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# Introduction

## **(Summary)**

- While a society with a decreasing population has become a reality for Japan, the nation has not succeeded in creating an environment in which people can marry and bear children as they desire.
- It is essential that the government to create a new restructured frame to support development of the next generation, securing employment and creating an environment where everyone can work according to his or her willingness and abilities. Along with these, the government should appropriately operate its social security system so as to ensure that people can have a secure economic base throughout their lifetime. Discussions should be held to develop social security that people will be able to rely on for a long time to come.
- This White Paper aims to explain measures to cope with changes in demographic structure and the work environment, from the viewpoint of supporting development of the next generation, securing employment and income that supports people's living. It also intends to provide a concise description of social security and presents points of view from which future social security will be constructed.

## **< Challenges in a society with a decreasing population >**

- Today, Japan faces various challenges to overcome, with the globalizing economy and the arrival of a full-fledged depopulating society due to the aging of society with fewer children. A rapid decline in population poses a risk of undermining the sustainability of the Japanese society and economy. It has also created a situation in which people are unable to fulfil their desires concerning marriage and childbearing. Many people live a life far from what they desire concerning marriage and childbearing (about 90% wish to marry and the average desired number of children is 2).

## **< The environment for independence and mutual support >**

- The base of the Japanese society consists of people's independence and mutual support. It is critical that every member of the society fully contributes his or her abilities to family, work, and the local community.
- With regard to independence, work environment problems attracting attention in Japan include minimum wage workers, unstable employment forms, and long work hours for full-time employees. To solve these problems, enable the sustainable development of the economy and society, and allow people marry and bear children as they desire, the government should construct a new restructured frame to support development of the next generation, securing employment and creating an environment where everyone with abilities and willingness to work can find a job best suited for them. Along with these, the government should appropriately operate its social security system so as to ensure that people can have a secure financial base throughout their lifetime. Establishing a rich society that helps people balance work and life is also important.
- Social security is a system for mutual support through which the entire society copes with risks. What are needed on the part of the government in this regard is to explain the future direction of social security by showing its concise vision and effects from the viewpoint of the people and to hold discussions to construct social security that people can trust for a long time to come.

## **< Objectives of this White Paper >**

- In light of the above issues, this White Paper aims to explain measures to cope with changes in demographic structure and the work environment, from the viewpoint of supporting development of the next generation and securing employment and income that support people's living. It also intends to provide an easy description of social security and its effects from the people's standpoint and present points of view from which future social security will be constructed.

# Chapter 1

## Social security and the daily lives of people

### (Summary)

- Social security is designed to guarantee a life with peace of mind by coping with risks that cannot be managed only by personal responsibility, or self supporting efforts through mutual cooperation and mutual support of people (mutual assistance), and to provide a necessary guarantee of livelihood for people in a situation that cannot be solved by self-help or mutual assistance (public assistance).
- Social security's major functions include stabilizing and improving people's lives, redistributing income, and ensuring economic stability.
- Social security benefits paid in FY 2005 were ¥87.9 trillion and their national income ratio was 23.9%. Japan's national income ratio of social security is similar to that of the U.K., whose aging rate is about 4% lower than that of Japan.
- Although social security's primary role is a safety net for people's living, it is also effective in supporting personal consumption and creating effective demand and employment opportunities. In addition, since social security also plays the role of redistributing income among different regions, it actually supports people's livelihood in areas with a high elderly population.

### Section 1 Opinions of the people on social security and the role of social security

#### 1 Opinions of the people on social security

- Issues related to social security rank high in the list of issues that the government should emphasize in the future. This suggests the growing importance of every member of society fully contributing his or her abilities to family, work, and the local community. In other words, consolidating the base of Japanese society, which consists of people's independence and mutual support, is essential.

Chart 1-1-2 Issues that the government should emphasize in the future (multiple answers permitted)  
(Top ten in 2007)

Area	2007	2005	2002
Reform of social security structure for health care and pensions	1st	1st	2nd
Measures for the aging society	2nd	3rd	3rd
Economic measures	3rd	2nd	1st
Employment and labor issues	4th	4th	4th
Environmental protection	5th	9th	6th
Price stabilization measures	6th	7th	5th
Tax reform	7th	6th	7th
Crime prevention measures	8th	5th	8th
Educational reform and measures for youth	9th	10th	10th
Measures to stop falling birth rate	10th	8th	12th

Source: Cabinet Office, "Public Opinion Poll on National Lifestyle" (2002, 2005, and 2007).

## 2 The role of social security

### <Basic concept of social security>

- “Mutual assistance” (social insurance systems such as pensions, health insurance, long-term care insurance, and employment insurance) refers to guaranteeing a life with peace of mind by coping with risks that cannot be managed only by personal responsibility or self supporting efforts through mutual cooperation and mutual support of people. “Public assistance” (public aid [livelihood protection] and social welfare) provides a necessary guarantee of livelihood for people in a situation that cannot be solved by self-help or mutual assistance.
- Social security can be divided into three major fields.
  - (i) Guarantee of income that forms the economic base for an independent life (such as employment measures, employment insurance, pension, public assistance system)
  - (ii) Guarantee of social services to support community life and family life (such as health care services, long-term [preventive] care services, services to support independence of persons with disabilities)
  - (iii) Guarantee of benefits and services to support development of the next generation as members of a sustainable society (benefits and services that help balance the employment of parents and sound growth of children, benefits and services that support the sound growth of every child and childcare in every family with children)

### < Functions of social security >

- Major functions of social security are (i) stabilizing and improving people’s lives, (ii) redistributing income, and (iii) ensuring economic stability
  - (i) Stabilizing and improving people’s lives
    - This function stabilizes people’s lives and brings them peace of mind (e.g., health care insurance, old-age pension system, employment insurance, and workers’ accident compensation insurance). This allows people to live a challenging life, which will consequently vitalize the entire society.
    - (Example) Health care
      - In principle, patients bear 30% of their medical costs when they consult with a doctor. Even this patients’ burden is kept below the specified limits under the high-cost medical care benefit system, which compensates for excessive medical costs.
      - When a working person stays in hospital for 30 days to undergo stomach cancer surgery,  
the total medical cost is about ¥1.58 million  
(of which about ¥1.49 million is paid by medical insurance)
      - Insurance and other benefits from public medical insurance programs account for about 86% of Japan’s national health expenditure.

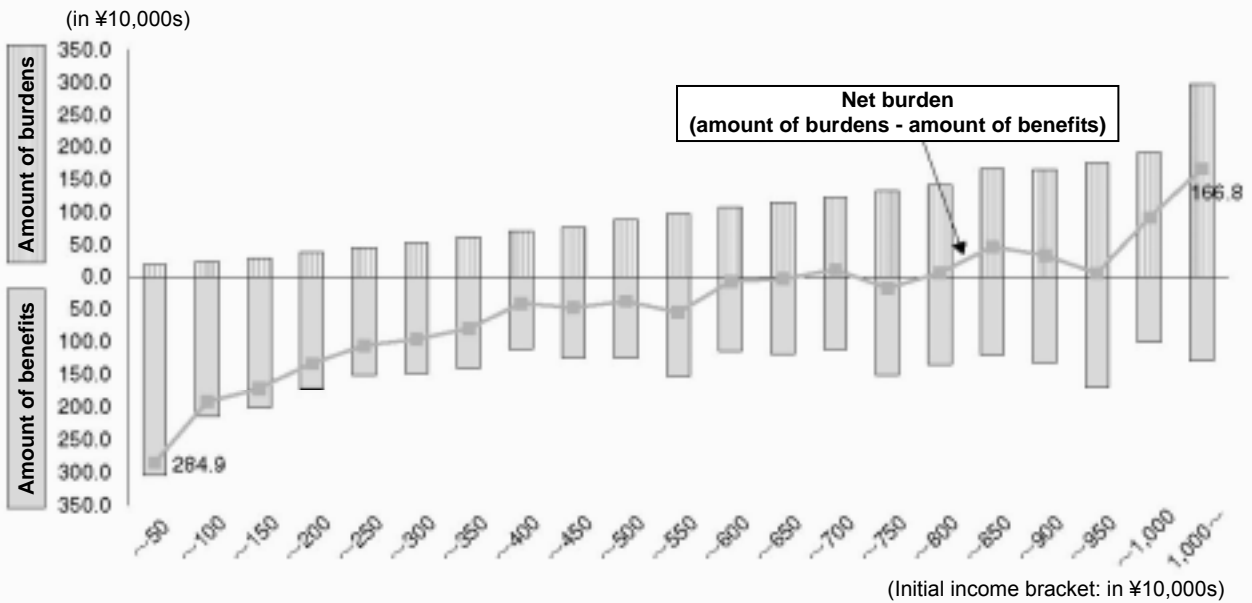
(ii) Redistributing income

This function stabilizes people’s lives by transferring income between individuals and households (e.g., public assistance system, public pension system). Income is redistributed not only by cash benefits but also service benefits. Redistribution through service benefits gives people equal access to basic social services to support their living. This is enabled by asking people to share burdens according to their ability (e.g., insurance premiums defined in proportion to the person’s compensation) and providing benefits as needed (e.g., medical services, daycare services, and other service benefits).

(Example) Income redistribution from the high-income to the low-income brackets

Social security, along with the tax system, redistributes income from the high-income to the low-income brackets (Chart 1-1-10).

**Chart 1-1-10 Benefits and burdens, by household income bracket**



Source: Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, “Income Redistribution Survey” (2005).

(Note 1) The amount of benefits consists of pensions and other social security benefits (including the estimated value of benefits in such as health care and long-term care).

(Note 2) Taxes included in the amount of burdens are the three kinds of direct taxes, namely, income tax, residents’ tax, and fixed property tax (except those related to business), as well as automobile tax and light vehicle tax (except those related to business).

(Note 3) Social insurance premiums included in the amount of burdens are those paid under systems such as medical insurance, pension insurance, and long-term care insurance (except the amount of employer contribution).

(iii) Ensuring economic stability

This function mitigates economic fluctuations and supports economic growth (e.g., employment insurance system, public pension system).

(Example) Employment insurance

When the growth rate of compensation of employees is low, employment insurance as a percentage of compensation of employees is high. This suggests that employment insurance helps shore up family income during times of unemployment and scale down an economic slump from reduced consumption (Chart 1-1-12).

**Chart 1-1-12 Trends in growth in compensation of employees and employment insurance as a percentage of the compensation of employees**



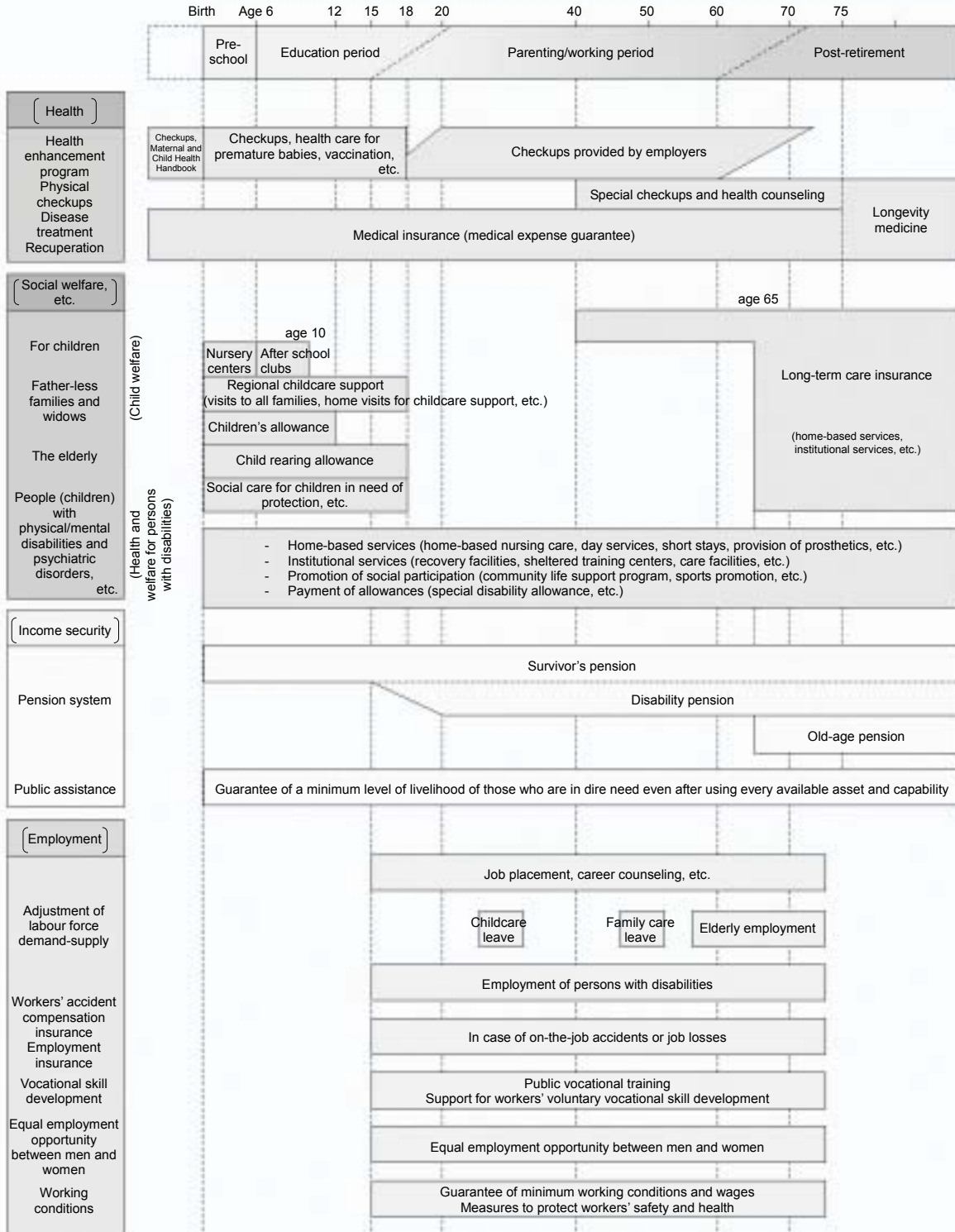
Source: Prepared by the Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, based on the "National Accounts of Japan (long-term time-series)," Cabinet Office.

