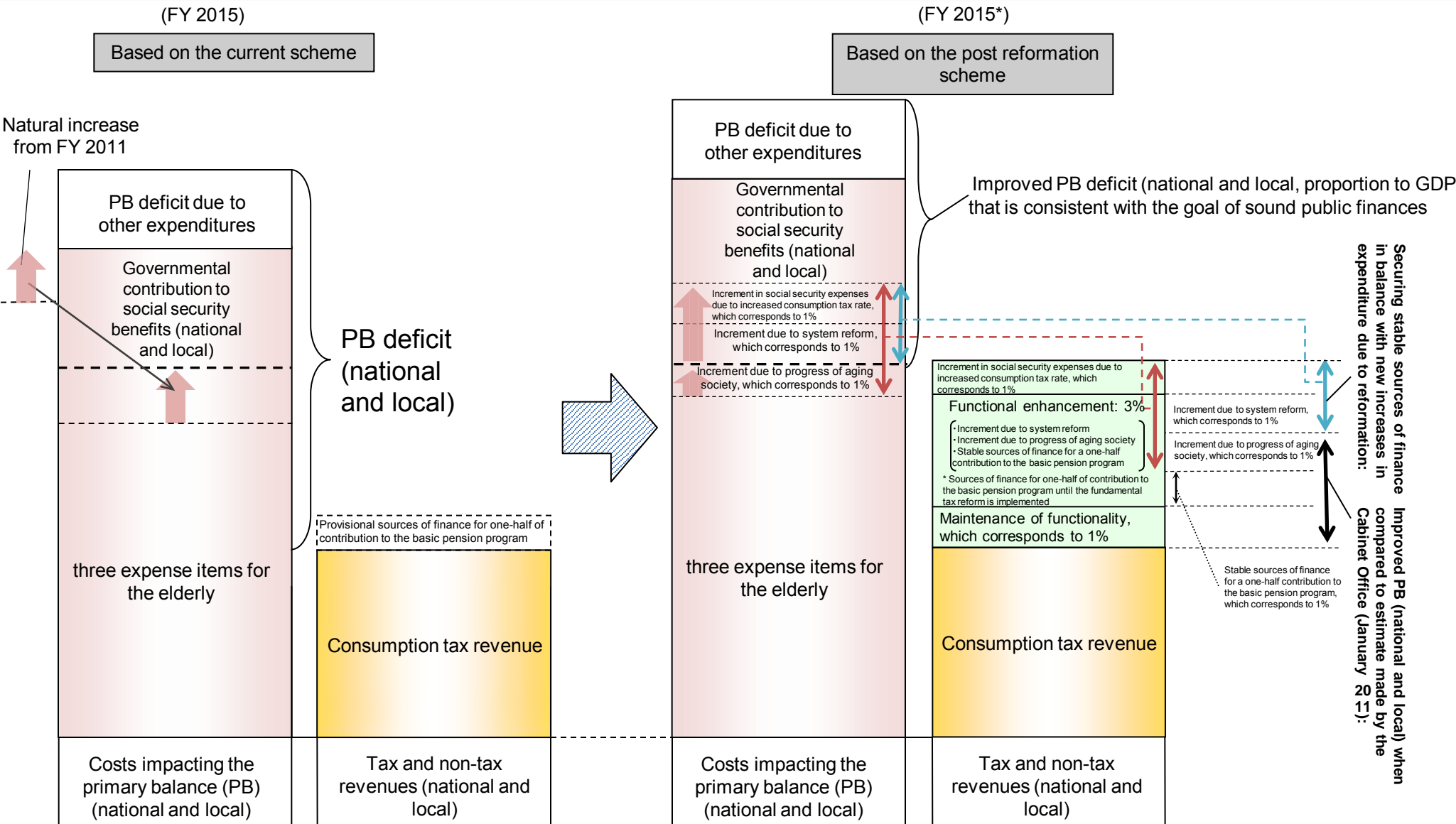
Note 1: The increment in social security expenses due to increased consumption tax rate includes the increment in the expense of procurement for the national and local governments due to the increased consumption tax rate. The amount required is based on an estimate made by the Ministry of Finance as of May 2011, and will need close examination in the budgetary process every fiscal year.

