



2017 Edition
Annual Health,
Labour and Welfare Report
— Social Security and Economic Growth —
【 Summary 】

Ministry of Health,
Labour and Welfare

Overview of 2017 Edition Annual Health, Labour and Welfare Report

Part 1 (Theme edition) “Social Security and Economic Growth”

*Analyze the county’s current status based on specific themes concerning health, labour and welfare, and then introduce relevant measures to help people to deepen understanding of those themes

- Provide basic materials to consider social security from a growth perspective, while the government is aiming to create a “virtuous cycle of growth and distribution.”
- Review the role that social security has played and its relationship with economic growth to examine the future direction, while analyzing the current situation of people’s lives based on long-term income and wage trends.
- Introduce initiatives to achieve a virtuous cycle of growth and distribution by bolstering the foundation of social security systems, referring to specific examples.

(Note) “**Social security**” in this White Paper includes labour policies related to the stability of people’s lives in addition to pensions, medical care and welfare, etc.

Part 2 (Annual administrative report) “Response to current policy agenda”

- In this annual administrative reports, the Ministry of Health, Labour and Welfare explains how it deals with a wide variety of policy challenges on the agenda.

Chapter 1 Create an environment favorable for having and raising children	Chapter 6 Promotion of medical innovation
Chapter 2 Improvement of the working environment through work-style reforms, etc	Chapter 7 Provide sustainable health/ long-term care
Chapter 3 Participation of women, youths, the elderly, etc. in the labor market to diversify the workforce	Chapter 8 Promote health and safety in people’s lives
Chapter 4 Independent living and a secure living environment	Chapter 9 Comprehensive promotion of support for the disabled
Chapter 5 Create a new pension scheme to provide financial security to all retired persons	Chapter 10 Contributions to the international community
	Chapter 11 Improvement of administrative system and promotion of information policy

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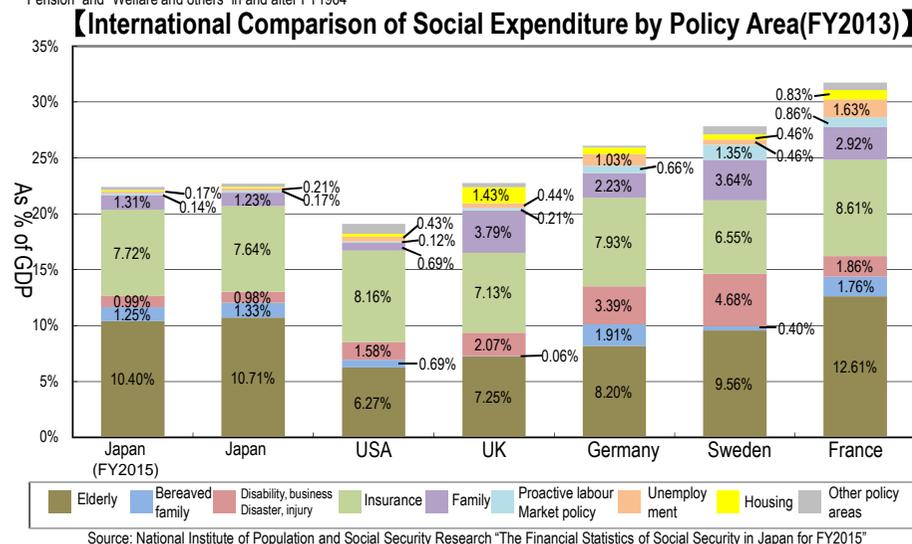
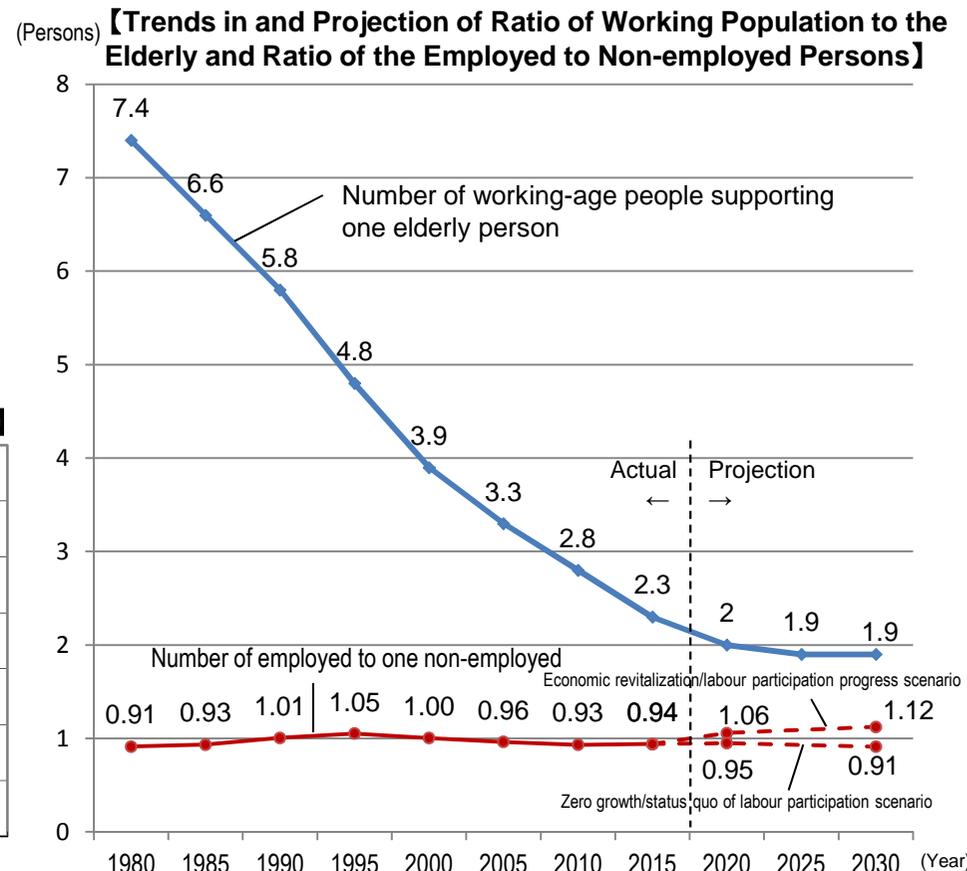
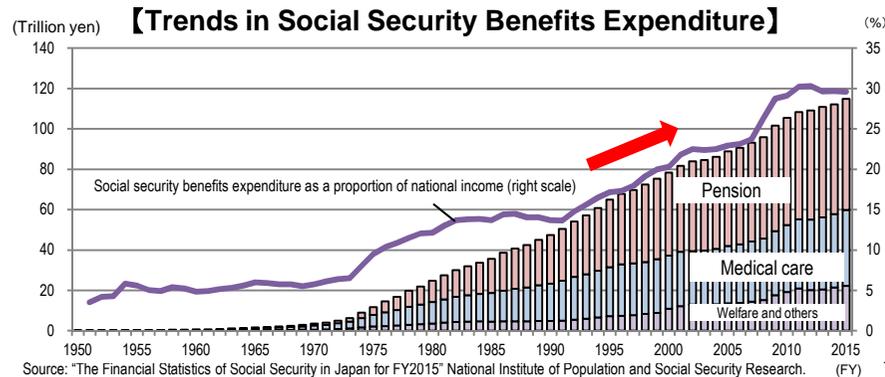
Chapter 3 Social Security from the Growth Perspective

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- Section 3 Technological progress in the field of social security
- Section 4 Ensure a virtuous cycle of “growth and distribution”

Chapter 1 Social security as part of the national economy

Section 1 Roles and functions of social security, Section 2 Social and economic changes and social security

- The proportion of the national budget devoted to social security spending has soared since World War II due to the country's aging population.
- Compared with social security spending in major Western countries, social security expenditures in Japan go more toward the elderly and less toward families and working age
- The number of working-age people per one elderly person has drastically declined, but policies to boost labor force participation will increase the number of workers per unemployed person.