(Note) The reference years used for compiling the data for FY 1985–1989, FY 1990–1995 and FY 1996 onward are 1990, 1995, and 2000, respectively.

## Section 2 Social security at different stages of the life cycle

This section shows how a person's life is covered by social security at different stages of the life cycle (Chart 1-2-1).

Chart 1-2-1 Social security at different stages of the life cycle

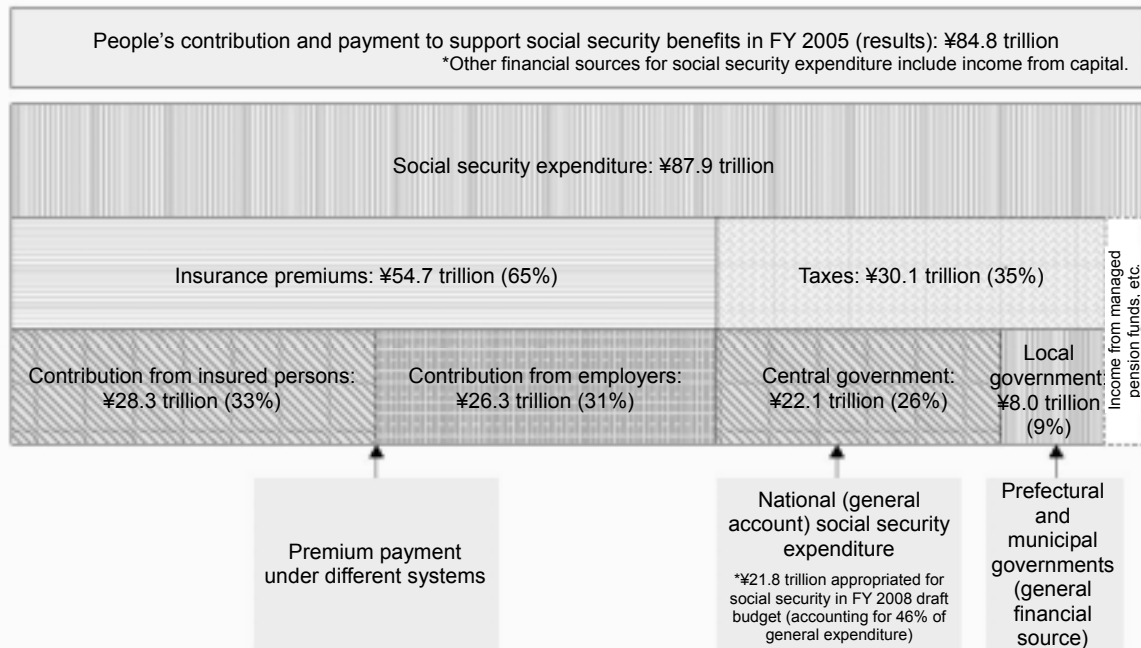


## Section 3 Social security benefit status and its relationship with the national economy and finance

### 1 Social security benefit status and international comparison

- Social security benefits paid in FY 2005 were ¥87.9 trillion, which is about ¥688,000 received per capita. Pensions account for ¥46.3 trillion (52.7%), and health care account for ¥28.1 trillion (32.0%).
- Social security benefits expenditure which is people's contribution and payment excluding income from managed pension funds were ¥84.8 trillion in FY 2005. Insurance premiums accounted for 65%, and taxes 35% (Chart 1-3-3).

**Chart 1-3-3 People's contribution and payment to support social security benefits**

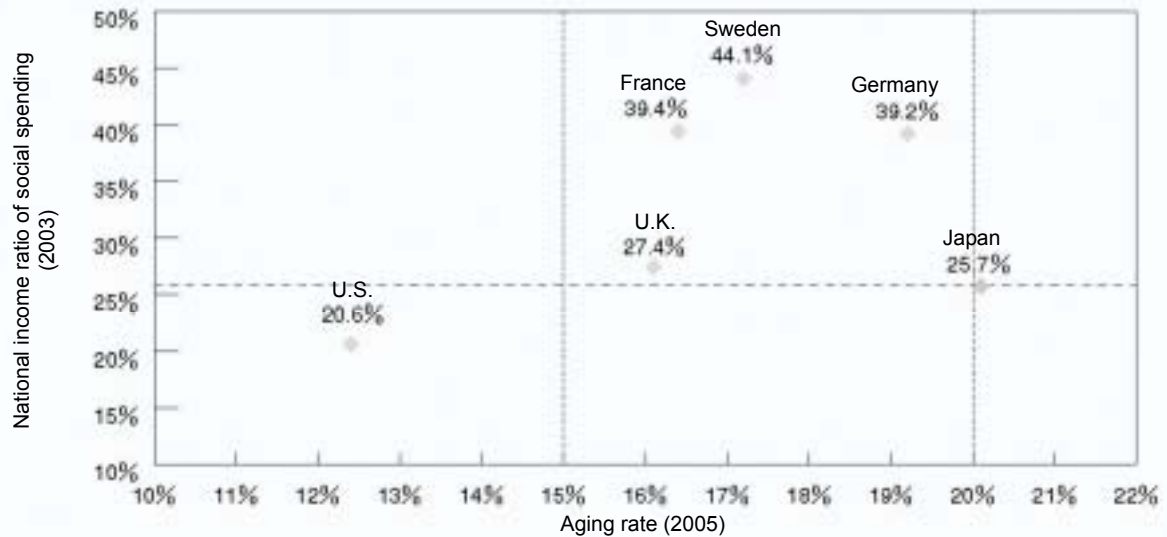


Source: Prepared by the Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, based on "The Cost of Social Security in Japan 2005," National Institute of Population and Social Security Research.  
 (Note) Social security expenditure does not include general and administrative expenses.

- Japan's aging rate (the ratio of the population aged 65 and older to the total population) has exceeded 20%, ahead of any other country in the world. However, its national income ratio of social security benefits is similar to that of the U.K., whose aging rate is about 4% lower than that of Japan. Although major European countries have aging rates lower than that of Japan's, their scale of social security benefits relative to the size of the national economy is greater than that of Japan's, accounting for about 40% of the national income (Chart 1-3-5).



Chart 1-3-4 International comparison of the scale of social security benefits



Sources: OECD, "Social Expenditure Database 2007" for social spending and "OECD in figures 2007" for the aging rate.  
(Note) The data include expenditures that do not fall exactly under social security spending, such as public housing expenditure and facility construction expenditure, because they are based on the social spending data compiled according to OECD standards for social spending.

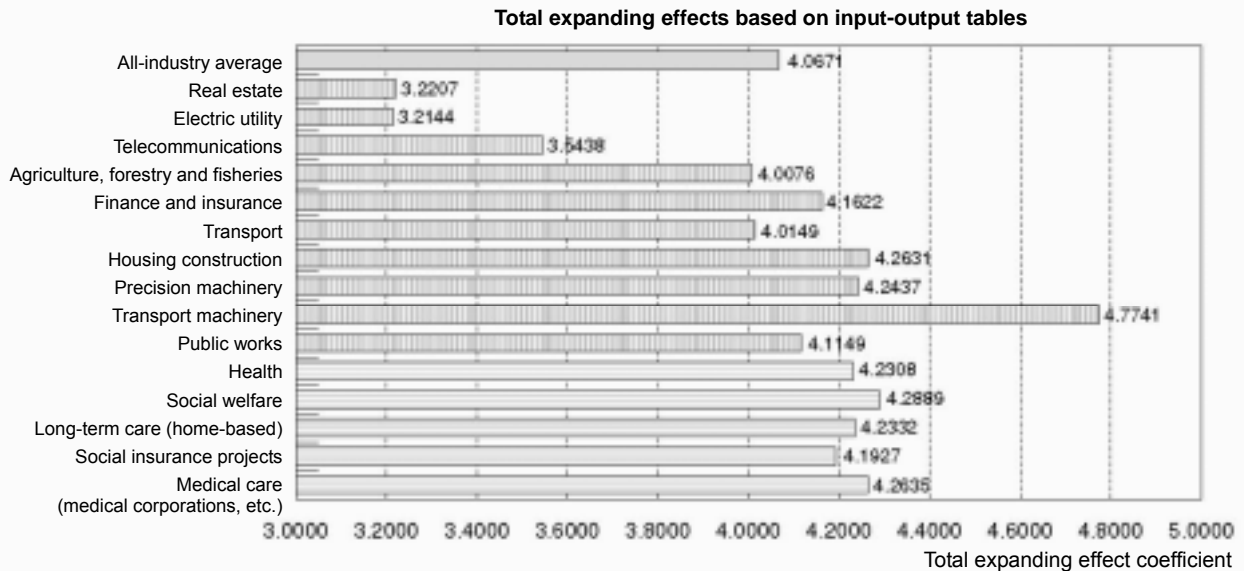
## 2 Social security and national finance

- Social security expenditure is ¥21.8 trillion (FY 2008 budget) and accounts for 26.2% of the general-account budget appropriation. It also accounts for nearly half, or 46.1%, of the general expenditure, which represents a portion of the general-account budget appropriation that excludes national debt servicing costs and local allocation tax grants. Social security expenditure is the largest expenditure item in the general expenditure.

### 3 Social security and the national economy

- Production expanding effects of social security-related projects are greater than the all-industry average (Chart 1-3-10).

**Chart 1-3-10 Total expanding effects of social security**



Source: Prepared by the Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, based on the "An Input-Output Analysis and Study in Health and Welfare Industries" (2004), Institute for Health Economics and Policy.

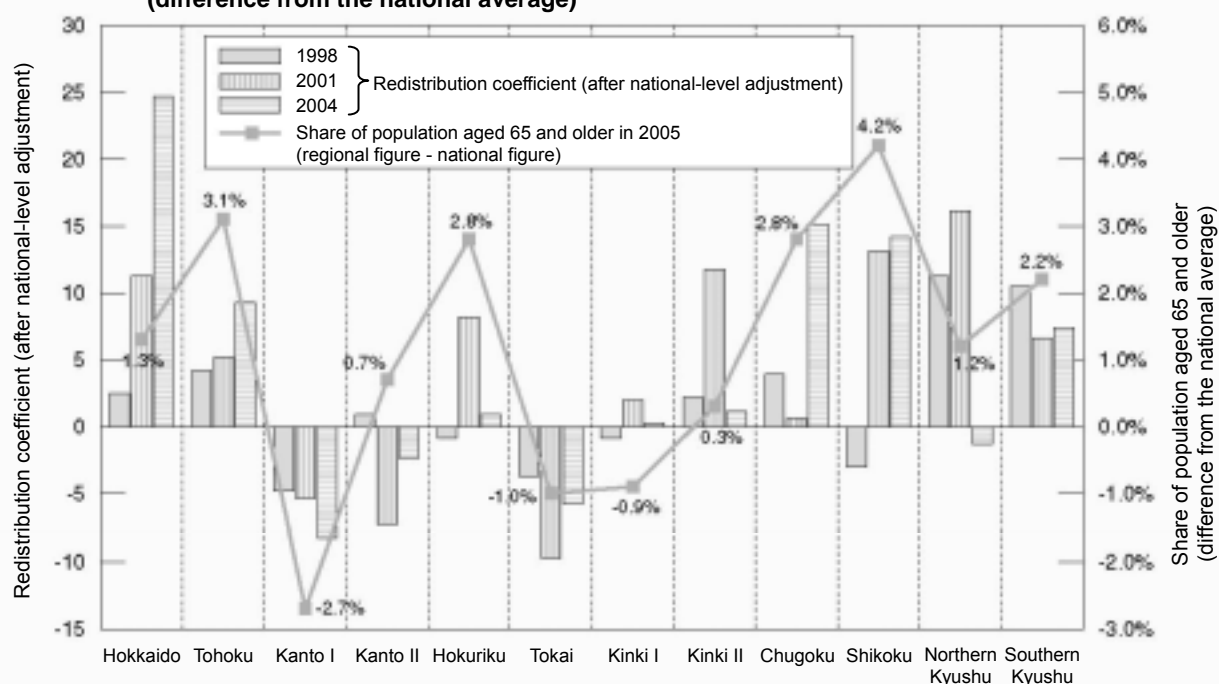
- The employment inducement coefficients (increase in labour demand directly or indirectly arising from the production of demand in a given industry) of the social security sectors, especially that of the long-term care sector, are higher than those of major industries.
- In fact, social security has created many job opportunities as demonstrated by the fact that the number of workers in the long-term care and welfare service sector almost doubled from about 1.7 million in 2000 to about 3.28 million in 2005.
- Although the social security system may have a negative impact on economic growth, it plays an essential role in supporting the development of the economy and society. By ensuring the people peace of mind, the social security system not only serves as a safety net to protect the people's livelihood in line with the original goal of social security but also shores up personal consumption and creates effective demand and employment opportunities.