Note 2: 'Increment due to progress of aging society' denotes the portion of the so-called natural increase exceeding the proportion of economic growth.

Note 3: The amount of functional enhancement is an estimation made by the MHLW, and as of May 2011. For more specific content on the functional enhancement refer to the page entitled 'Major topics with social security reform'.

Note 4: The four expense items in the cost of social security include 'the cost of implementing policies that address issues which include social security benefits for institutionalized pensions, medical and nursing care, as well as measures against the declining birthrate' (Article 104 of the supplementary provisions of the 2009 Tax Reform Act) within the governmental contribution to social security benefits. The required amount is an estimation made by the MHLW, and as of May 2011. In addition, local independent projects are basically not included and hence comprehensive understanding of the overall picture with social security benefits will be necessary in estimating the cost including of local independent projects.

Appendix (simultaneous achievement of sound public finance with establishment of stable sources of finance required for social security reform)



*: The plan states that consumption tax rate (national and local) will be gradually increased to 10% by the middle of 2010s, thereby securing stable sources of finance for social security for the time being.

Note 1: The goal of sound public finance is indicated as part of the 'Fiscal Management Strategy' (Cabinet decision on June 22, 2010) as the deficits of national and local governments and the primary balance of the national government, in proportion to GDP, and to be reduced to half of the FY 2010 level by FY 2015, and to be a surplus by FY 2020. According to an estimate for FY 2015 made by the Cabinet Office, and as of January 2011, PB (national and local) needs to be improved by an amount that corresponds to about 3% of the consumption tax rate.

Note 2: In the post reformation scheme the 'Increment due to progress of an aging society' denotes the portion of the so-called natural increase exceeding the proportion of economic growth that is included in the 'Maintenance of functionality'.

Note 3: Local independent projects are basically not included and hence comprehensive understanding of the overall picture with social security benefits will be necessary in estimating the cost, including of local independent projects.

Reference material 4

Concrete measures for social security reform with a road map and estimated cost, as indicated in the 'plan for combined reform of social security and tax', which was determined by a social security reform study group of the government and ruling parties on June 30, 2011

Concrete measures for social security reform with a road map and estimated cost

I Children and child rearing

A Improvements (indicated figures are public expenses in 2015)	B More efficient and prioritized operation (indicated figures are public expenses in 2015)	C Road map	D Amount required (public expenses) in 2015	E Amount required (public expenses) in 2025
<p>- Quantitative improvement of childcare according to the actual situations in regions as a result of establishing a new system of child and childcare, as well as functional enhancement that will include unification of Kindergartens and Day-Care Centers</p> <ul style="list-style-type: none"> Quantitative improvements and institutional enhancement of childcare for children aged 0-2 (reduction of wait-listed children) Realization of high quality school educations at infancy and unified day-care services (unification of Kindergartens and Day-Care Centers) <p>→ Utilization of childcare for children under three years of age: 23% in 2010 → 35% in 2014 (44% in 2017)</p> <ul style="list-style-type: none"> Improved comprehensive childcare support (in-home and community-based childcare support) Expansion of After school children's club <p>→ Number of children using clubs for after school activities: 0.81 million in 2010 → 1.11 million in 2014</p> <ul style="list-style-type: none"> Improved social nursing <p>→ Increase of the femal employment/population ratios</p> <ul style="list-style-type: none"> - Increase in number of childcare workers † <p>→ Employment rate of females (aged 25-44): 66% in 2009 → 73% in 2020</p> <ul style="list-style-type: none"> Creation of a comprehensive unified system for the institution, financial resources of the government and benefits 	<ul style="list-style-type: none"> Introduction of an assignment system will encourage various business entities to enter into services that will include childcare † <p>Qualitative improvements will also be expected along with quality standards</p> <ul style="list-style-type: none"> Existing facilities, including kindergartens, will be utilized effectively, as well as diversification of day-care services such as small-size or family – style day-care services Unification of the implementing entities at both the national and local level (including creation of a 'Ministry of Children and Families' (tentative name)) 	<p>Early formulation of a concrete plan for a new system</p> <p>↓</p> <p>Early introduction of a bill along with fundamental tax reform</p>	<p>0.7 trillion yen</p> <p>* Funding of more than 1 trillion yen will be considered in the future, including from sources other than the fundamental tax reform</p>	<p>1 trillion yen or more</p> <p>* Funding for the measures indicated on the left will be considered within the study of a new system</p>
<p>Total amount for improvements (2015):</p> <p>0.7 trillion yen</p> <p>* Funding of more than 1 trillion yen will be considered in the future, including from sources other than the fundamental tax reform</p>	<p>Total amount for more efficient and prioritized operation (2015):</p> <p>—</p>		<p>0.7 trillion yen</p> <p>* Funding of more than 1 trillion yen will be considered in the future, including from sources other than the fundamental tax reform</p>	<p>1+ trillion yen</p> <p>* Funding of more than 1 trillion yen will be considered in the future, including from sources other than the fundamental tax reform</p>