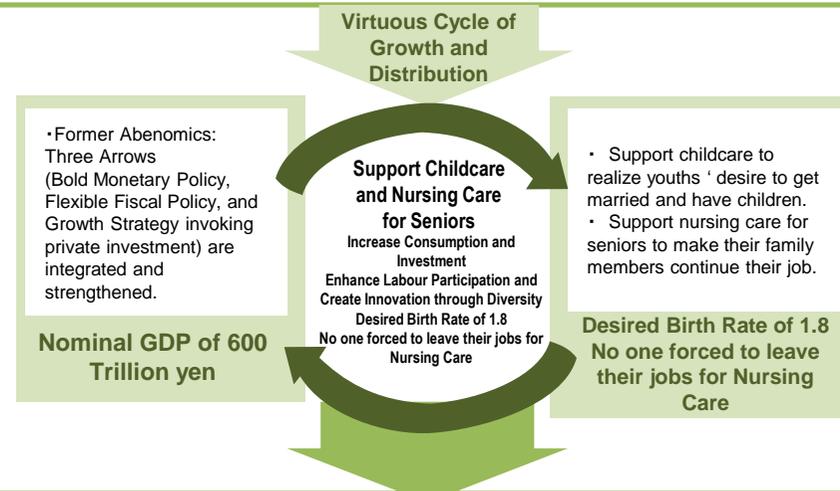
Chapter 1 Social security as part of the national economy

Section 2 Social and economic changes and social security (2), Section 3 Relationship between “distribution” and “growth”

- To tackle the structural problem of the declining birthrate and aging population, the government is promoting “Japan’s Plan for Dynamic Engagement of All Citizens.” The plan calls for a “virtuous cycle of growth and distribution” mechanism in which the fruit of growth enhances child-rearing support and the foundation of social security, leading to a stronger economy.
- Considering social security from the growth perspective, the government is responsible for helping people of working age achieve financial stability, so that they can pursue their career and invest in their children’s education. The government also needs to promote labor force participation among people under different circumstances to boost productivity.

[Presentation of a “virtuous cycle of growth and distribution” mechanism in “Japan’s Plan for Dynamic Engagement of All Citizens” (decided upon at the Cabinet meeting on June 2, 2016)]

Create a society in which all citizens - including men, women, the elderly, youths, people who have experienced a failure, persons with disabilities and people fighting a serious illness- can play an active role at home, at work, in their community and other places.

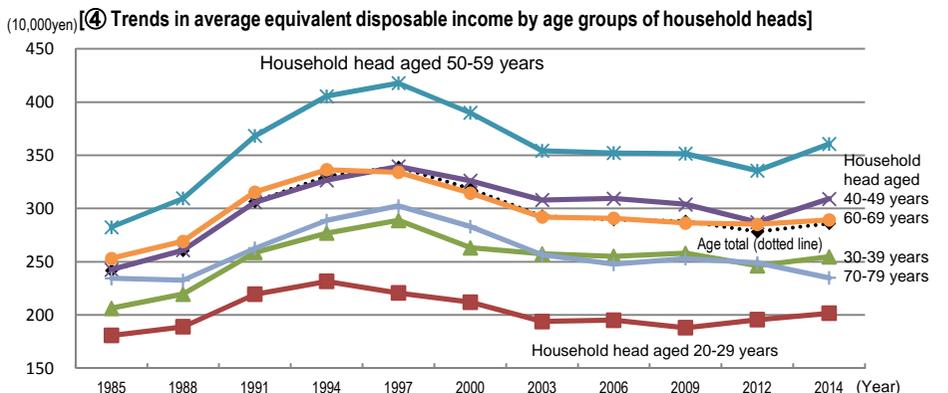
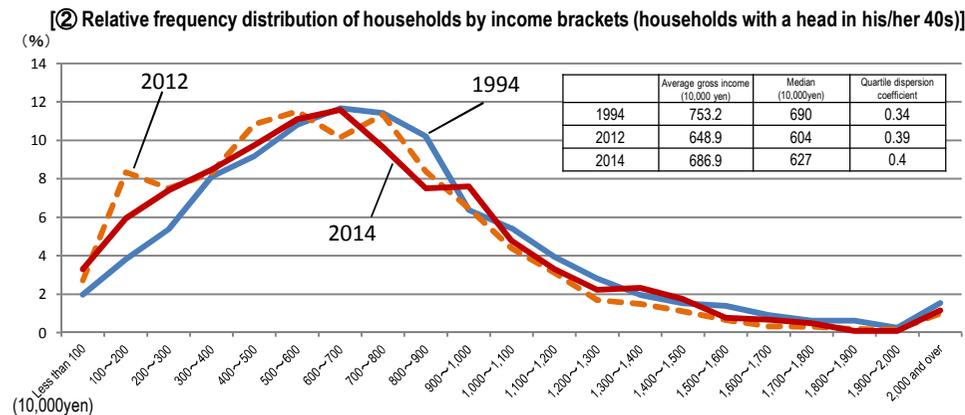
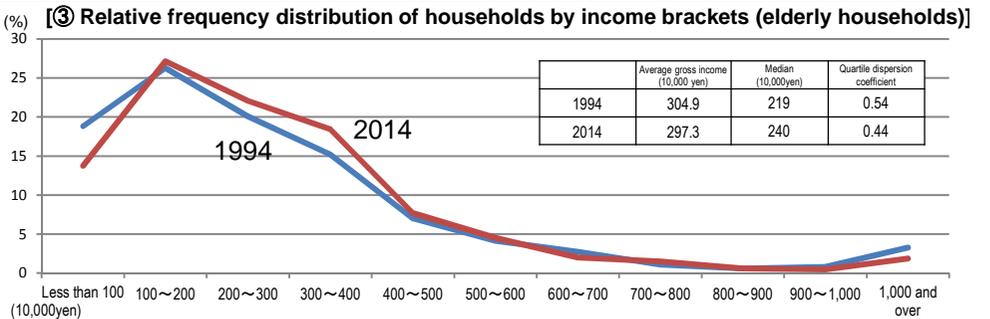
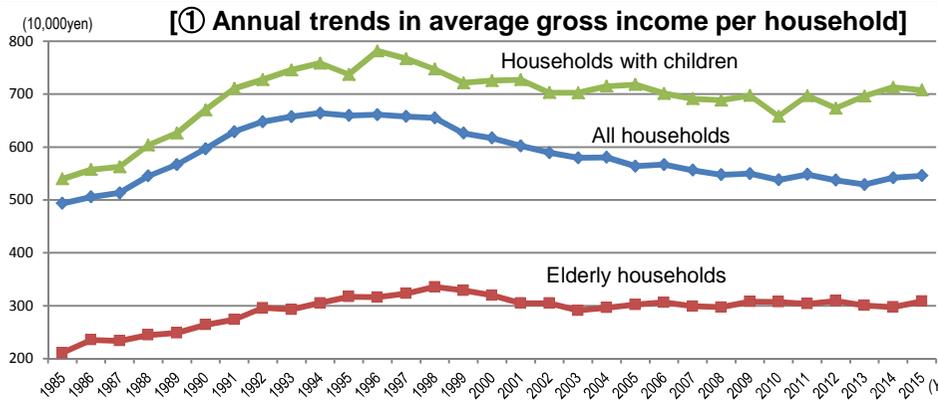


In the second stage of Abenomics, we tackle the issue of the declining birth rate and aging population, which is considered to be the root cause of the obstacles in economic growth. We build a new system of economic society in which childcare support and social security are strengthened as a broader economic policy, which will lead to a more robust economy. This is the “Ultimate Growth Strategy.”