### 1 Social security system's effects on regional life

- The realities of the social security system differ from region to region, for example, with respect to the share of people who need social security benefits, the types of benefits received, the number of people paying social insurance premiums, and the amount of such payments. Therefore, the social security system plays the role of redistributing income among different regions and supports people's livelihood in areas with a high elderly population.

An analysis of income redistribution status in different regional blocks by the redistribution coefficient (after national-level adjustment) shows that the coefficient is often a negative figure in regions with a high aging rate and a positive figure in those with a low aging rate. This suggests that income is redistributed from less aged regions to more aged regions <sup>(Note 1)</sup> (Chart 1-4-1).

**Chart 1-4-1 Income redistribution and the share of population aged 65 and older, by regional block (difference from the national average)**



Sources: For the redistribution coefficient (after national-level adjustment), the source is the Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, "Income Redistribution Survey"; the share of population aged 65 and older (difference from the national average) is compiled by the Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, based on the "Population Census 2005," Statistics Bureau, Ministry of Internal Affairs and Communications.

(Note 1) The regional blocks are defined as follows:

Hokkaido: Hokkaido

Tohoku: Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima

Kanto I: Saitama, Chiba, Tokyo, Kanagawa

Kanto II: Ibaraki, Tochigi, Gunma, Yamanashi, Nagano

Hokuriku: Niigata, Toyama, Ishikawa, Fukui

Tokai: Gifu, Shizuoka, Aichi, Mie

Kinki I: Kyoto, Osaka, Hyogo

Kinki II: Shiga, Nara, Wakayama

Chugoku: Tottori, Shimane, Okayama, Hiroshima, Yamaguchi

Shikoku: Tokushima, Kagawa, Ehime, Kochi

Northern Kyushu: Fukuoka, Saga, Nagasaki, Oita

Southern Kyushu: Kumamoto, Miyazaki, Kagoshima, Okinawa

(Note 2) The redistribution coefficients (after national-level adjustment) are calculated by subtracting the national redistribution coefficient from the regional redistribution coefficient.

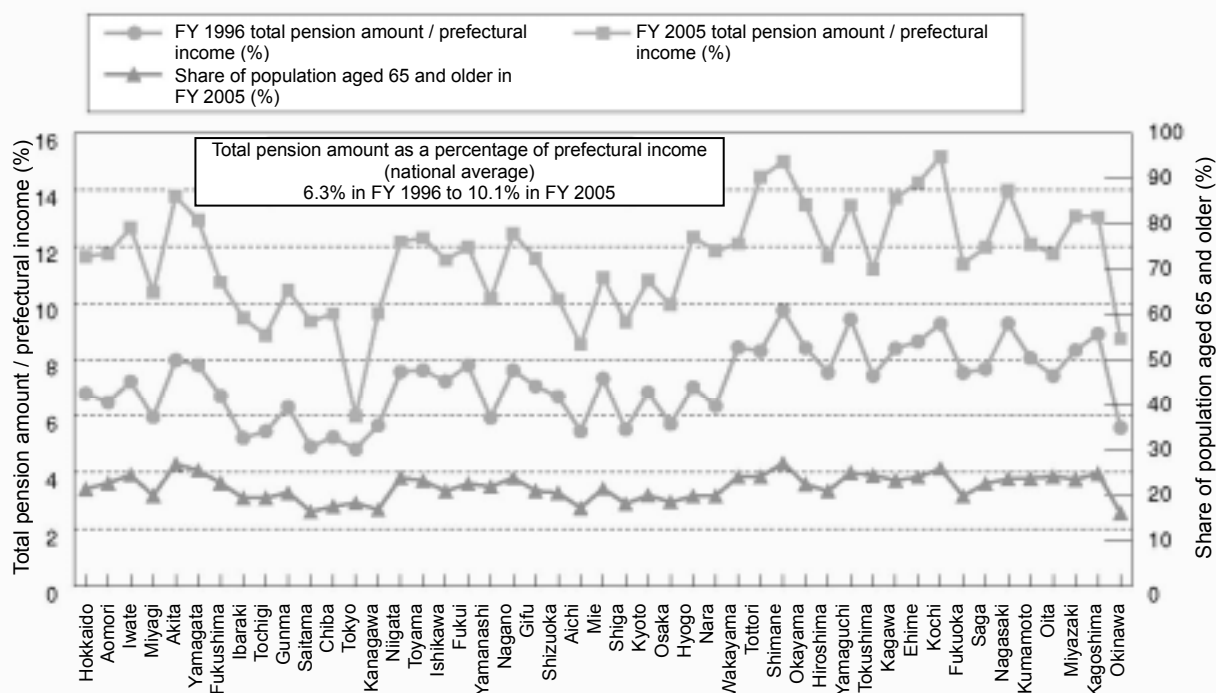
(Note 3) Since "Income Redistribution Survey" refers to income in the year before the survey year, the corresponding year is indicated.

(Note 1) Other than this, income disparities are assumed to contribute to the regional redistribution status.

## 2 Public pensions' impact on regional life

- The national average of the total pension amount as a percentage of prefectural income increased significantly from 6.3% in 1996 to 10.1% in FY 2005, indicating an increased role of pensions in the elderly's regional life (Chart 1-4-5).

**Chart 1-4-5 Pensions as a percentage of income and the share of population aged 65 and older**



Sources: Social Insurance Agency, "Outline of the Social Insurance Programs," (FY 1996 and 2005), for the total pension amount; Cabinet Office, "Annual Report on Prefectural Accounts," for prefectural income; Statistics Bureau, Ministry of Internal Affairs and Communications, "Population Census 2005," for the share of population aged 65 and older.

(Note) The total pension amount refers to total pensions paid to the recipients of the Employees' Pension Insurance and the National Pension (including welfare pensions) as of the end of FY 2005.

## Section 5 Characteristics of the Japanese social security system and recent developments

### 1 Characteristics of the Japanese social security system and the history in the pre-bubble period

- After World War II, the Japanese social security system was expanded on the assumption that the increase in the labour force population and the dramatic economic growth would continue. After the first oil crisis, the government revised the system to adapt to social and economic changes.
- Japanese employment practices, which are characterized by long-term employment, seniority-based personnel management, and enterprise labor unions, have been formed mainly among large companies. Against this background, the government adopted policies to stabilize employment with emphasis on adjustment functions of internal, or in-house, labour markets.

### 2 The post-bubble period and after the arrival of a full-fledged aging society with fewer children

- Amid the slow growth economy after the corruption of the so-called bubble economy, the government carried out reforms aimed at responding to people's needs for the social security system in a way that kept in harmony with the national economy, and implemented employment and labor policies designed to cope with the harsh employment/unemployment situation and diversified work styles.

# Chapter 2

## Recent social and economic changes and trends in household finances

### (Summary)

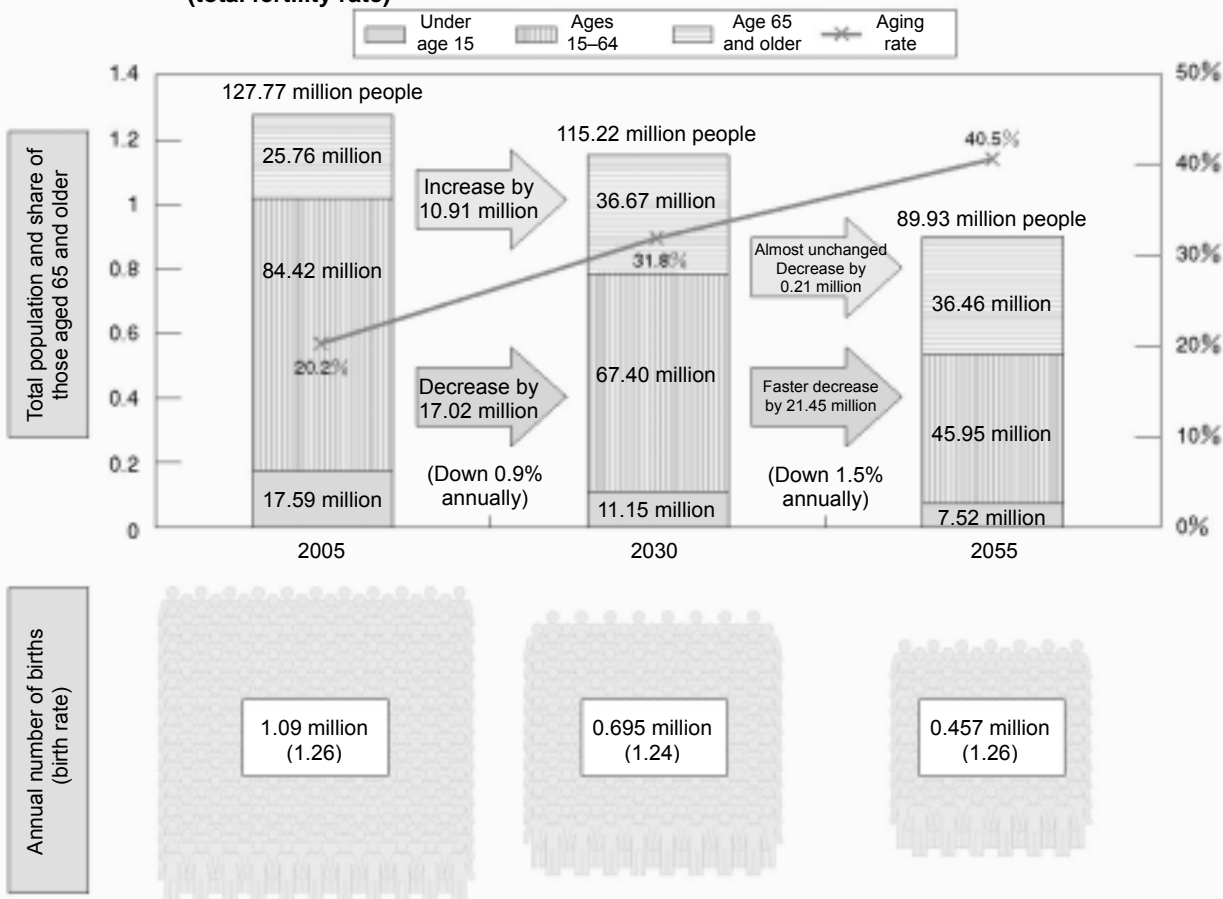
- The aging of society and the decline in birth rate are expected to accelerate in Japan. The nation will face a significant change in demographic structure, which is likely to lead to a falling labour force population and thus affecting the sustainable development of the Japanese economy and society.
- Trends show that companies will maintain long-term employment while making regular employees' wage structure based more on performance and merit. The number of non-regular employees has been increasing. Among the young generation, the share of non-regular employees has increased and there has been a trend toward wider income disparities among workers.
- Trends in work hours are polarizing into long and short hours. Among male workers in the child-rearing generation, about 20% work long hours, continuously showing a high percentage. On the other hand, about 70% of working women leave their jobs for the reason of childbirth.
- The primary factor in the widened income disparities between households (a rise in the Gini coefficient of total household income) in recent years is a change in age demographics and other effects of the aging of society. With regard to the young generation, the government should continue efforts to promote regular employment of freeters in order to prevent them from contributing to widening income disparities when they come to form independent households.