(† denotes that the measure is closely related to the growth strategy)


II Medical and long-term care (1)

A	B	C	D	E				
Improvements (indicated figures are public expenses in 2015)	More efficient and prioritized operation (indicated figures are public expenses in 2015)	Road map	Amount required (public expenses) in 2015	Amount required (public expenses) in 2025				
<p>- More efficient and prioritized system for providing medical and nursing care services according to regional circumstances, and with enhanced functionality —Systematic reworking of remuneration for medical treatment and nursing care services as well as comprehensive legislation for infrastructure development thereof—</p> <ul style="list-style-type: none"> More differentiation and enhancement of the functionality of hospitals and beds (including intensive resource allocation for acute medical care, functional enhancement of hospitalization via functional enhancement of sub-acute and chronic medical care, reformation of mental health care, correction of the uneven distribution of doctors, and enhancement of preventive measures) Improved medical care at home (such as comprehensive treatment at clinics, improvement and evaluation of support functionality of recuperating at home, and planned development of care visits) <p style="text-align: right;">(870 billion yen)</p>	<ul style="list-style-type: none"> Reduced average length of hospitalization (- 430 billion yen) <div style="border: 1px dashed black; padding: 5px;"> <ul style="list-style-type: none"> Average length of hospitalization: 19-20 days in 2011 → 15-16 days for advanced acute care in 2025 Around 9 days for general acute care Number of beds: current level will be approximately maintained Psychiatric treatment: 10% reduction in days of hospitalization in 2025 </div>	<ul style="list-style-type: none"> Systematic reworking of remuneration for medical treatment and nursing care services after 2012 Comprehensive legislation for infrastructure development: A bill will be submitted by 2012 Achievement of ideal medical and nursing care services by around 2025 	0.4 trillion yen	1.3 trillion yen				
<div style="border: 1px dashed black; padding: 5px;"> <ul style="list-style-type: none"> Staffing for advanced acute medical care: twice as much as current figures in 2025 Staffing for general acute medical care: 60% increase from current figures in 2025 Medical care at home: 170 thousand persons per day in 2011 → 290 thousand persons per day in 2025 </div>	<ul style="list-style-type: none"> Normalization of outpatients (prevention of lifestyle diseases, coordination between medical institutions, utilization of ICT and the number system, and enhanced functionality of the insurers) (minus 120 billion yen approximately) Reduced duplicate treatment, duplicate examinations, or overdosing via utilization of ICT <div style="border: 1px dashed black; padding: 5px;"> <ul style="list-style-type: none"> Number of outpatients: 5% reduction from current figures in 2025 </div>				- 0.1 trillion yen	- 0.6 trillion yen		
<ul style="list-style-type: none"> Improved medical care at home, including the creation of comprehensive regional care systems, functional enhancement of care management, and improved residential services Unitization of facilities (250 billion yen) <div style="border: 1px dashed black; padding: 5px;"> <ul style="list-style-type: none"> Group nursing homes, small-size but multi-functional: 210 thousand persons per day in 2011 → 770 thousand persons per day in 2025 Residential services and nursing care at home: 3350 thousand persons per day in 2011 → 5100 thousand persons per day in 2025 </div>	<ul style="list-style-type: none"> Preventive care and prevention against aggravation Prioritized nursing care facilities (transition to care at home) <p style="text-align: right;">(- 180 billion yen)</p> <div style="border: 1px dashed black; padding: 5px;"> <ul style="list-style-type: none"> Number of persons qualified for nursing care: 3% reduction from current figures in 2025 </div>						0.1 trillion yen	1.2 trillion yen
<ul style="list-style-type: none"> Manpower additionally required for prioritization shown above: † (240 billion yen) <div style="border: 1px dashed black; padding: 5px;"> <ul style="list-style-type: none"> Number of medical and nursing care workers: 4.62 million in 2011 → 7.04-7.39 million in 2025 (nearly 1.6 times) </div>								
<p>Total amount for improvements (2015): Up to 1.4 trillion yen</p>	<p>Total amount for more efficient and prioritized operation (2015): Up to 0.7 trillion yen</p>	<p>(Estimated amount in the case of all the above functional differentiations materializing) Up to 0.6 trillion yen</p>	<p>Up to 2.3 trillion yen</p>					