Chapter 2 People's lives and Social Security

Section 1 Trends in family income (1)

- The average gross income per household has been leveling off since 2000 for both elderly and working households (those with children). Because of the drastic increase in the proportion of elderly households with lower incomes than for working households (from 13.7% in 2000 to 26.6% in 2016), the average gross income for all households has been on the decline in the long run though it has been rising since 2014.
 - Over the past 20 years, the variation in the distribution of income has not changed significantly for households with a head in his/her 40s, but the proportion of low-income households earning less than 3 million yen has increased, causing the entire income distribution to shift downwards. This trend reflects a rise in the number of single person low-income households and single-parent households.
 - For elderly households, while the average gross income per household remains nearly the same, the median has gone higher. Due to the decreased proportion of low-income households and the increased proportion of middle-income households, the variation in income distribution has narrowed, due to the maturity of the country's public pension system.
 - Per-capita (equivalent*) income has remained nearly the same for households with a head in his/her 30s and 70s and in his/her 40s and 60s, respectively.
- * Equivalent income: Income adjusted to the per-capita level by dividing household income by the square root of the number of household members.



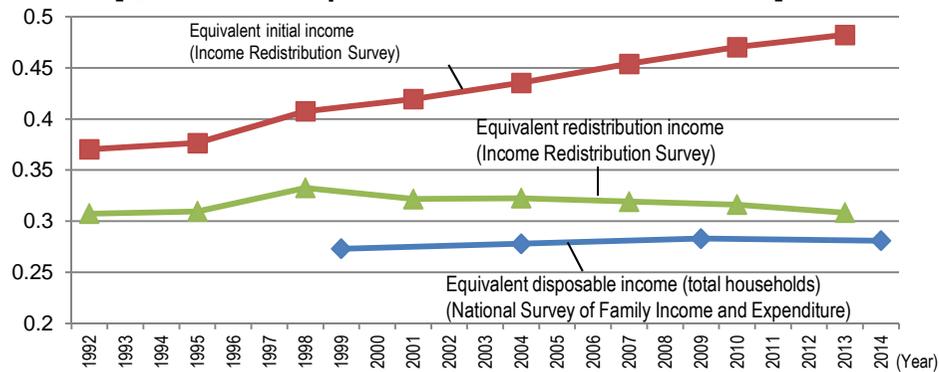
Sources: Ministry of Health, Labour and Welfare "Comprehensive Survey of Living Conditions" for ①; Compiled by the Counsellor Office for Policy Evaluation to Director-General for General Policy and Evaluation based on "Comprehensive Survey of Living Conditions" for ② and ③; and "Report on analysis of household income" (2017), a proprietary project report entrusted by the Counsellor Office for Policy Evaluation to Director-General for General Policy and Evaluation for ④

Chapter 2 People's lives and Social Security

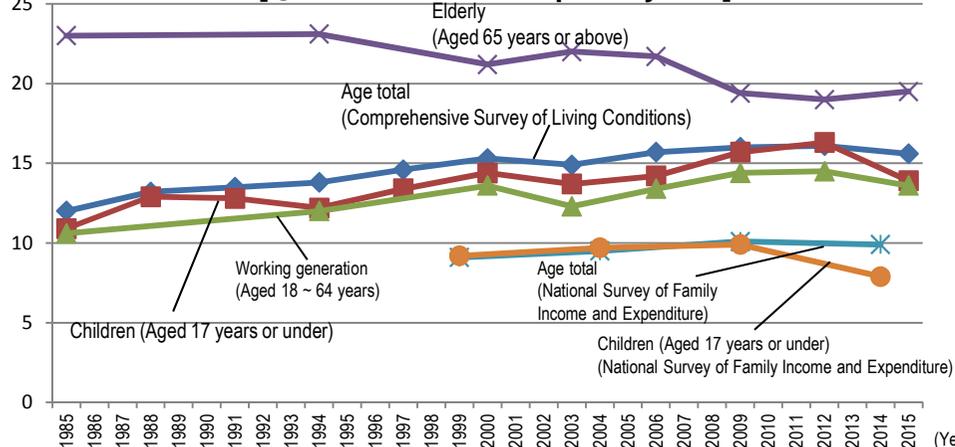
Section 1 Trends in family income (2)

- Equivalent income gap (Gini coefficient) of all people tends to expand consistently in terms of initial income due to the aging population and other factors. The redistributed income gap has narrowed after peaking in 1998. Income redistribution helps prevent the initial income gap from widening.
- The initial income gap by age groups tends to expand for both the working and elderly generations, but the redistributed income gap is little changed for working generation and is declining for the elderly. Public pension benefits help prevent the income gap caused by initial income from further widening.
- The relative poverty rate of total population, working generation and children, which had respectively been showing upward trends, declined recently. Although the relative poverty rate for the elderly generation is higher than for other generations, it tends to decline.

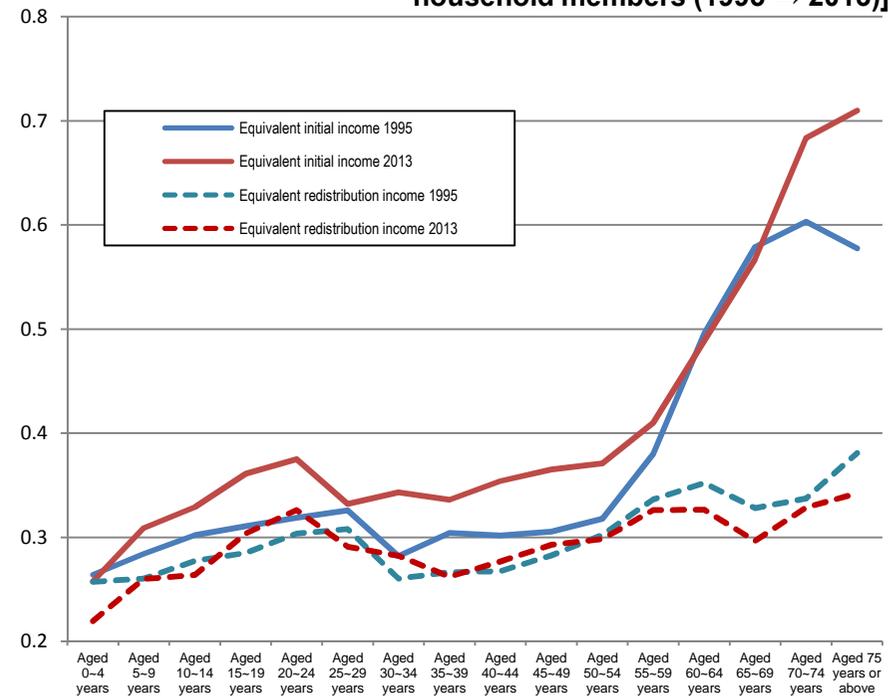
① Trends in equivalent income Gini coefficient