### Section 1 Changes in demographic structure and other aspects

#### 1 Changes in demographic structure

- Japan's population began to decline in 2005. In the future, the country will face further aging of society with fewer children and move into a full-fledged era of population decrease (National Institute of Population and Social Security Research, "Population Projection for Japan" [December 2006], which is hereinafter referred to as "the new population projection").
- When examining the new population projection, one must pay attention to not only the falling birth rate and the decreasing population, but also a major change in the Japanese demographic structure. It is predicted that by 2030, Japan's aging rate will rise to 31.8%, indicating that one out of three Japanese will be a senior citizen aged 65 or older, and that the figure will top the 40% mark to reach 40.5% in 2055 (Chart 2-1-1).

**Chart 2-1-1 Future changes in population and age demographics and projections of the birth rate (total fertility rate)**

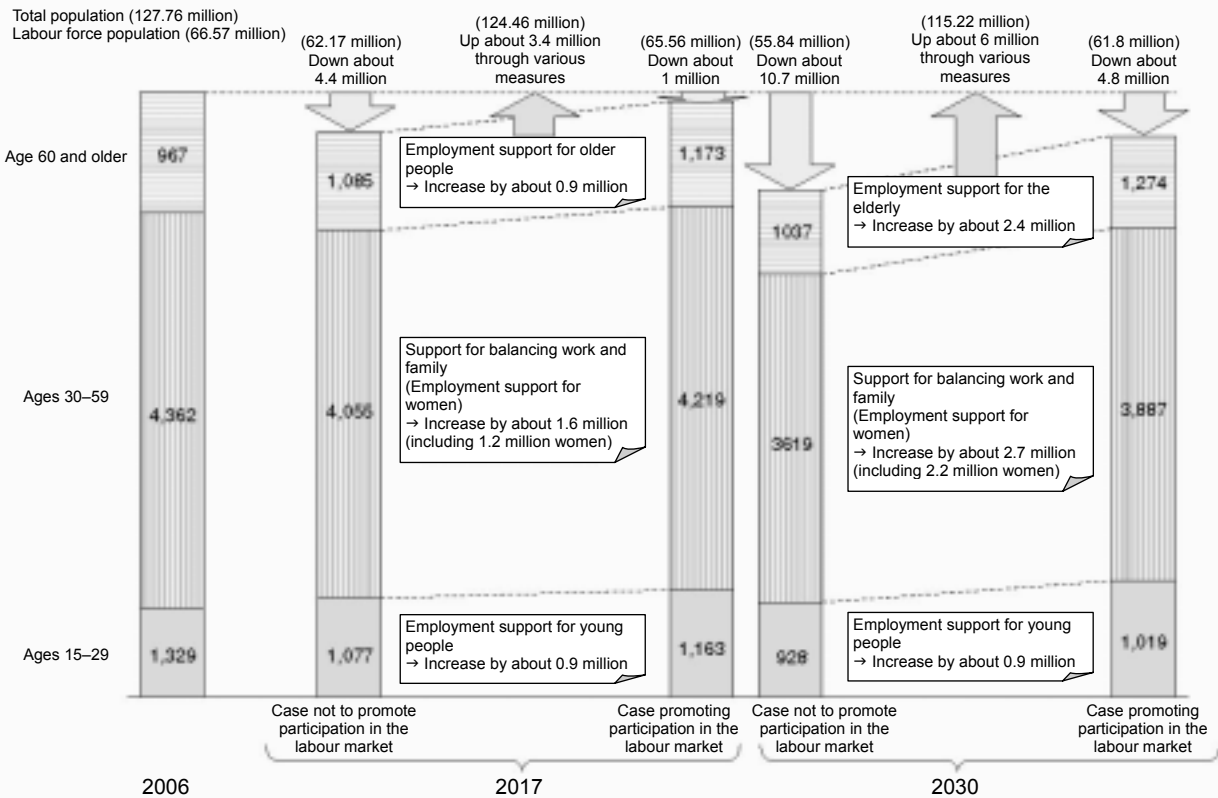


Source: National Institute of Population and Social Security Research, "Population Projections for Japan" (December 2006) (medium-fertility, medium-mortality projection).

## 2 Decline in the labour force population

- There is a concern that changes in demographic structure may lead to the decline in the labour force population and affect the sustainable development of the Japanese economy and society.
- It is estimated that if the labour participation rates remain the same as the 2006 levels, Japan's labour force population in 2030 will be about 10.7 million, smaller than that in 2006. However, projections also show that if various employment measures are taken to foster the participation in the labour market, the decline in the labour force population will be limited to about 4.8 million (Chart 2-1-2).

**Chart 2-1-2 Prospects for changes in the labour force population**



Source: Employment Security Bureau, MHLW, "Report by the Employment Measure Study Group" (2007).

(Note 1) The total population for 2006 is based on "Population Estimates," the Statistics Bureau, Ministry of Internal Affairs and Communications, and that for 2017 and 2030, "Population Projections for Japan" (December 2006), the National Institute of Population and Social Security Research.

The labour force population for 2006 is based on "Labour Force Survey," the Statistics Bureau, Ministry of Internal Affairs and Communications, and that for 2017 and 2030 is the result of discussion by the Employment Measure Study Group, which used estimates by the Study Group on FY 2007 Labour Force Supply and Demand Projections, Japan Institute for Labour Policy and Training.

(Note 2) 1. The "case not to promote participation in the labour market" assumes that the labour participation rates for both sexes and all age groups will remain the same as the 2006 levels.

2. The "case promoting participation in the labour market" assumes that more people, including youth, women, and the elderly, will participate in the labour market as a result of various measures.

- On the other hand, the future trends in marriage and childbearing (the ratio of life-time no marriage among women born in 1990 is 23.5%; the final number of children per couple, 1.70; and the total fertility rate in 2055, 1.26) that the new population projection assumes are far from what marriage and childbearing people desire (about 90% wish to marry and the average desired number of children is two or more). It is essential for the government to create a social and economic environment in which people can marry and bear children as they desire.

### 3 Changes in family structure and communities

- The number of one-person households is expected to continue to increase and come to account for 37.7% of the households headed by persons aged 65 and older by 2030. One-person households are vulnerable to social risks and the growing share of such households may pose a greater threat to the sustainability of communities.

## Section 2 Changes in the work environment

### 1 Introduction of the merit pay system and other changes in Japanese employment practices

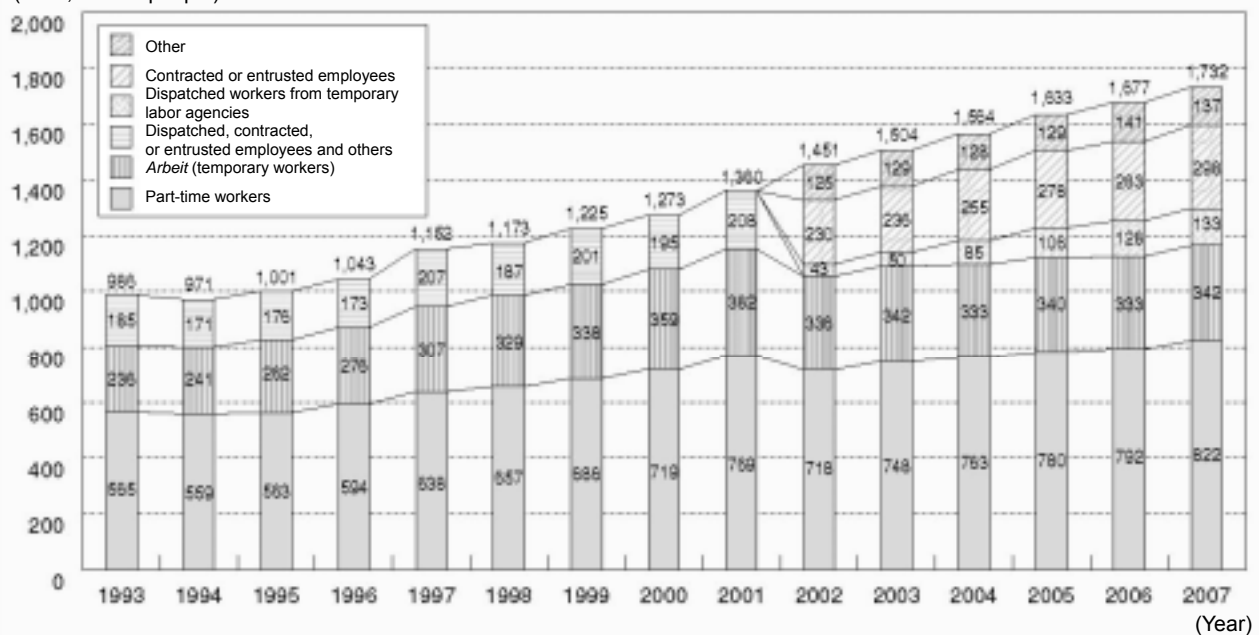
- Trends show that companies will maintain long-term employment while making regular employees' wage structure based more on performance and merit.

### 2 Increase in the number of non-regular employees

- The number of non-regular employees, including part-time, dispatched, and contracted workers, is increasing, constantly accounting for over 30% of total employees (except executives) since 2003 (Chart 2-2-2). Workers engaged in such types of employment earn less income compared with regular employees (Chart 2-2-3).

**Chart 2-2-2 Change in the number of part-time, dispatched, and contracted workers**

(in 10,000s of people)



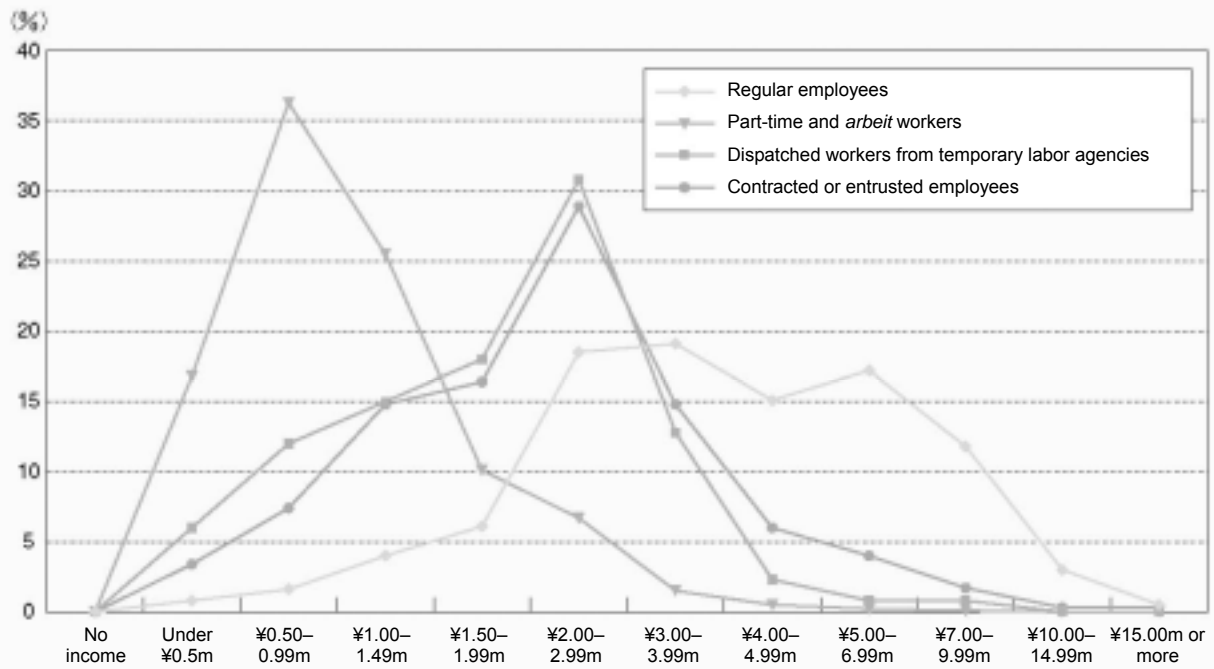
Source: Statistics Bureau, Ministry of Internal Affairs and Communications, "Special Survey of the Labour Force Survey" and "Labour Force Survey (Detailed Tabulation)."

(Note 1) The data for 1993–2001 are the February figures and those for 2002–2007, annual averages.

(Note 2) Since 2002, the "Dispatched, contracted, or entrusted employees and others" category has been divided into the three detailed categories of "Dispatched workers from temporary labour agencies," "Contracted or entrusted employees" and "Others".