II Medical and long-term care (2)

	A Improvements (indicated figures are public expenses in 2015)	B More efficient and prioritized operation (indicated figures are public expenses in 2015)	C Road map	D Amount required (public expenses) in 2015	E 所要額 (公費) 2025年
	<p>- Enhanced safety-net functionality of medical and nursing care systems, prioritized benefits, and measures against regressiveness via enhanced functionality of the insurers</p> <hr/> <p>a. Broader applicability of employees' insurance and a more stable and stronger financial infrastructure from a wider range of sources</p> <ul style="list-style-type: none"> Broader application of employees' insurance to include short-time workers <ul style="list-style-type: none"> →4 million persons, for example in the case of application to include employment insurance Municipal National Health Insurance will be integrated to the prefectural level Stronger financial infrastructure (such as greater premium reductions for persons with low incomes (up to 220 billion yen)) * The financial impact will vary with the differing applicability and size of measures <p>(- 160 billion yen if fully implemented)</p> <hr/> <p>b. With regard to Long-Term Care Insurance the principle of a burden in accordance with defrayal capacity, care for low-incomes, and prioritized insurance benefits will all be focused on more</p> <ul style="list-style-type: none"> Further reduction of the insurance premiums of primary insured persons to be paid by low-income earners for long-term care (up to 130 billion yen) * The financial impact will vary with the differing degree of functional enhancement and prioritization <ul style="list-style-type: none"> Introduction of a long-term care levy in proportion to total amount of wages (- 160 billion yen if fully implemented) Prioritized benefits for treatment effective in preventing any aggravation, such as physical exercise for the slightly impaired <hr/> <p>c. Measures for advanced and long-term medical care (enhancement of safety-net functionality) and prioritized benefits</p> <ul style="list-style-type: none"> Reduced burden via the reconsideration of expensive medical care expenses for long-term expensive medical care (such as reaction to long-term expensive medical care and reduced burden via reclassification of incomes) (up to 130 billion yen) * Content of the reconsideration will vary with the differing degree of functional enhancement and prioritization <ul style="list-style-type: none"> Fixed-amount co-payment when receiving medical treatment (implemented in accordance with a reduced burden via reconsideration of expensive medical care expenses (normalization of outpatients will also be considered in view of the role shared by hospitals and/or clinics): - 130 billion yen, for example, in the case of 100 yen for each medical treatment) with consideration provided to persons with low incomes. <hr/> <p>d. Other</p> <ul style="list-style-type: none"> Total aggregation system (introduction of the system will be based on the assumption that the infrastructure is in place for informational cooperation such as the number system) Consideration of measures for persons with low incomes and regressiveness Reconsideration of the medical care system for the elderly (such as a more equitable and understandable mechanism to share the burden between elderly and young generations, introduction of earnings-based payments for assistance funding, and reconsideration of co-payments, in view of results of the Medical Care System Reform Conference for the Elderly) 		<p>Early introduction of a bill along with the fundamental tax reform after FY 2012</p> <p>↓</p> <p>Step-by-step implementation</p>	<p>Up to 0.3 trillion yen</p> <p>which will be reconsidered in combination with the broader applicability of employees' insurance and earnings-based payments</p>	<p>—</p>
			<p>Total aggregation system: to be introduced after the number system</p>	<p>Up to 0.1 trillion yen</p> <p>which will be reconsidered in combination with fixed-amount co-payments when receiving medical treatment</p>	<p>—</p>
				<p>〔 Total aggregation system 〕 Up to 0.4 trillion yen</p>	
Sub-total	<p>Total amount for improvements (2015):</p> <p>1 trillion yen (which will vary with the content of the reform)</p>	<p>Total amount for more efficient and prioritized operation (2015):</p> <p>Up to 0.5 trillion yen (which will vary with the content of the reform)</p>		<p>Up to a maximum of 1 trillion yen</p>	<p>—</p>
Total	<p>Total amount for improvements (2015):</p> <p>Up to 2.4 trillion yen (which will vary with the content of the reform)</p>	<p>Total amount for more efficient and prioritized operation (2015):</p> <p>Up to 1.2 trillion yen (which will vary with the content of the reform)</p>		<p>Up to a maximum of 1.6 trillion yen</p>	<p>Up to 2.3 trillion yen</p>