③ Trends in relative poverty rate



② Change in equivalent income Gini coefficient by age groups of household members (1995 → 2013)



Sources: Ministry of Health, Labour and Welfare "Income Redistribution Survey" and Ministry of Internal Affairs and Communications "National Survey of Family Income and Expenditure" for ①; MHLW "Income Redistribution Survey" for ②; Compiled by the Counsellor Office for Policy Evaluation under the Director-General for General Policy and Evaluation based on MHLW "Comprehensive Survey of Living Conditions" and MIC "National Survey of Family Income and Expenditure" for ③

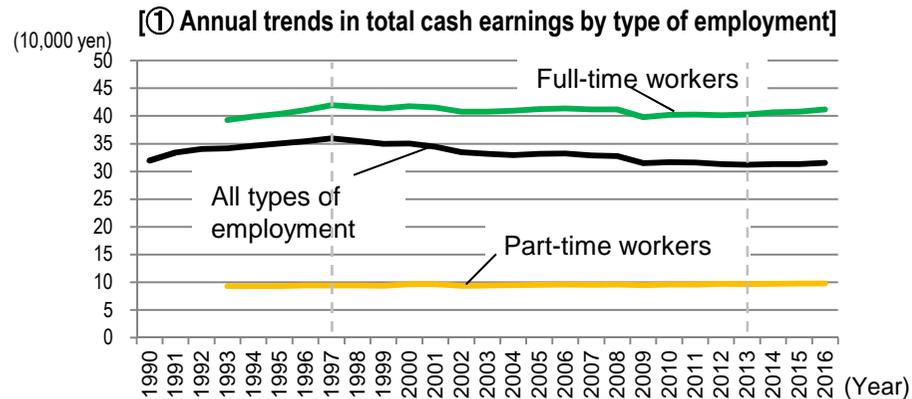
(Note) 1. "Gini coefficient" is an indicator representing the degree of equality of income and ranges between 0 and 1, indicating that the higher the numerical value, the larger the gap.

2. The "relative poverty rate" refers to the proportion of household members not meeting the poverty line. Poverty line means half the median of equivalent disposable income.

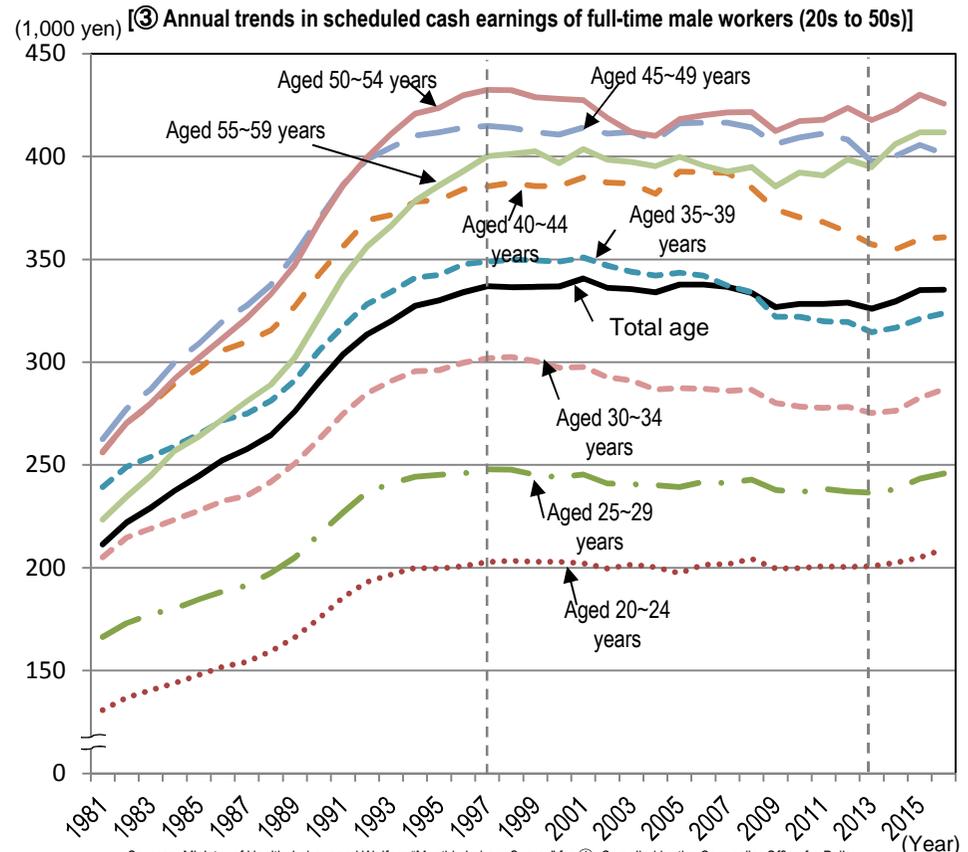
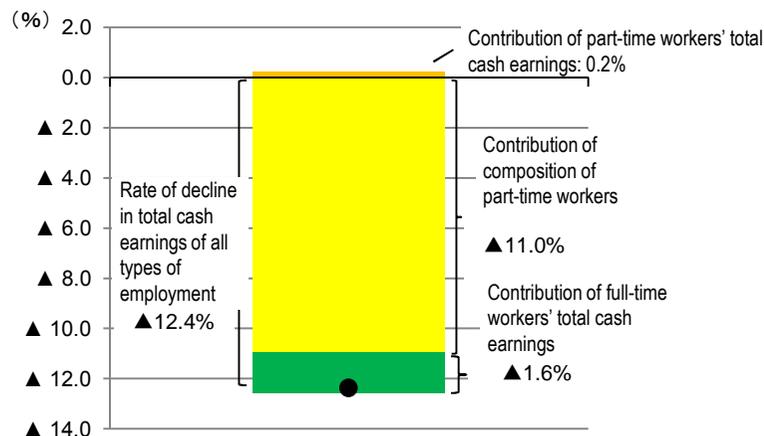
Chapter 2 People's Lives and Social Security

Section 2 Trends in wages

- Wage for all types of employment has been increasing since 2014 after having declined over a long period of time due to an increase in the number of part-time workers, particularly the elderly.
- The scheduled cash earnings of full-time workers have been leveling-off for a long period of time. For male workers in their 30s and 40s, however, it has been increasing since 2014 after a long-term decline caused by hiring restraints and suppression of seniority-based wage curves triggered by the collapse of the bubble economy.
- The hourly wage of part-time workers has continued to rise, reaching a record high in 2016. Meanwhile, the actual number of working days has decreased, causing the monthly wage to remain generally flat.