**Chart 2-2-3 Distribution of annual income by type of employment**



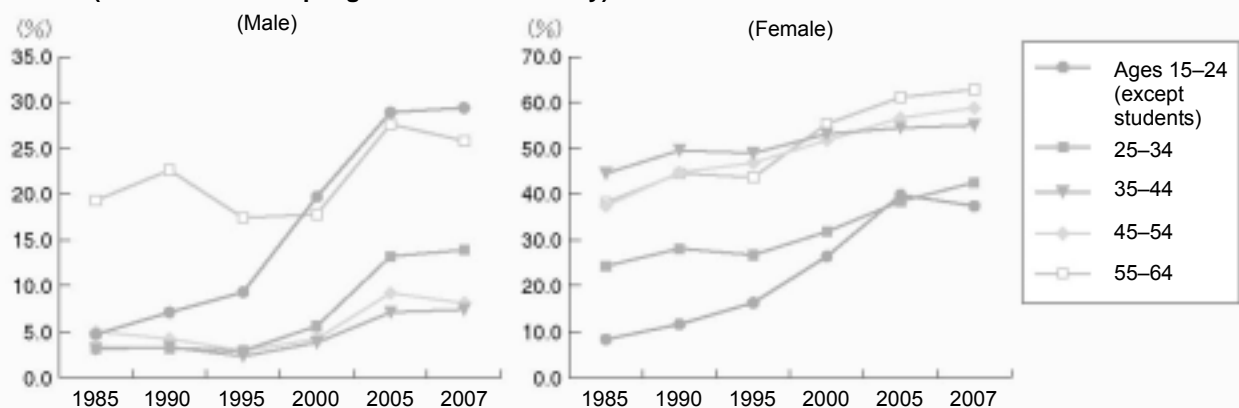
Source: Prepared by the Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, based on "Labour Force Survey (Detailed Tabulation) (2007 average)," Statistics Bureau, Ministry of Internal Affairs and Communications.

- In recent years, there has been an increase in the number of people who have been forced to take non-regular jobs (the percentage of those who answered they "could not find a full-time job" increased from 14.0% in 1999 to 25.8% in 2003).

### 3 Young generation's employment status and lives

- Among the young generation, the share of non-regular employees is increasing (Chart 2-2-5).

**2-2-5 Non-regular workers as a percentage of total employees except executives (in industries except agriculture and forestry)**



Source: Prepared by the Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, based on "Labour Force Survey (Special Survey in February)," Statistics Bureau, Ministry of Internal Affairs, for 1985, 1990, 1995, and 2000 and "Labour Force Survey (Detailed Tabulation) January–March Average Results" for 2005 and 2007.

- The number of freeters (those who graduated from school, have no spouse, and are either engaged in or looking for a part-time or *arbeit* job) was 1.81 million in 2007, posting a decline for four consecutive years after the peak at 2.17 million in 2003. However, the number of older freeters aged 25–34 still stands at 0.92 million in 2007, after reaching 0.99 million in 2004, indicating a slower improvement than younger freeters aged 15–24.
- A comparison of 1992 and 2002 data on compensation of employees among the young generation reveals a trend toward wider income disparities. For example, among those in their 20s, both the share of employees in the under ¥1.5 million income bracket and the share of those in the ¥5 million-plus income bracket increased. A more recent trend is that the rise in the Gini coefficient between 2001 and 2004 in the 25–34 age bracket is greater than other age brackets, but this age bracket showed a somewhat smaller increase in 2005.
- Among individuals who fall under the “freeter” category, those who stay with their family, without forming an independent household, account for over 70% in the 15–34 age bracket and about 60% in the 30–34 age bracket. These figures demonstrated by freeters are higher than those among regular employees and non-regular employees.
- The number of young people without work (the non-labor force population aged 15–34 and not engaged in household labour or education) was 620,000 in 2007, remaining almost the same as the previous year. This represents a decline of 20,000 from the peak at 640,000 in 2002–2005. Their share of the same-age population slightly fell in 2006 but rose again to about 2% in 2007.

#### **4 Work-life balance**

##### **(Financial independence of the youth and mothers of fatherless families)**

- Among the young generation, an increased number of employees receive low compensation due to the rise in the number of non-regular employees. There has been no significant improvement in the average annual income for mothers of fatherless families. These trends suggest a continuous need for employment support measures for such groups.

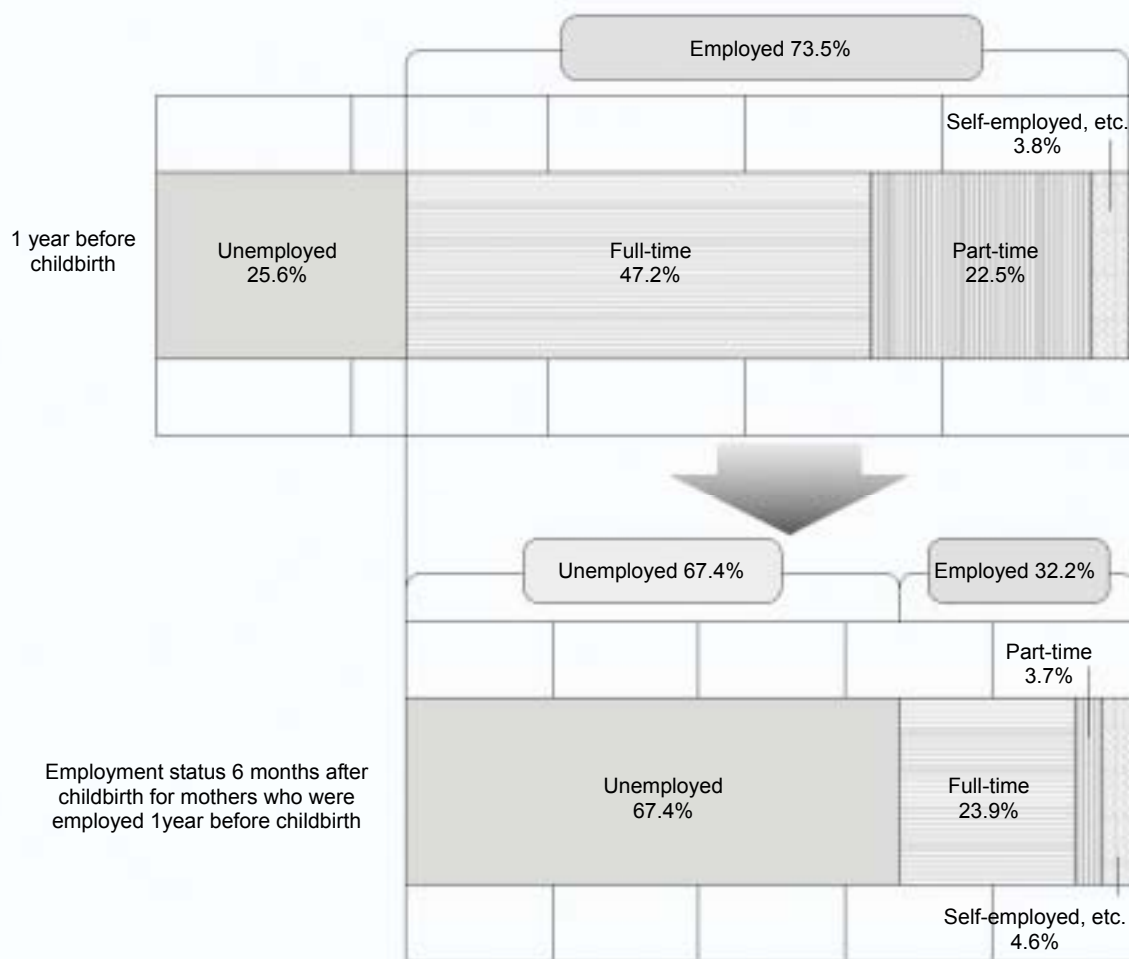
##### **(Securing time for a healthy and active life)**

- The shares of employees working less than 35 hours a week and those working 60 or more hours a week indicate a polarizing trend in work hours into long and short hours. Among male workers in the child-rearing generation (in their 30s or 40s), the share of those who work 60 or more hours a week remains high at about 20%.
- On the other hand, the results of a workers’ opinion poll that asked which they give higher priority to, work or life show that the share of those who rather choose work for the present is greater than the share of those answering otherwise. However, the survey also indicates a trend that workers wish to give higher priority to personal life in the future.

##### **(Improving the work environment for women and the elderly)**

- The results of a survey of households with a single child were analyzed to identify the change in the employment status of mothers after the birth of the child. It was revealed that about 70% of women who had been working left their jobs after childbirth (Chart 2-2-14).

**Chart 2-2-14 Changes of employment of mothers with one child**



Source: Statistics and Information Department, Minister's Secretariat, MHLW, "First Longitudinal Survey of Babies in 21st Century" (FY 2001).

- Among the elderly, about 30% to 40% of men and about 20% to 30% of women wish to continue work no matter how old they become (2004). The government will further efforts to secure employment opportunities fit for various levels of physical strength and willingness to work among the elderly.

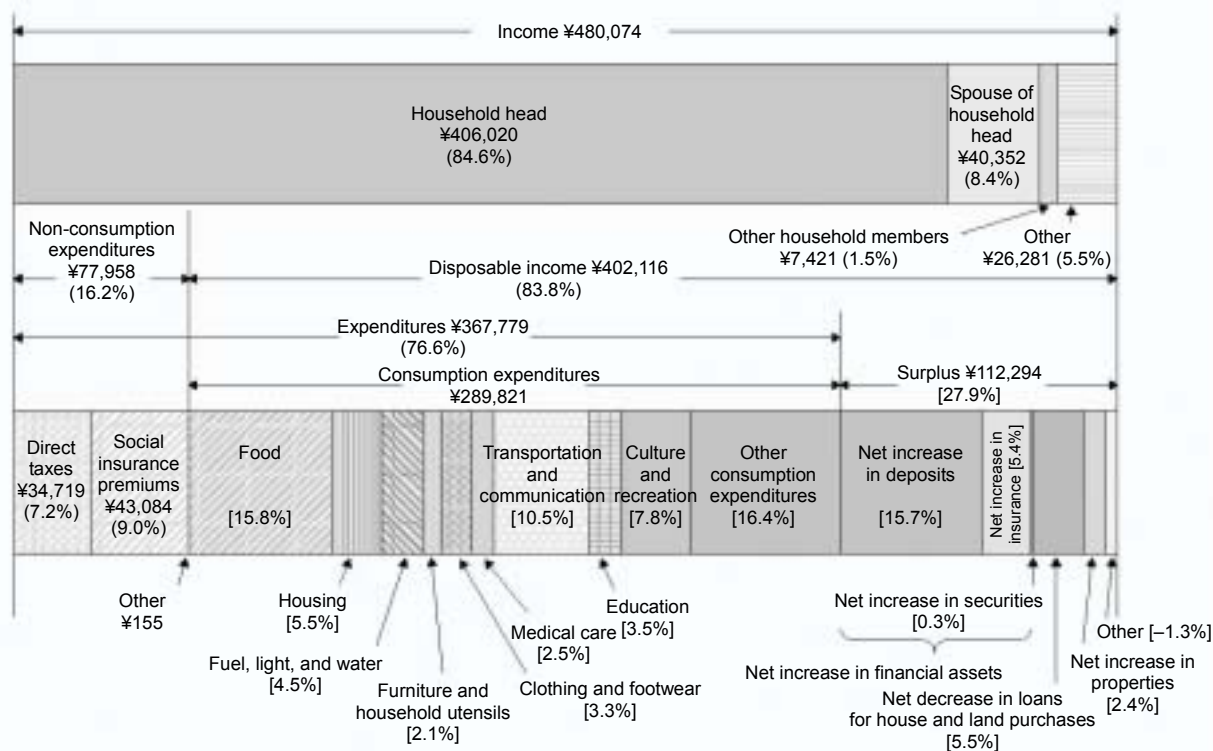
## Section 3 Trends in household finances

### 1 Household budget structure

#### < Household income and expenditure >

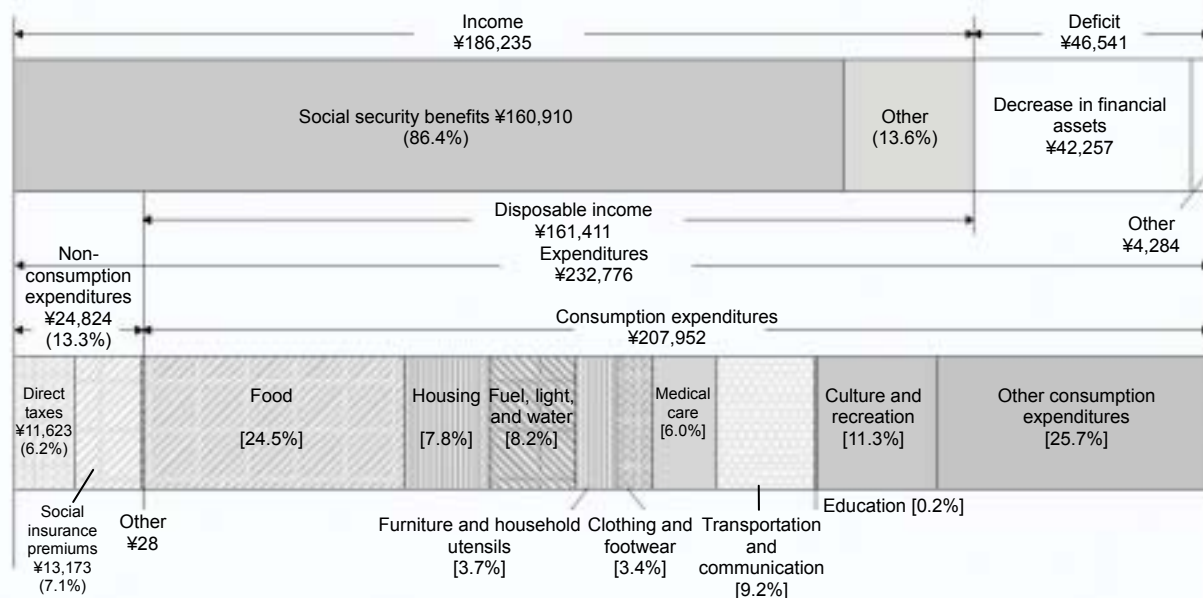
- The average household budget of workers' households is in the black, while elderly non-working households maintain their livelihood partly by dipping into financial assets. This fact indicates a lifestyle in which people secure income by working as long as they can work and, after retirement, live mainly on their pensions, while using their savings (Charts 2-3-3 and 2-3-5).