A Improvements (indicated figures are public expenses in 2015)	B More efficient and prioritized operation (indicated figures are public expenses in 2015)	C Road map	D Amount required (public expenses) in 2015	E Amount required (public expenses) in 2025
<p>[Creation of a new pension system] Everyone will join a single public pension system that is comprised of an 'earning-based pension' and 'minimum guaranteed pension'</p> <p>- Earning-based pension (social insurance):</p> <ul style="list-style-type: none"> Everyone joins the same system regardless of their type of job, thus resulting in the same premium and same benefit if earnings are the same The insurance premium will be around 15% (the portion pertaining to old-age pensions) Paid premiums will be accumulated and recorded, along with virtual yields, summed up and divided using life expectancy at the start age of payments, resulting in the annual amount of the pension <p>- Minimum guaranteed pension (financed by tax):</p> <ul style="list-style-type: none"> The full amount of minimum guaranteed old-age benefits will be 70 thousand yen (present value) The full amount will be paid up to a certain income level, which is determined on the basis of a lifetime average annual income (the amount of paid premiums), beyond that point the payment being reduced accordingly, until another income level beyond which no benefits will be paid. The system will be designed to ensure that all beneficiaries can receive pension benefits of more than approximately 70 thousand yen, which is the sum of the earning-based pension and minimum guaranteed pension 		<p>Efforts will be made to achieve these objectives, along with environmental arrangements and discussions in forming a national consensus</p>		
<p>[Improvements in the current system]</p> <p>- Improved minimum guarantee functionality</p> <ul style="list-style-type: none"> Additional payments to people with low incomes Addition to the basic disability pension Shorter eligibility periods <p style="text-align: right;">(0.6 trillion yen)</p> <p>* The volume of the budget will vary depending on who will qualify, the levels of additional payments, and whether a means-test will be used</p> <p>* The figure above was calculated on the assumption of adding 16 thousand yen a month (the difference between 70 thousand yen and the average amount of the basic old-age pension, or 54 thousand yen) for those whose annual incomes are less than 650 thousand yen (in the case of single people)</p>	<p>- Reconsideration of pension benefits for high-income earners</p> <p>Consideration will take place in combination with additional payments to persons with low incomes</p> <p>A reduced deduction for public pensions will also be considered</p> <p>* With regard to reconsideration of pension benefits for high-income earners the volume of the budget will vary depending on who will be applicable</p> <p>* A presumed reduction in benefits for anyone whose annual income was more than 10 million yen (full reduction in the public-borne portion for anyone with an income of more than 15 million yen) would reduce the public expense by around 45 billion yen</p>	<p>Early introduction of a bill along with the fundamental tax reform after FY 2012</p> <p style="text-align: center;"></p> <p>Step-by-step implementation</p>	<p>Up to 0.6 trillion yen</p>	<p>Up to 0.7 trillion yen</p>