② Factor analysis of decreased total cash earnings (1997 ~ 2016)

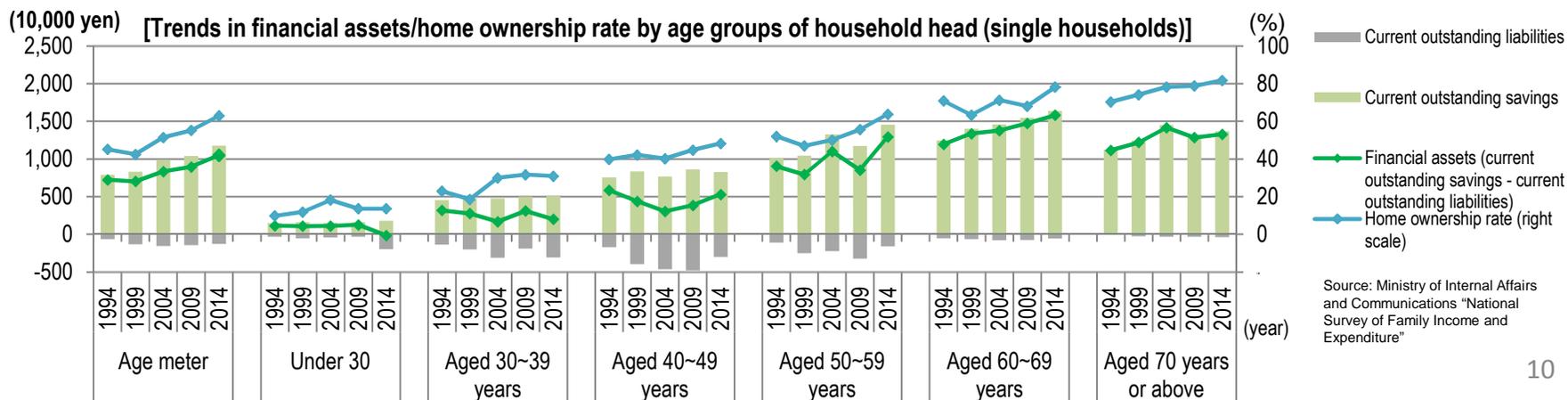
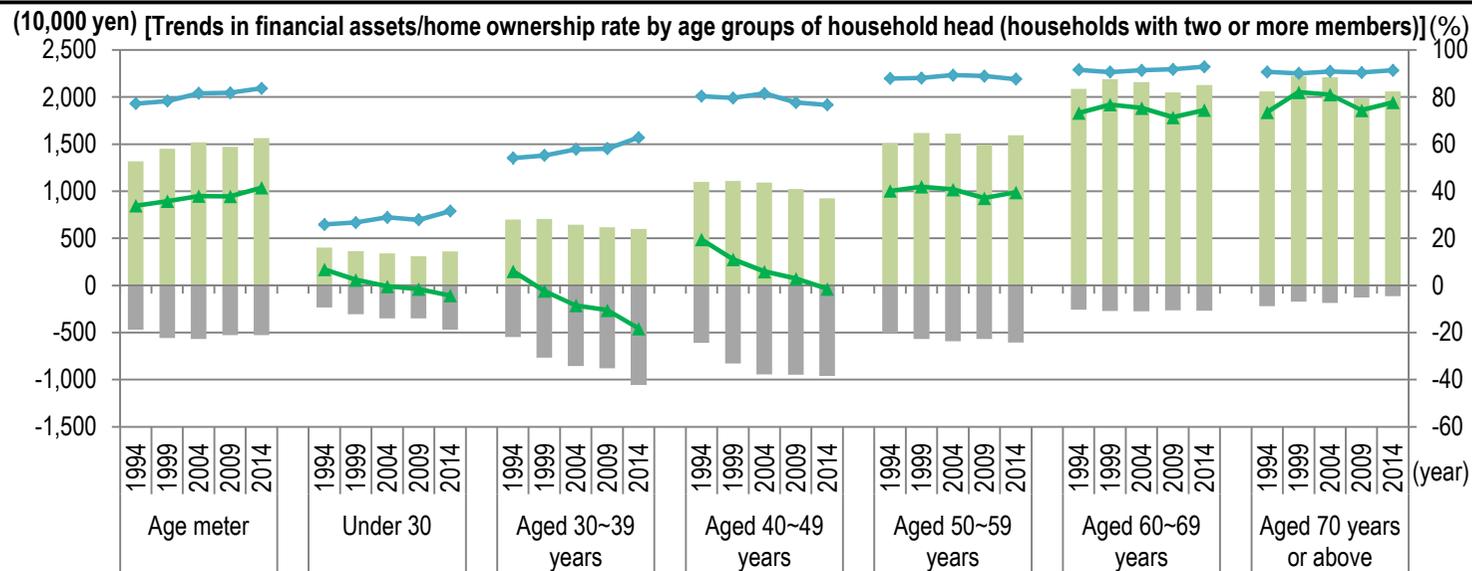


Sources: Ministry of Health, Labour and Welfare "Monthly Labour Survey" for ①; Compiled by the Counsellor Office for Policy Evaluation under the Director-General for General Policy and Evaluation based on the MHLW "Monthly Labour Survey" for ②; and the MHLW "Basic Survey on Wage Structure" for ③

Chapter 2 People's lives and Social Security

Section 3 Trends in assets

- Working generation (household head aged 59 or under, two or more household members)
: The home ownership rate has risen for young generation.
In households with a head aged 40 or under, the amount of financial assets has been decreasing due to an increase in the financial burden associated with housing and land purchases.
- Elderly generation (household head aged 60 years or above, two or more household members)
: Home ownership rate has remained unchanged at about 90%. The amount of financial assets has been leveling off at around 20 million yen in recent years. About half of households have savings of 12 million yen or more.