**Chart 2-3-3 Average household income and expenditure for workers' households (2007)**



Source: Statistics Bureau, Ministry of Internal Affairs and Communications, "Family Income and Expenditure Survey (Total households)" (2007).  
 (Note) The figures in ( ) denote the item's share of income, and those in [ ] the item's share of disposable income.

**Chart 2-3-5 Average family income and expenditure for elderly non-working households (2007)**



Source: "Family Income and Expenditure Survey (Total households)" (2007), Statistics Bureau, Ministry of Internal Affairs and Communications  
 (Note) The figure in ( ) denotes the item's share of income, and that in [ ] the item's share of disposable income.

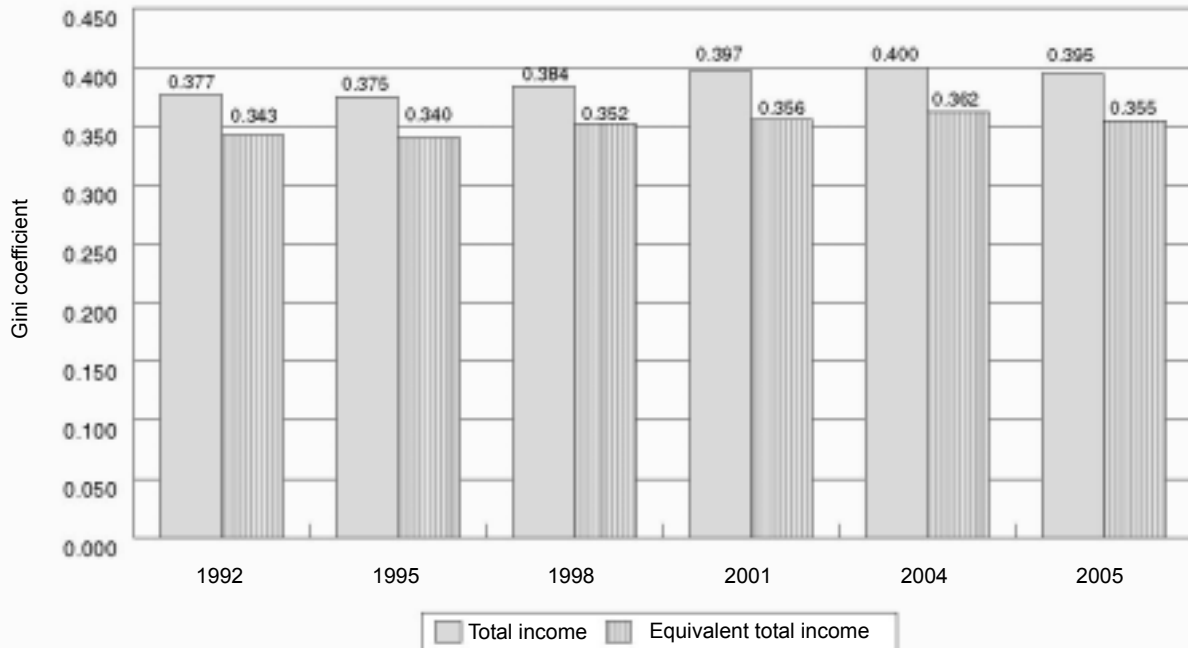
## 2 Trends in household income disparities and the income redistribution effect of social security

### < Income disparities >

#### (Overall trends in household income disparities)

- The Gini coefficient, a typical measure of income disparities, kept rising from 1995 to 2004 but slightly fell in 2005, in terms of both the total income not adjusted for household size and the equivalent total income adjusted for household size, which is calculated by dividing the total household income by the square root of the number of household members <sup>(Note 1)</sup> (Chart 2-3-13).

Chart 2-3-13 Change in the Gini coefficient of total household income



Source: Specially compiled by the Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, from the "Basic Life Survey" by the Statistics and Information Department, Minister's Secretariat.

(Note 1) Hereinafter, this income calculated by dividing household income by the square root of the number of household members is referred to as "equivalent household income."

**(Factors in the recent rise in the Gini coefficient of household total income)**

- The factors contributing to the rise in the Gini coefficient of total household income during the 1995–2004 period were analyzed. It was found that the aging of the household head and other age demographic effects constituted the largest factor in the recent rise in the Gini coefficient, accounting for over 60% (Chart 2-3-18).

**Chart 2-3-18 Analysis of factors in the rise in the Gini coefficient of total household income**

2004	0.3999	} Aging and other age demographic effects: 0.01639 (65%)
Trial Calculation A	0.3836	
Trial Calculation B	0.3794	} Effects of the decline in household size: 0.00414 (17%)
1995	0.3748	
		} Other effects: 0.00456 (18%)

Trial calculation A: The Gini coefficient was calculated by using weights to match the percentages of household groups (five-year age groups by the age of the household head) in 2004 with those in 1995.

Trial calculation B: The Gini coefficient was calculated by adding weights to Trial Calculation A to match the percentages of households grouped by the number of household members in 2004 with those in 1995.

(Note) It should be borne in mind that in an analysis such as the above, the effects identified through calculation can vary, depending on the sequence of calculation.

Source: Specially compiled by the Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, from the “Basic Life Survey” by the Statistics and Information Department, Minister’s Secretariat.

**(A summary of the trends in household income disparities)**

- The Gini coefficients of the elderly are relatively high compared with other age brackets. Since the population of the elderly, an age group with wider income disparities than other age brackets, is expected to increase, the government should continue to promote measures to secure the economic base of older people, such as a sustainable pension system that provides peace of mind.
- For the young generation, the Gini coefficient of equivalent total income per household member (including young people living with their parents) stayed flat for a while but slightly declined in 2004 to 2005.

As long as young and unstable workers remain members of their parents’ households, their low income levels have a limited impact on income disparity data. However, to prevent them from contributing to widening income disparities when they form independent households in the future, the government should continue to take measures to foster regular employment of freeters.

**< Income redistribution effect of social security >**

- The Japanese social security system is designed to be a means to redistribute income to people with very low income and the elderly.
- Improvements in the Gini coefficient as a result of income redistribution in Japan were analyzed by comparing the Gini coefficients of equivalent initial income <sup>(Note 2)</sup> and those of equivalent redistributed income <sup>(Note 3)</sup>. It was found that the effects of income redistribution through tax declined, whereas those through the social security system increased.

(Note 2) Initial income: Income before redistribution through tax and social security.

(Note 3) Redistributed income: Income after redistribution through tax and social security (including benefits in kind).

# Chapter 3

## Social security supporting people's lives

### (Summary)

- As the situation of Japanese society is changing, the government is required to roll out measures that meet social and economic changes, including changes in demographic structure and the work environment.
- To support children and parents raising them, the government will create an environment in which people can marry and bear and raise children as they desire by implementing the policies of “balancing work and life by reexamining work patterns” and, as the social base for this, “building a comprehensive framework to support development of the next generation.”
- To secure employment and income for the working generation, the government will take measures to stabilize and facilitate employment of the young generation (e.g., the Regular Employment Plan for Freeters, the Job Card system), improve treatment for part-time workers, and create a better work environment for dispatched employees. At the same time, the minimum wage system and other safety nets for workers will be enhanced in light of changes in the employment structure.
- With regard to income security and employment of the elderly generation, the government will construct a sustainable pension system that provides peace of mind and foster the employment of the elderly. For people needing social support, including persons with disabilities, fatherless families, and recipients of public assistance, the government is implementing various support measures.

### Section 1 Support for children and parents raising them

#### 1 Current state of systems related to support for the development of the next generation

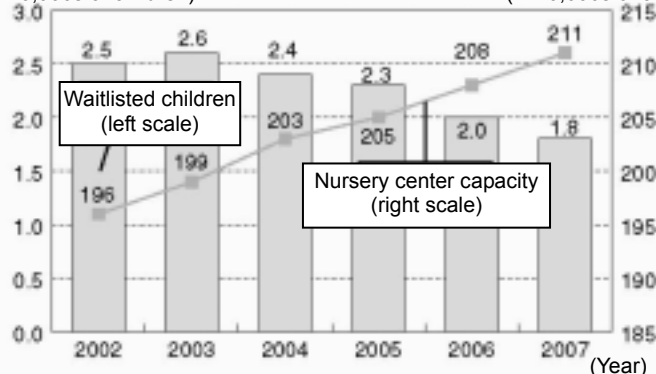
##### < Daycare and after-school childcare measures and regional childcare support >

##### (Measures for preschool children)

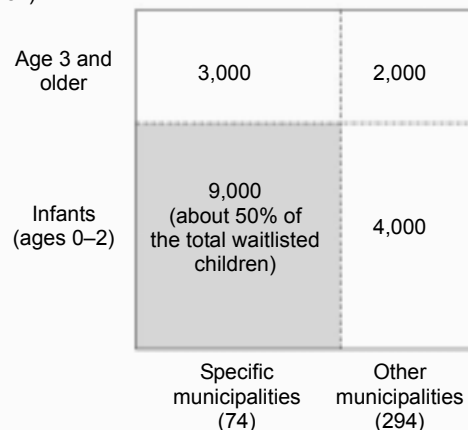
- As of April 1, 2007, there are 22,484 nursery centers, which are used by 2.02 million children. The number of children waiting for the admission to nursery centers is 17,926. Although the number declined for 4 consecutive years (Chart 3-1-2), there are still many waitlisted children, especially in urban areas. Since nursery centers usually admit children at the beginning of each school year, mid-year admission (especially in the later half of the school year) is difficult in areas with many waitlisted children.

Chart 3-1-2 Children waiting for the admission to nursery centers

[ Change in the number of waitlisted children and capacity of nursery centers ]  
(in 10,000s of children)



[ A breakdown of 18,000 waitlisted children ]



- \* Specific municipalities refer to municipalities with 50 or more waitlisted children.
- \* The waitlisted children in specific municipalities account for about 70% of the total.
- \* Waitlisted infants account for about 70% of the total.