A Improvements (indicated figures are public expenses in 2015)	B More efficient and prioritized operation (indicated figures are public expenses in 2015)	C Road map	D Amount required (public expenses) in 2015	E Amount required (public expenses) in 2025
<ul style="list-style-type: none"> ● Broader application of employees' pensions to include short-time workers <ul style="list-style-type: none"> → 4 million persons, for example in the case of application that includes employment insurance ● Reconsideration of pension systems for tertiary insured persons <ul style="list-style-type: none"> • Consideration will be given to ensuring no one feels any unfairness, in view of the new direction of the pension systems (split taxation) ● Reconsideration of old-age pensions paid to the employed at a reduced rate <ul style="list-style-type: none"> • The amount of income beyond which pensions will be reduced for anyone aged 60-64 will be the same as with persons aged 65 or older ● Premiums will be exempt during maternity leave ● Unification of employees' pensions <ul style="list-style-type: none"> (● denotes that the measure will not impact public expenses) 	<ul style="list-style-type: none"> - Linked to the macro economy <ul style="list-style-type: none"> • Reconsideration will take place from the point of view of intergenerational equity • A presumed elimination of exceptionality within three years would reduce pension benefits by 2.5 %, thus resulting in a reduction of 0.1 trillion yen per year from public expenses • Pension benefits being simply linked to the macro economy, which would result in a 0.9 % decrease per year, would reduce public expenses by 0.1 trillion yen per year <ul style="list-style-type: none"> * Reducing pension benefits, which would result from being linked to the macro economy in the year where prices and wages increase, is already factored into the current system - Increase in the start age of payments <ul style="list-style-type: none"> • Consideration will be given to further increasing the start age of payments, with careful investigation of the situations in other developed nations (Europe and North America), including life expectancy and start age, along with promoting employment of the elderly • The start age of payments for employees' pensions will be increased earlier than scheduled • With the increase in the start age of basic pension payments every increase in year of age would reduce 0.5 trillion yen of public expenses for the year the increase takes place ● Increase in maximum pensionable earnings <ul style="list-style-type: none"> • Consideration will take place with reference to health insurance systems 	<p>A bill will be submitted after 2012</p>  <p>Step-by-step implementation</p> <p>* Overall 'improvement of the current systems' will be reviewed before submitting a bill with the participants and a schedule to be determined</p>		
<p>[More efficient operation] Improved operation and systems</p> <p>Total amount for improvements (2015):</p> <p style="text-align: center;">0.6 trillion yen <small>(which will vary with the content of the reform)</small></p>	<p>Total amount for more efficient and prioritized operation (2015):</p> <p style="text-align: center;">(These figures will vary depending on the content of the reform)</p>		<p>Up to 0.6 trillion yen</p>	<p>Up to 0.7 trillion yen</p>

Grand total of the above amounts required in FY 2015 (public expenses) = 2.7 trillion yen

(where improvements would account for 3.8 trillion yen and 1.2 trillion yen reduced via more efficient and prioritized operation)

Improvements and more efficient and prioritized operation

Road map

IV Promoting employment

- Formation of a participation-oriented society †

- Ensuring stable employment for youth utilizing Job-Card
- Elimination of M-shaped curve of the female employment/population ratios
- Creation of a society where anyone can work regardless of their age via consideration of employment-related legislation in conformance with a super-aged society
- Promoting employment of persons with disabilities via the transition from welfare to employment
- Comprehensive implementation of measures for promoting employment with coordination between related organizations in accordance with regional circumstances

- Continued promotion of employment

• Employment rate	75% in 2009 → 80% in 2020
• (Youth:	74% → 77%)
• (Females (aged 25-44):	66% → 73%)
• (Elderly:	57% → 63%)
• Job card acquirers: 300 million (2020)	
• Actual employment rate of persons with disabilities: 1.8% (2020)	