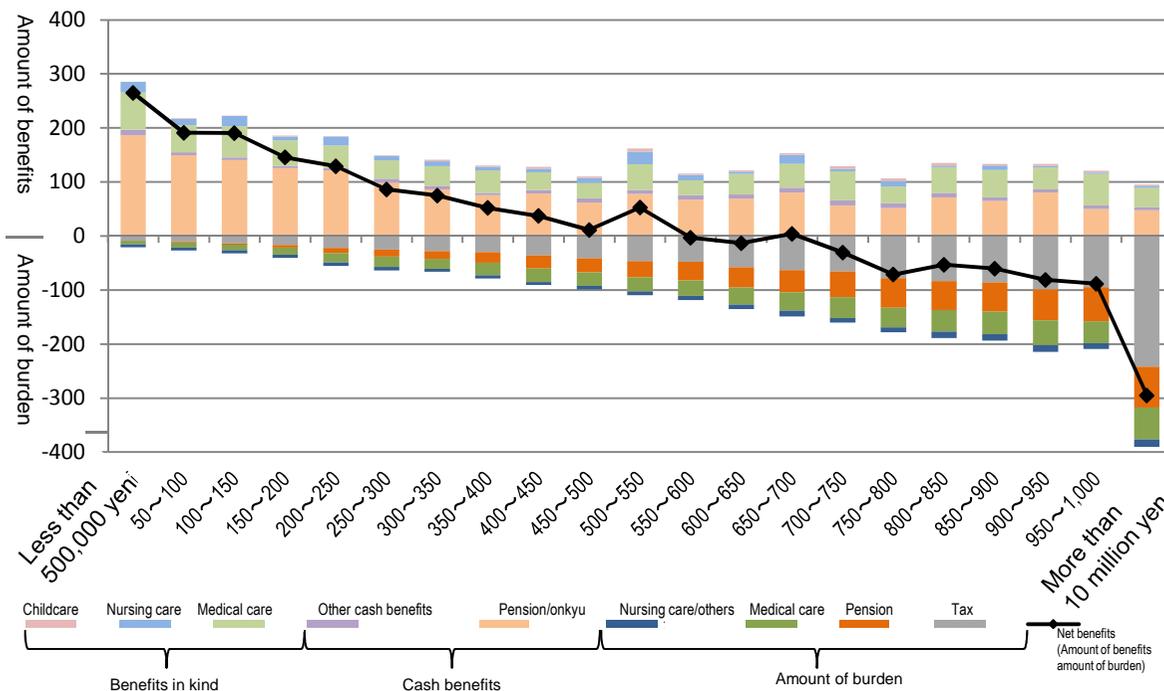


Chapter 2 People's Lives and Social Security

Section 4 Trends in income redistribution, Section 5 Summary

- For households earning an initial income of less than 1 million yen, benefits amount to about 2 million yen with a burden of about 100,000 yen; for households earning an initial income of about 5 million yen, a burden amounts to almost the same as benefits; for households earning an initial income of 10 million yen, benefits amount to about 1 million yen with a burden of about 2 million yen. For households earning a small initial income, the pension/onkyu comprises the majority of the income they receive.
- Income redistribution has played a greater role in recent years in reducing the disparity in equivalent incomes(Gini coefficient) due to the country's aging population and other factors. Social security system has contributed to reducing income inequality more than tax policy has.
- The country's income redistribution benefits exclusively the elderly rather than the working generation in terms of both benefits and payments. In future, the government should pay attention to all generations, different types of households and household economic conditions when reviewing redistribution policies. It is also vital for the government to promote policies that will help to raise wages for working people and a shift to all generational social security.

[Average amounts of benefits and burden per household by initial income bracket (2013)]



Source: Counsellor Office for Policy Evaluation under Director-General for General Policy and Evaluation, Ministry of Health, Labour and Welfare "Income Redistribution Survey" (2016)

[Long-term trends in income, wages and assets (summary)]

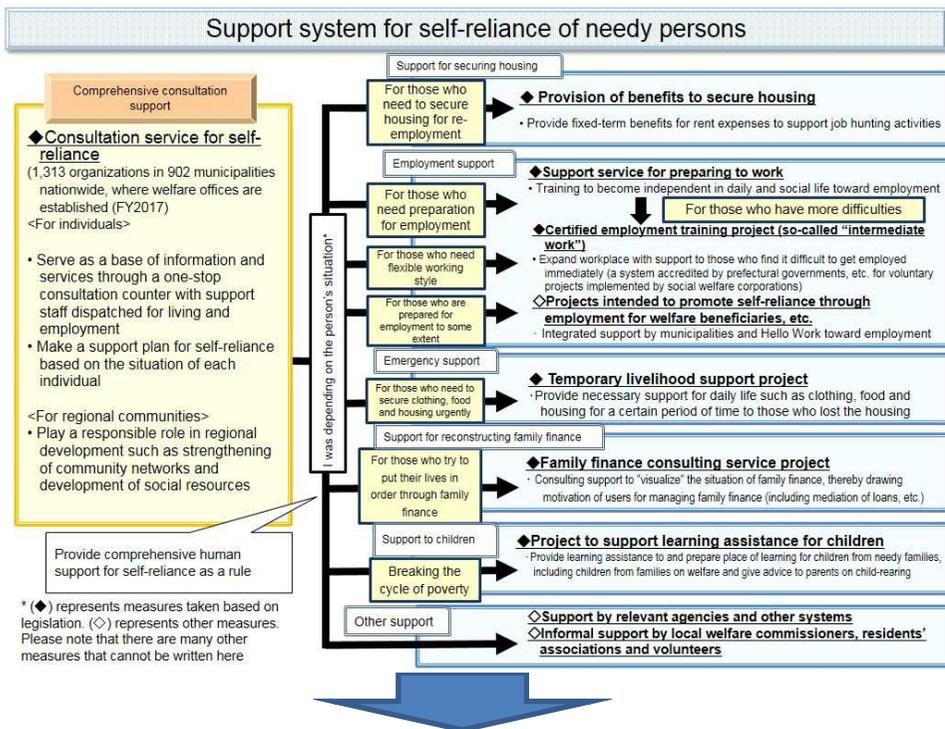
- **Working generation**
 - For households with a head in his/her 30s ~ 50s, the proportion of low-income households has increased due to the increased number of single households, etc.
 - Wages remain flat on average for both full-time and part-time workers, but are declining for full-time male workers in their 30s - 40s
- **Elderly generation**
 - The proportion of low-income households has declined, while that of middle-income households has increased
 - Variance of income has got smaller
 - Per-capita income level is the same as that of the working generation

Chapter 3 Social Security from the Growth Perspective

Section 1 Efforts to stabilize people's lives, Section 2 Support for employment and wage increases (1)

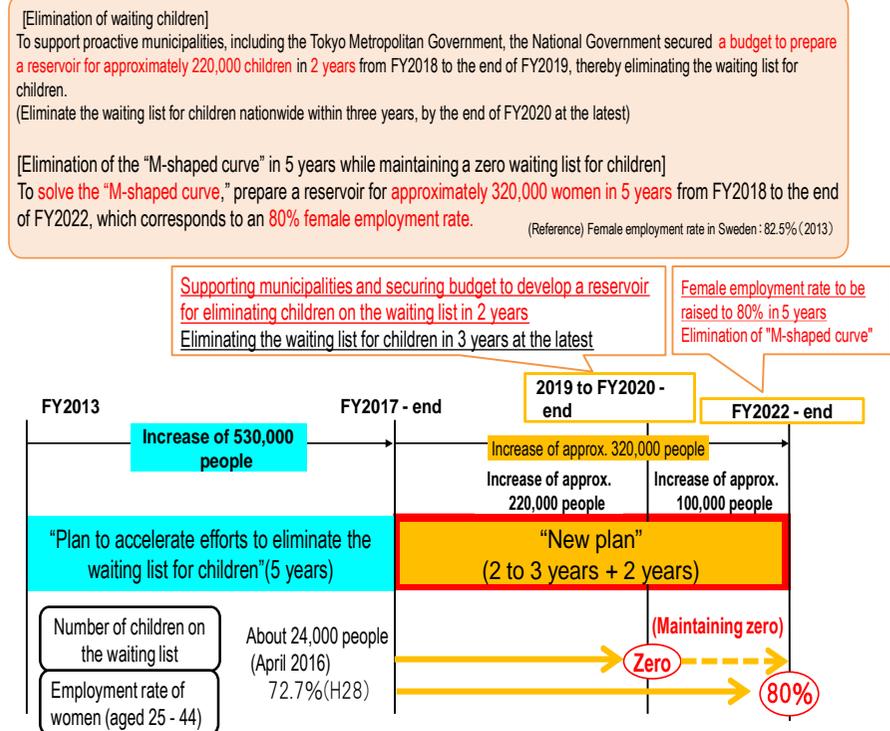
- Help people lead financially stable lives and revitalize society through public pension scheme, and health insurance and long-term care insurance systems
- Maintain household financial stability for families with children through child allowances, child support allowances and measures to combat child poverty, which serve as investments in future generations
- Help needy persons achieve self-sufficiency through the welfare system and the support system for self-reliance of needy persons
- Expand child care support so that more young people can marry and have children/make sure that no one has to quit their jobs to care for family members so that people of working age can keep working while caregiving

[Support system for self-reliance of needy persons (enforced in April 2015)]



Approximately 60,000 people were employed within two years of its enforcement

[Child-rearing security plan (June 2017)]



Chapter 3 Social Security from the Growth Perspective

Section 2 Support for employment and wage increases (2)

- In order to contribute to growth, the government helps boost labor force participation and productivity and make sure that more people can earn enough money necessary to make a living through employment
- The government is promoting “work-style reforms” to enable people to choose various ways of working, work in various ways, measures aimed at improving the working conditions of non-regular workers, initiatives to empower youth and women, employment support for cancer patients and patients with intractable/rare diseases, human resource development as well as a plan to raise minimum wages.