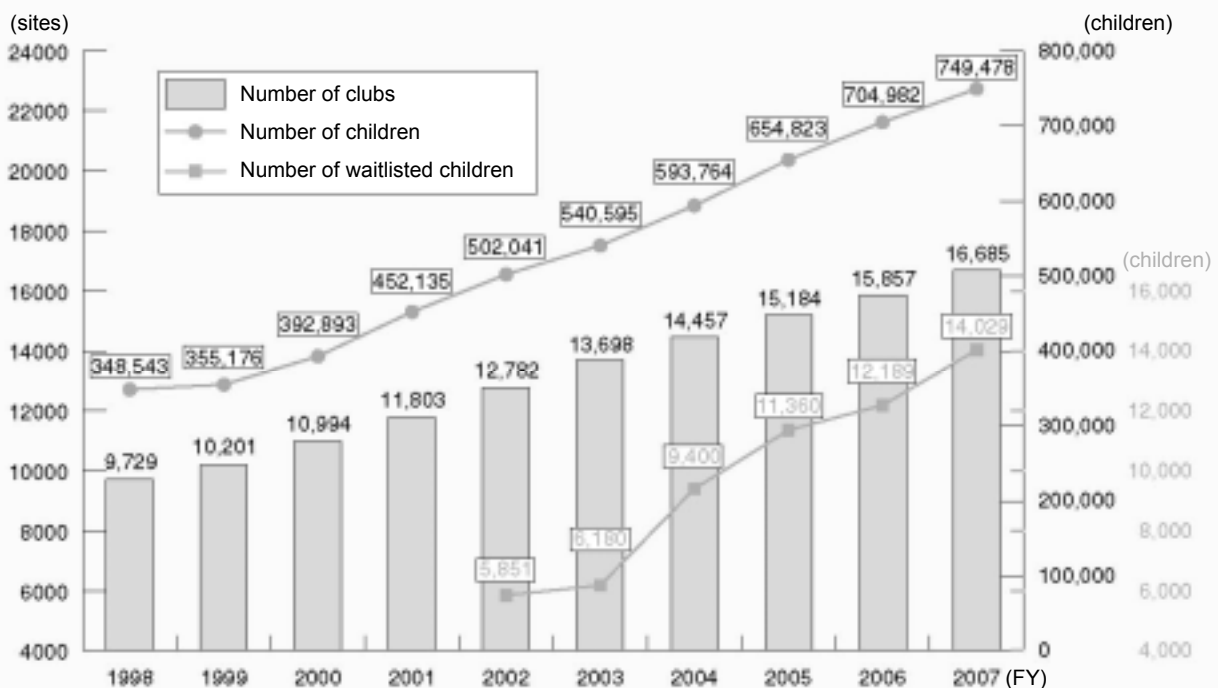
Source: Survey by the Equal Employment, Children, and Families Bureau, MHLW.

- Regional childcare support programs underway include the regional childcare support center program (gathering plazas, Regional Childcare Support Centers, etc.), temporary childcare services (temporary daycare program), family support centers, visits to every family with infants up to 4 months old (Hello Baby program), the home-visit childcare support program. The situation shows that these childcare support services are generally insufficient in quantity. There is a need to strengthen community-based programs because local communities play a central role in supporting childrearing families.

**(Measures for schoolchildren)**

- After school clubs are operated at 16,685 sites as of May 1, 2007, and after-school child classes were held at 6,328 sites in FY 2007. Since FY 2007, the After School Child Plan has been implemented with the aim of coordinating after school clubs and after school child classes. These after-school childcare programs should be improved in both quality and quantity, considering that there are waitlisted children (Chart 3-1-5) and that after school clubs are expanding in size as more and more people wish to use their services.

**Chart 3-1-5 Change in the numbers of after school clubs and registered children**



Source: Survey by the Equal Employment, Children, and Families Bureau, MHLW.  
 (Note) As of May 1 each year

**< Situation concerning various systems related to work style >**

**(Situation concerning the parental leave system)**

- The percentage of workers who take parental leave increased among women (from 44.5% in 1996 to 72.3% in 2005), but the figure among men remains low (changed from 0.16% in 1996 to 0.50% in 2005).
- Since mid-year admission to nursery centers is difficult, it is assumed that some parents take shorter or longer parental leave than they originally desired. What is needed is seamless support from parental leave to childcare services, such as a program to allow children to be easily admitted to nursery centers after their parents' leave ends.



### **(Penetration of working hour reduction and similar programs)**

- The survey results on the penetration of working hour reduction and similar programs show that 41.6% of companies have such programs in place, but there are cases in which workers cannot use the program even if they want to. Measures should be taken to allow workers to choose diverse and flexible work styles.

## **2 Improvement of work-life balance and the direction of support for the development of the next generation**

- Among the unmarried, 90% want to marry sometime in the future. The average desired number of children among the married and the unmarried who wish to marry is two or more for both men and women. However, the birth rate has been falling in these years, creating a gap between what people desire and the reality.

This gap can imply that since Japan has failed to widen social options concerning the balance between work and family life (including marriage, child bearing and rearing), people are forced to choose between them and often sacrifice their desires. To address this situation, the following two policies need to be implemented: “balancing work and life by reexamining work patterns” and as the social base, “building a comprehensive framework to support development of the next generation.” The measures below should be taken according to the “Priority Strategy to Make Japan Friendly to Children and Families,” which was formulated in December 2007.

### **< Measures to improve work-life balance >**

- The government will carry out measures pursuant to the “Work-Life Balance Charter,” formulated in December 2007, and the “Guidelines to Promote Work-Life Balance.”

### **< Construction of a new system structure for supporting development of the next generation >**

#### **(Support for parents to balance work and childrearing)**

- The government should construct a structure and a mechanism to provide parental leave and childcare services for all those wishing to work. Improvements should be made to relevant systems, so that child-rearing employees can work more flexibly (e.g., through a short working hour system) and that men can take parental leave more easily.

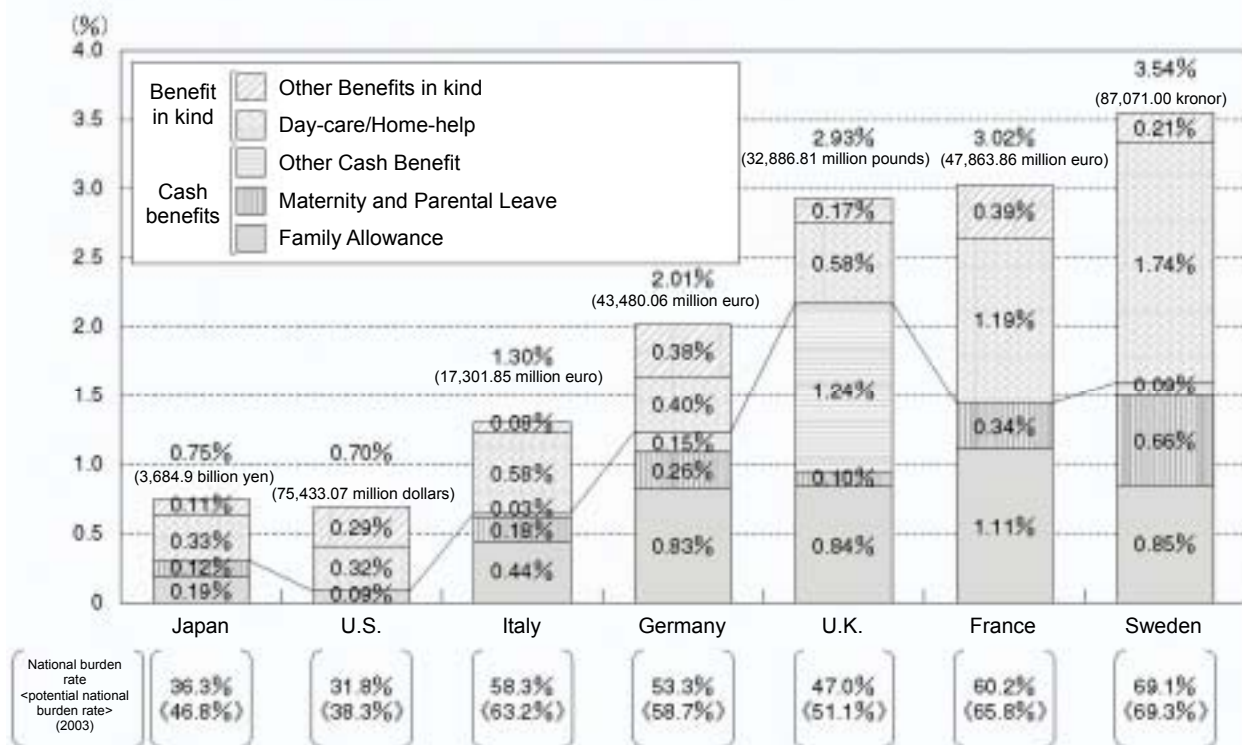
Efforts should be made to establish a system to provide home daycare services and enhance care services for sick children and recovering children, in addition to childcare services provided by nursery centers.

- For preschool children aged 3 and older and their parents, support should be provided in two aspects: the use of certified daycare centers and the promotion of the widespread use of the short working hour system.
- Measures for after-school childcare for school children should be enhanced in both quality and quantity. The government should prompt the providers of such childcare to improve services in detail from the viewpoint of users.

#### **(The need to effectively increase public spending on support for the development of the next generation, and the society-wide sharing of the burden)**

- Japan’s social spending related to children and families as a percentage of the GDP was 0.75% in 2003 (estimated to be 0.83% for FY 2007). This is smaller than the equivalent figures of countries like the U.K., Germany, France, and Sweden (Chart 3-1-7), suggesting the need to effectively increase public spending in this area.
- Discussion should be immediately started on the detailed design of the system to financially sustain this increase in spending by sharing the necessary cost among all members of society (national and local governments, businesses and individuals) rather than passing the burden to the next generation. This discussion needs to be advanced swiftly, with developments concerning tax reforms in view.

**Chart 3-1-7 International comparison of family-related social spending as a percentage of GDP (2003)**



Sources: OECD, "Social Expenditure Database 2007" (for Japan's GDP, Cabinet Office, "National Accounts of Japan [long-term time-series]").

**(Efforts to address high priority issues)**

- A bill to amend the Child Welfare Act and other laws was developed to legalize childcare support programs, such as those for home daycare and regional childcare support centers, under the Child Welfare Act and was submitted to the ordinary session of the Diet in 2008. Although the bill was approved by the House of Representatives, it was abandoned after having been sent to the House of Councilors and shelved there. The same bill will be submitted again in the next Diet session.
- To improve and reinforce childcare measures in both quality and quantity, including those aimed at resolving the issue of children on waiting lists at nursery centers, the government formulated the "New Zero Wait Listed Children Strategy" in February 2008. Efforts will be furthered in the next 3 years, which are designated as the focus period.

**(Progress of discussion on a new system structure to support development of the next generation)**

- The Special Committee on Measures to Stop Falling Birth Rate under the Social Security Council developed basic concepts toward future discussions on the detailed system design, including (i) the need to enhance the quantity of services that have been established in terms of quality and (ii) the need to review the mechanisms through which childcare services are provided, such as the criteria to identify the "lack of childcare", contracts and other schemes for use. Based on these basic concepts, the government intends to swiftly forge ahead with the process of detailed system design.

**Section 2 Employment and income security for the working generation**

**1 Measures to meet diversification of work style especially among the young generation**

**<Stabilizing and promoting employment of the young generation>**

**(Promotion of the Regular Employment Plan for Freters and the Job Card system)**

- In the midst of the deteriorating employment/unemployment situation following the corruption of the so-called bubble economy, the share of non-regular workers with relatively low income has rapidly

increased mainly among the young generation since the 1990s. In particular, the number of older freeters (ages 25–34) and young people without work, or so-called NEET (Not in Employment, Education or Training), is still large, continuing to pose concerns about wider income disparities and fixed inequality among the young generation, and the accelerated fall of the birth rate due to the increased choice of unmarried life.

- For these reasons, the government is promoting support programs for NEET and other youth, including
  - (i) the Regular Employment Plan for Freeters (which helped 362,000 freeters find regular jobs in FY 2006 and aims to help another 350,000 find regular jobs in FY 2008 and subsequent years),
  - (ii) the Job Card system (for freeters and others who have had little opportunity for vocational capability development receive training that combines lectures with on-the-job training at companies. Training results, work experience and other information on those who have completed the training will be recorded in their Job Cards to use for job searching), and
  - (iii) Young People Self-Support Schools and Regional Youth Support Stations.

### **< Improving treatment for part-time workers >**

#### **(Steady enforcement of the amended Part-Time Work Law)**

- Since the revision of the Part-Time Work Guidelines in 2003, certain progress has been made toward securing equal treatment. However, there are cases in which part-time workers are not given treatment appropriate for their work.

Therefore, the Part-Time Work Law was amended in May 2007 in order to oblige employers to provide treatment equivalent to full-time employees for part-time workers who apparently work the same way as full-time employees. The government will take measures to steadily enforce the amended law.

#### **(Securing equal treatment under the social security system)**

- In an effort to securing equal treatment for full-time employees and part-time workers under the social security system, benefits for standard workers and those for part-time workers have already been unified under the employment insurance system. The amendment in 2007 has also unified the eligibility for the basic allowance of employment insurance between part-time workers and the other types of workers.

Regarding pension and other social insurance systems, a “bill to amend the Employees’ Pension Insurance Law to unify different employees’ pension systems” was submitted to the 2007 ordinary session of the Diet for the purpose of extending the coverage of the Employees’ Pension and health insurance to part-time workers whose working hours are close to full-time employees’. The bill is still under deliberation.

### **<Creating a better work environment for dispatched employees>**

#### **(Emergency measures for day worker dispatching and discussion on the ideal worker dispatching system)**

- The Emergency Plan to Wipe Out Illegal Worker Dispatching was set up and has been implemented with the aim of ensuring appropriate practices concerning day worker dispatching: the type of business that has been criticized for insecurity of employment and frequent violations of the Worker Dispatching Act and related laws. Key issues associated with the worker dispatching system have been under discussion since 2008 by a study group organized by the Ministry of Health, Labour and Welfare.