- Realization of decent work (rewarding and humane work)

- Formation of a comprehensive vision for interdisciplinary efforts in thus ensuring equitable treatment for non-regular workers
- Legislation being considered that ensures more secure employment and better treatment of fixed-term contract workers
- Ensuring the health and safety of workers via reduction of working long hours and measures for mental health

- Overall vision will be established in 2011
 - Development of legislation: the required reconsiderations will take place after conclusion of the Labour Policy Council in 2011
 - Revision of the Industrial Safety and Health Act will be considered with the aim of early submission to the Diet

- Consideration of financing employment insurance and a support system for job seekers

- Consideration will be based on provisions of the Employment Insurance Act and Act on Support for Job Seekers (see Note 3)

Improvements and more efficient and prioritized operation in addition to I-IV

- Development of service infrastructure

- Construction of a structure for providing ideal medical and nursing care services and the development of the infrastructure required to achieve service objectives such as children's parks, childcare services, and clubs for after school activities for children

- Planned and intensive development of infrastructure

- Promotion of medical innovations †

- Establishment of hospitals for core clinical research at an internationally comparable level
- Consultation services for commercialization of technologies originating in Japan
- Structural enhancement of the Pharmaceuticals and Medical Devices Agency (PMDA)
- Further study of schemes for use in evaluating innovations from the point of view of medical economics in then setting official drug prices

- Establishment of hospitals for core clinical research: around 15 institutions will be established over three years from 2011 on
 - Prioritized and continuous allocation of research funds to hospitals for core clinical research
 - Enhanced staffing of reviewers: the number of full-time reviewers will be increased to 751 by the end of FY 2013 (compared to 648 as of April 1, 2011). Further enhancement measures will be considered in continuous efforts to ensure more streamlined and efficient operations
 - More efficient application and review process for advanced medical systems: consideration is taking place with the aim of implementation within FY 2011

- Construction of a secondary layer of the safety net

- Establishment of a support system for job seekers
- Seamless coordinating measures for the secondary layer of the safety net, including a support system for job seekers
- Employment assistance for persons receiving public assistance
- Accompanying support for anyone facing complex difficulties (promotion of social inclusion via personal support and one-stop services)
- Consideration of a mechanism to support housing

Increase in number of program participants and persons who gain employment and pay increases

- A support system for job seekers will be created in FY 2011
 - Continuous efforts in comprehensive improvement
 - Operations being continuously implemented
 - Establishment of dedicated organizations that provide one-stop and accompanying support, with municipalities taking the leadership role (Step-by-step implementation)

- Reconsideration of public assistance

- Enhanced support and improved menus for self-support and employment assistance for anyone receiving public assistance but having earning capacity
- Prevention of children being impacted by poverty
- Optimization of medical assistance and thorough measures against dishonest receipt
- Consideration of criteria for public assistance based on objective data

- Consideration will take place in connection with reformation of related institutions

- Criteria for public assistance: verification will be made by a standards subcommittee (commenced in April 2011) by the end of 2011
 - Other than standards for public assistance: discussions between national and local governments (commenced in May 2011)
 → Bill will be submitted as required

- Measures for persons with disabilities

- The study group for reformation of systems for persons with disabilities is taking into consideration providing support without gaps between systems, as well as a transition into communities and support for living in communities for persons with disabilities

- A bill on the 'Act on Comprehensive Welfare for Persons with Disabilities' (tentative name) will be submitted in 2012, and be based on discussions of the study group for reformation of systems for persons with disabilities

- Measures for intractable diseases

- Consideration of ideal support for medical expenses for intractable diseases, including reconsideration of expensive medical care expenses for long-term expensive medical care (represented again)

- Continuous efforts in interdisciplinary measures

- Resurgence from the Great Earthquake

- Presentation of a new peaceful community model

- Efforts being made in consideration of resurgence from the Great Earthquake

- Raising children and youth who will be responsible as the next generation

- Development of an educational environment for skills and experience that lead to employment in response to mobilization of employment
- Ensuring equal opportunity and the quality of education (particularly enhanced support for students with good results despite having livelihood difficulties)