[Enforcement status of the Act on the Promotion of Women’s Participation and Advancement in the Workplace]

Formulation and notification of the General Employers Action Plan **99.9% (15,825 companies)**
(Companies with 300 or more regular workers as of the end of March 2017)

* Notification by **2,788** companies with 300 or less regular workers reported

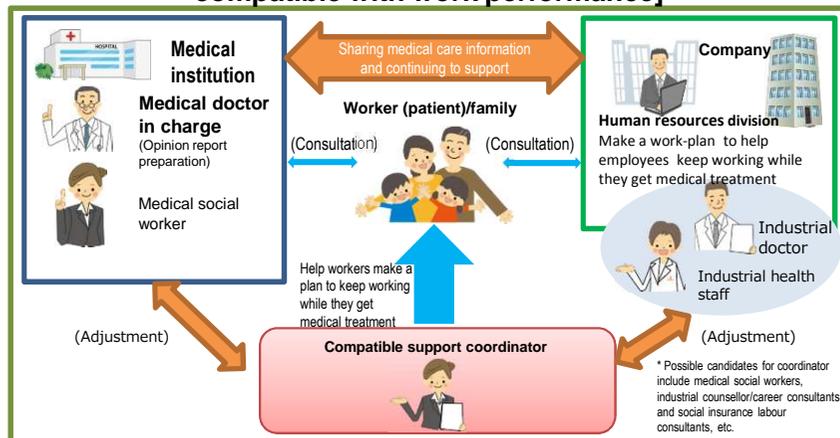
Recognizing companies that excel in terms of women’s participation and advancement (Eruboshi certification) **291 companies**
(As of the end of March 2017)

* 3rd stage companies: **196**, 2nd stage companies: **94** and 1st stage companies: **1**

Companies that made public women’s information regarding Women’s Participation and Advancement with the Database of Companies Promoting Women’s Participation and Advancement **7,668 companies**
(As of June 1, 2017)

* The number of companies proceeding with the General Employer Action Plan: **8,819**

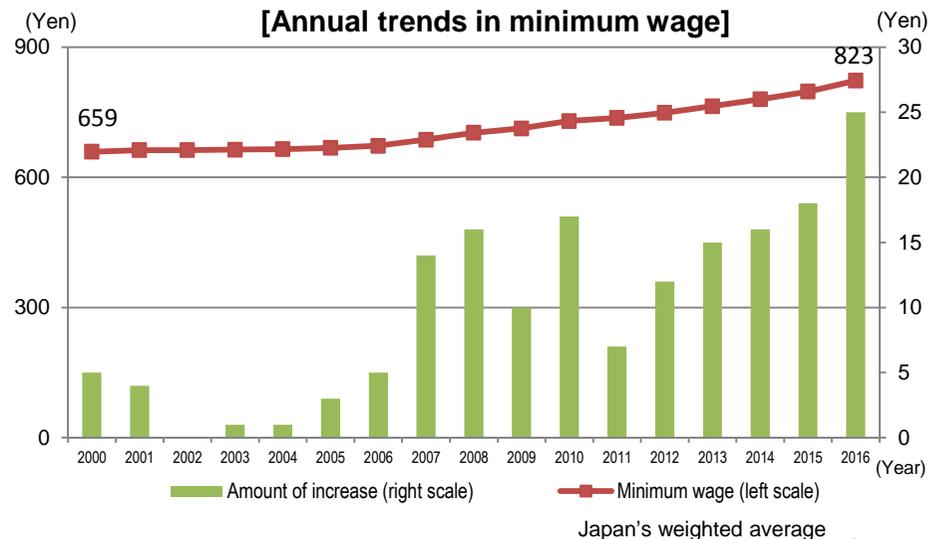
[Image of triangular-type support toward medical care compatible with work performance]



[Expand re-learning support]

Expansion of Specialized practical Educational Training Benefits (January 2018 ~)

- ◆ Maximum benefit rate: 60 → 70%
- ◆ Maximum amount: 480,000 → 560,000 yen p.a.
- ◆ Period for which benefits can be received for reasons such as child-rearing: Up to 4 years after separation → 20 years
- ◆ Targeted course: Advanced IT, recurrent education for women – expanding courses on weekends and evenings in particular



Chapter 3 Social Security from the Growth Perspective

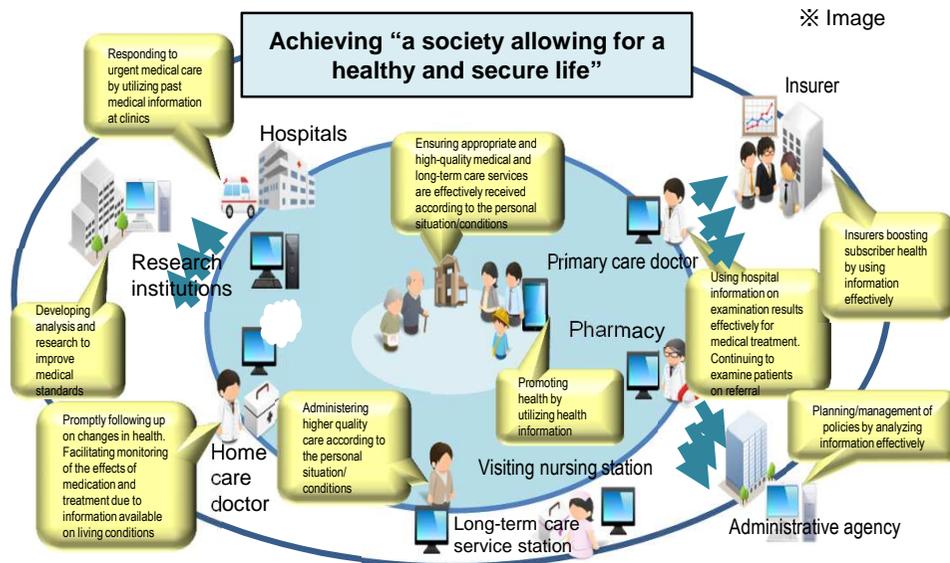
Section 3 Technological progress in the field of social security

- The fields of health care, medical care and long-term care have the potential for growth through innovative technology. It is expected the use of such technology will lead to improvements in the quality of social security services and efficiency in the services.
- ICT has been facilitated in the medical field and telemedicine and long-term care robots have been introduced to date.
- Promote the strategic and integrated use of advanced technologies such as AI and big data and the development of ICT infrastructure, thereby establishing an environment where people can receive world highest level healthcare services.

[Thorough implementation of ICT in the medical field, etc.]

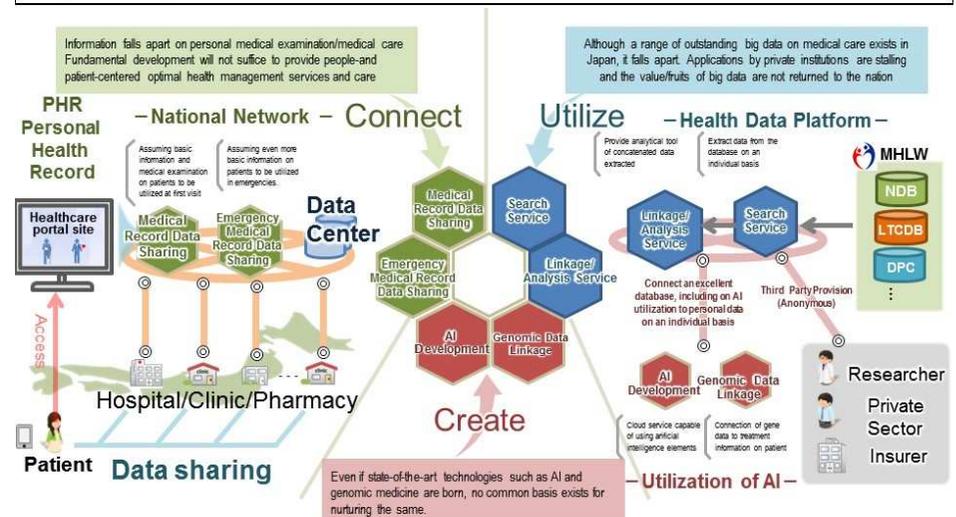
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○ Standardizing medical information and improving common ICT infrastructure to improve and streamline medical care, thereby maintaining world-class health and medical standards and stimulating private sector investment to realize a society allowing for a healthy and secure life.



[Improving the infrastructure for ICT utilization in health and medical care fields]

- Improving ICT infrastructure organically linking health care, medical care and long-term care data
 - Providing optimal health management services and care to people and patients. Returning the fruits produced by data and technology to society
 - Facilitating sharing of health care, medical care and long-term care information among medical and long-term-care workers. Streamlining and boosting medical care/services
 - Allowing researchers, private institutions and insurers, etc. to analyze big data of health care, medical care and long-term care as personal history.

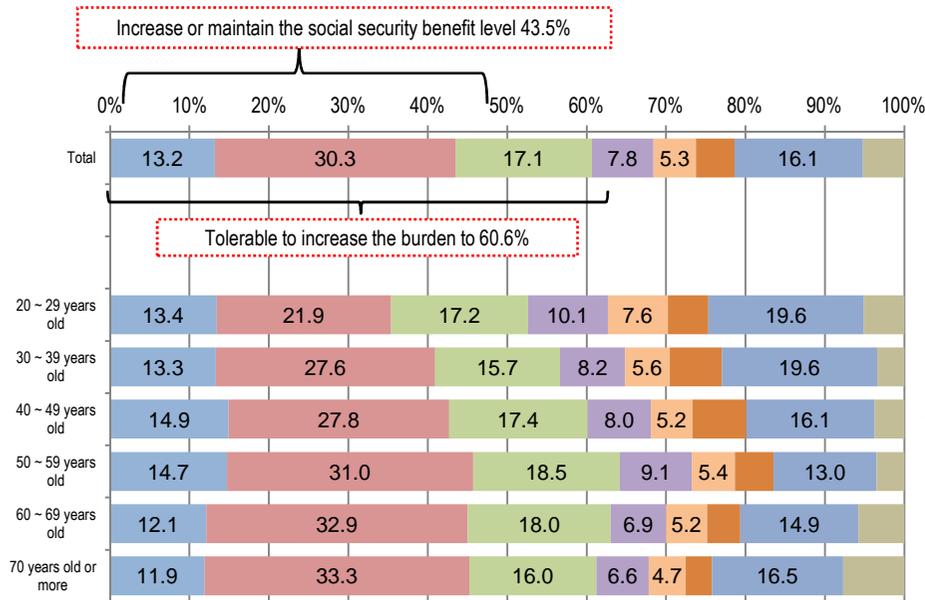


Chapter 3 Social Security from the Growth Perspective

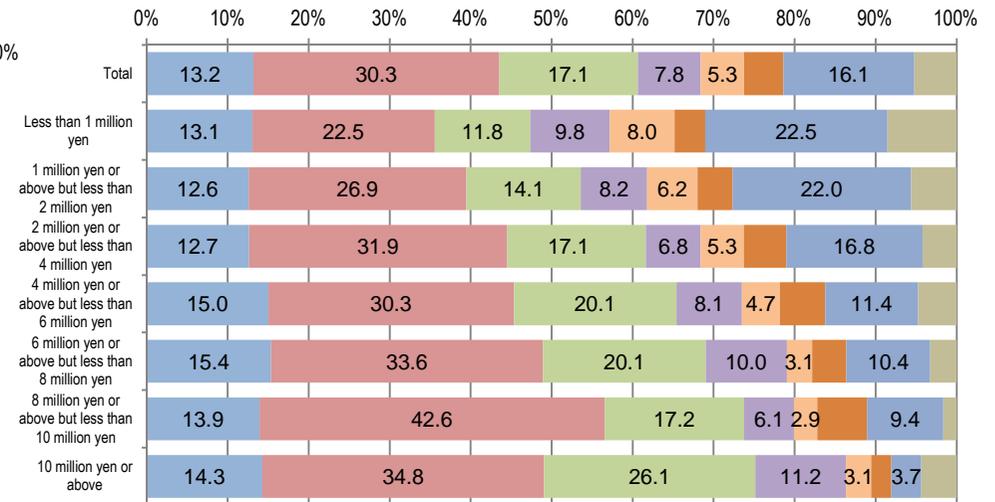
Section 4 Ensure a virtuous cycle of “growth and distribution”

- With regard to the future direction of the social security burden and benefits, more than 40% of the nation want the current level of social security benefits to be kept up or raised, and approximately 60% think a hike in contributions is unavoidable. Elderly people and high-income earners are more favorable to the same level of benefits and are more likely to accept a hike in contributions than others.
- It is important to (1) promote the demonstration of diverse individuals' abilities, (2) build a social security structure that can make the working generation feel safe, such as an “all generation- oriented” social security and (3) further improve and streamline medical and nursing care through technological innovation, while considering social security from the growth perspective.

[Burden and benefits of social security in future (by age groups)]



[Burden and benefits of social security in future (by equivalent income brackets)]



- Tolerable to raise the social security benefit level while accepting a subsequent increase in burden
- Tolerable to maintain the social security benefit level while accepting a subsequent increase in burden due to the declining birthrate and aging population
- Tolerable to somewhat lower the social security benefit level while accepting an increase in burden to some extent
- The social security benefit level should be lowered while maintaining the burden unchanged
- The social security benefit level should be lowered drastically to reduce the burden
- Other
- Unknown
- Unclear

Source: “A Report of Awareness Survey on Public and Private Services in Social Security” (2015), Counsellor Office for Policy Evaluation to Director-General for Statistics and Information Policy, Ministry of Health, Labour and Welfare