- Continuous efforts in comprehensive improvement

Note 1: The estimated cost was routinely calculated using the 'direction and concrete measures in reforming the social security systems' (May 12, 2011) and related estimations of medical and nursing care, as well as suggestions presented by the Intensive Study Commission on Social Security Reform.
 Note 2: One-half the contribution to the basic pension program to be borne by the national government will be financed by the fundamental tax reform. The budget will be allocated with appropriate measures every fiscal year until the fundamental tax reform has been implemented.
 Note 3: With regard to the Employment Insurance Act, consideration will be continuously given to the share of the contribution borne by the national government; upon stable sources of finance being secured as soon as possible, the provisional measures for government's contribution will be abolished. With regard to the Act on Support for Job Seekers, consideration will take place without delay as to who should bear the cost of implementing support measures, along with consideration as to what support measures should be implemented for specific job seekers until enforcement of the Act.

A

Improvements (indicated figures are public expenses in 2015)

D

Amount required (public expenses) in 2015

1. A one-stop service that provides both employment and livelihood support

2. Broader applicability of social insurance

a. Broader application of employees' pensions to include short-time workers

b. Broader applicability of employees' insurance and a more stable and stronger financial infrastructure from a wider range of sources

- Broader application of employees' insurance to include short-time workers (- 160 billion yen if fully implemented)

3. Enhanced measures for persons with low incomes within social insurance systems

a. Municipal National Health Insurance will be integrated to the prefectural level with a stronger financial infrastructure (such as greater premium reductions for persons with low incomes (up to 220 billion yen))

- * The financial impact will vary with the differing applicability and size of measures

b. With regard to Long-Term Care Insurance, more of a focus will be on the principle of the burden being in accordance with the defrayal capacity, care for low-incomes, and prioritized insurance benefits

- Further reduction of insurance premiums for primarily insured persons with low incomes (up to 130 billion yen)
- * The financial impact will vary with the differing degree of functional enhancement and prioritization

c. Measures for advanced and long-term medical care (enhancement of safety-net functionality) and prioritized benefits

- Reduced burden via reconsideration of expensive medical care expenses for long-term expensive medical care (such as the reaction to long-term expensive medical care and reduced burden via reclassification of incomes) (up to 130 billion yen)
- * Content of the reconsiderations will vary with the differing degree of functional enhancement and prioritization

d. Total aggregation system (introduction of the system will be based on the assumption that the infrastructure for informational cooperation such as the number system is in place)

e. Improved minimum guarantee functionality of pension systems

- Additional payments to people with low incomes
- Additional payments to the basic disability pension
- Shorter eligibility periods

(0.6 trillion yen)

* The volume of the budget will vary depending on who qualifies, the levels of additional payments, and whether a means-test will be involved

* The figure above was calculated on the assumption of adding 16 thousand yen per month (the difference between 70 thousand yen and the average amount of the basic old-age pension, or 54 thousand yen) for anyone whose annual income is less than 650 thousand yen (in the case of single persons)

4. Construction of a secondary layer of the safety net

a. Establishment of a support system for job seekers (including consideration as to who should bear the cost)

b. Accompanying support for anyone facing complex difficulties

c. Employment assistance for persons receiving public assistance

d. Consideration of a mechanism to support housing

5. Reconsideration of the public assistance system as the final layer of the safety net (improvements and more efficient and prioritized operation)

- Enhanced support and improved menus for self-support and employment assistance for anyone being provided with public assistance but with an earning capacity
- Prevention of children being impacted by poverty
- Optimization of medical assistance and thorough measures against dishonest receipt
- Verification of criteria for public assistance based on objective data

Up to 0.3 trillion yen which will be reconsidered in combination with the broader applicability of employees' insurance and earnings-based payments

Up to 0.1 trillion yen which will be reconsidered in combination with fixed-amounts co-payment when receiving medical treatment

Total aggregation system
Up to 0.4 trillion yen

Up to 0.6 trillion yen which will be reconsidered in combination with pension benefits for high-income earners

Up to 1.4 trillion yen