## **2 Reinforcement of safety nets to meet changes in employment structure**

### **< Minimum wage system >**

- The nationwide weighted average of the rise in the regional minimum wages was ¥14 in FY 2007 (¥5 in FY 2006).
- On the other hand, the Law to Amend the Minimum Wage Law was enacted by the 2007 extraordinary session of the Diet. The primary aim of the amendment was to clarify the criteria used to

define the regional minimum wages so that attention could be paid to their harmonization with measures related to public assistance. The government will appropriately enforce the amended law.

- At the June 2008 meeting of the Round-Table Council to Promote Strategy for Enhancing Growth Potential, agreement was reached on the basic policies of improving the productivity of SMEs and raising the minimum wage from medium- to long-term. It was decided that in line with this agreement, the government should implement industrial measures and employment measures in a coordinated manner, with regard to the medium- to long-term raise in the minimum wage.

### **< Employment insurance system >**

- In the 2003 revision, the employment insurance system was radically improved. Revisions include revising the daily amount of the basic allowance from the viewpoint of fostering early reemployment, and creating a new allowance called the employment promotion allowance. This allowance, equal to 30% of the daily basic allowance, is added to the wages of those who have to find a non-regular job early in the allowance payment period (at least one-third of the period must be left and the number of the remaining days of payment must not be less than 45 days).

The government should continue to carefully monitor the effects of the 2003 revision so that the system can fulfil its goals in the current employment/unemployment situation, which is still a little harsh but improving.

## **3 Efforts to improve work-life balance**

### **(Promotion of the programs stipulated in the Work-Life Balance Charter and other policies)**

- To help people balance work and life, all members of society should play their roles as defined by the Work-Life Balance Charter and take action according to the Action Guidelines to Promote Work-Life Balance.

### **(Review of working hours pursuant to the Working Time Arrangements Improvement Law)**

- Although the Law Concerning Temporary Measures for the Promotion of Shorter Working Hours (Shorter Working Hours Law) has steadily contributed to the reduction of working hours, general workers (workers except part-time workers) still work long hours. The overall share of employees working 60 or more hours a week remains above 10% and the figure is constantly hovering at as high as 20% for men in their 30s and 40s.
- At the 2005 special session of the Diet, the Shorter Working Hours Law was revised and renamed the Act on Special Measures for Improvement of Working Time Arrangements (Working Time Arrangements Improvement Law) and came into force in April 2006. The aim of this revision was to expand the objective beyond shorter working hours and to seek to improve working hour arrangements in a way that considers workers' health and life and meets diverse work styles.
- Other efforts by the government in this regard include inducing social movements by publicizing programs carried out by major Japanese companies and establishing assistance programs for employers of medium enterprises.

## **Section 3 Income security and employment for the elderly generation**

### **1 Current state of systems related to income security and employment**

#### **< Public pension system >**

- There were concerns about the public pension system amid the rapid aging of society with fewer children, including the fear that future premium levels might be raised without limits. In response, with the goal of avoiding placing excessive burdens on future working generations, the government set the final premium level and adopted a macro-economic slide formula in the 2004 system revision. The latter is a mechanism to automatically adjust benefit levels according to changes, such as the decline in the number of the insured.

By the 2004 revision, it was decided that the portion of state subsidy for basic pension, which was

previously set to one-third, be increased to one-half after a fundamental tax reform for securing stable financial sources needed for the increase.

**< Securing employment until age 65 >**

- Under the Law Concerning Stabilization of Older Persons, employers are obliged to take one of the three measures to secure employment for the elderly (raising the mandatory retirement age to 65, adopting a continuous employment system or abolish the mandatory retirement system). The survey results show that these measures have become common among large companies, with 98.1% of companies with 301 or more employees having implemented them as of June 1, 2007. However, the smaller the company is, the lower the implementation rate.

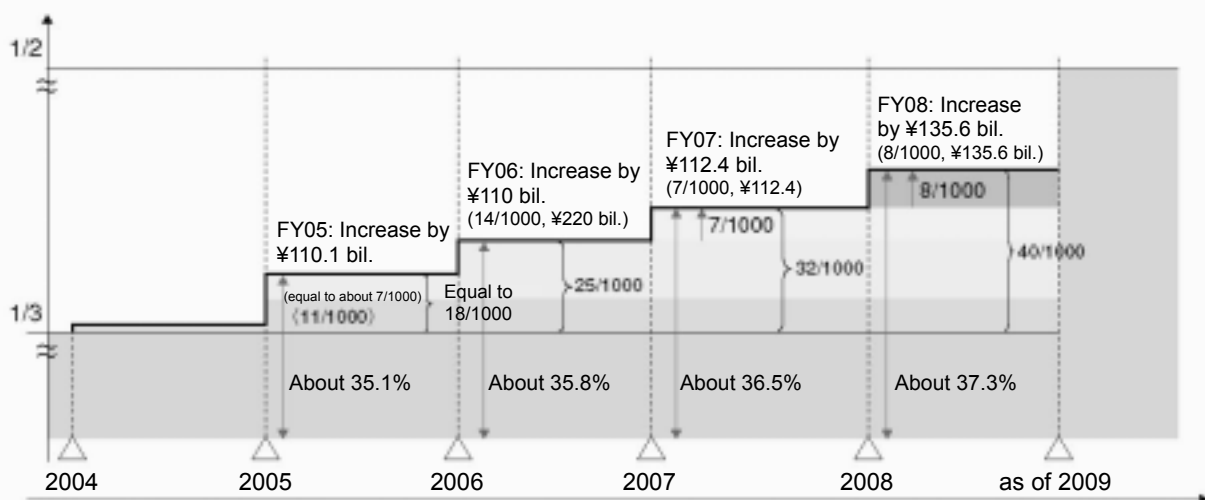
**2 Direction of the creation of an environment for income and employment security for the elderly generation**

**< Provision of sustainable and reliable income security for the elderly generation >**

**(Raising the portion of state subsidy for basic pension to one-half)**

- The 2004 revision helped balance benefits and burdens in the long term to make the system sustainable. However, the problem of raising the portion of state subsidy for basic pension to one-half remains. The increase to one-half needs to be made by FY 2009 (Chart 3-3-7).

**Chart 3-3-7 Raising the portion of state subsidy for basic pension and its trajectory**



(Note) A bill to raise the portion of state subsidy to 1/3 + 40/1000 was submitted to the 2008 ordinary session of the Diet and is now under deliberation.

**(Ensuring part-time workers' income security in their old age)**

- Only a little more than 30% of part-time workers have joined any employees' pension plans. It is needed that whenever possible, the Employees' Pension be applied to part-time workers who require pension coverage as employees. It is also pointed out that the current system concerning the application of the pension system for part-time workers is not neutral to working hours and the type of employment.

To meet these problems, the bill to amend the Employees' Pension Insurance Law to unify different employees' pension systems (submitted to the 2007 ordinary session of the Diet and still under deliberation) stipulates, in addition to amendments to unify the employees' pension systems, amendments to entitle such kind of part-time workers that work almost like full-time employees to join the Employees' Pension plan. To be specific, these part-time workers are those meeting the criteria such as having a nominal work week of at least 20 hours, receiving a monthly wage of at least ¥98,000, and having been employed for at least 1 year.

### **(Taking measures to manage insurance premium burdens to secure future benefits)**

- In securing future benefits for part-time workers and others outside the scope of the Employees' Pension, measures should be taken to avoid placing excessive insurance premium burdens on them. To ensure that people can pay insurance premiums without fail, the government should facilitate the smooth implementation of a multi-stage insurance premium exemption program for the National Pension and the grace-of-payment program for youth.

### **(Ensuring confidence on the social security system)**

- It is essential to secure public confidence on pension and other social security systems. The government should urgently restore confidence on pension-related operations and push ahead with the reform of the Social Insurance Agency. In this regard, the Ministry of Health, Labour and Welfare and the Social Security Agency will seriously reflect on various problems concerning the social insurance operations, including the pension record problem, and relentlessly make an all-out effort to completely solve the pension record problem by every possible means. At the same time, the restoration of public confidence will be earnestly pursued by implementing profound operational and organizational reforms of the Social Security Agency.

### **< Securing employment opportunities for the elderly >**

- The government will give advice and guidance to companies yet to carry out statutory measures to secure employment for the elderly. For the companies with such measures already in place, the government will urge them to improve the current measures. Considering the importance of efforts to create a society where people can work regardless of age as long as they have willingness and abilities, the government will promote the concept of "the company keeping employment until age 70" for the time being.

## **Section 4 Employment and income security of people needing social support**

### **1 Support for persons with disabilities**

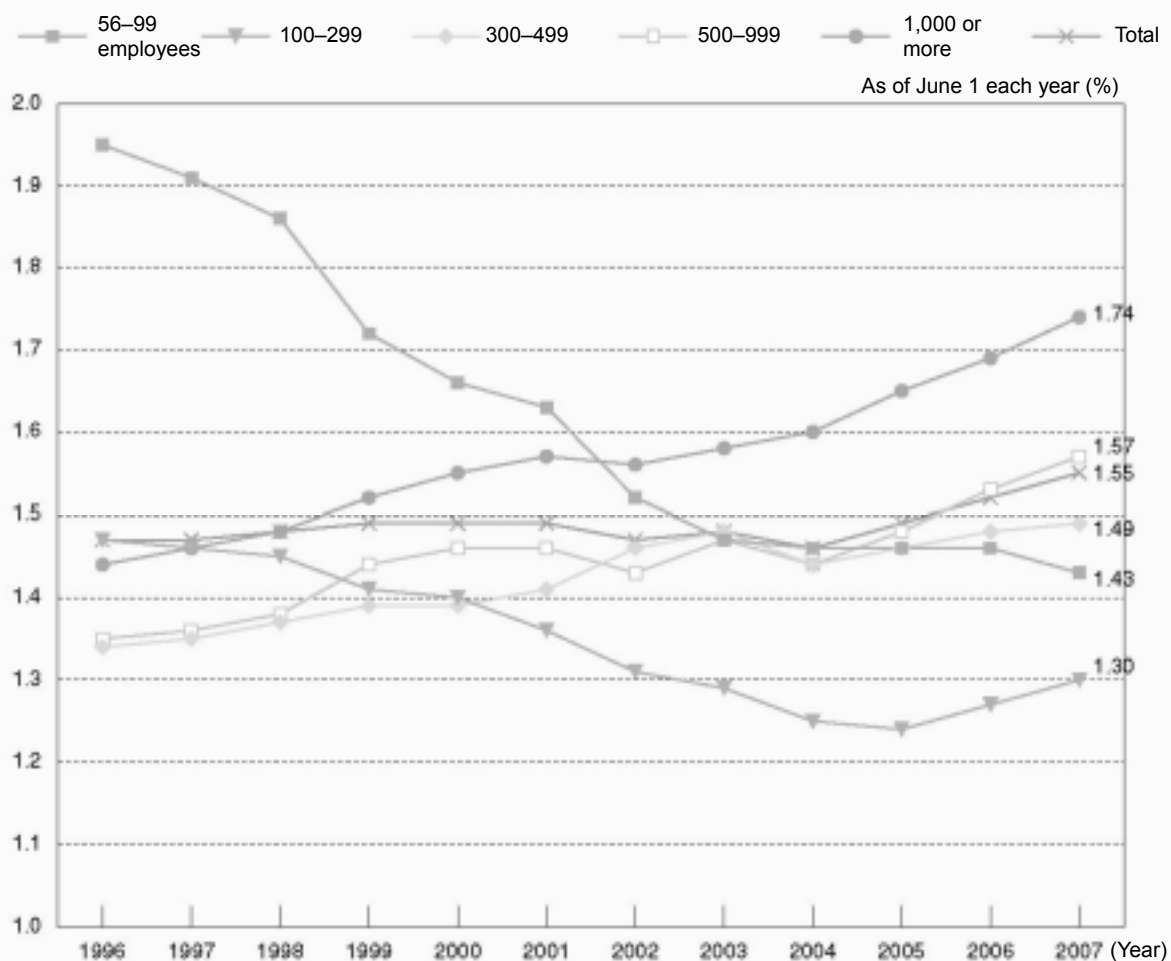
#### **(Current state of employment support and income security)**

- Employers are obliged to maintain the number of employees with physical or mental disabilities as a percentage of the total workforce at 1.8% or higher. Under the levy and grant system for the employment of persons with disabilities, employers of companies that do not satisfy the statutory employment rate (applicable to companies with 301 or more regular employees) are required to pay levies, while employers whose rate of employees with disabilities exceeds the specific levels will receive adjustment grants or rewards.
- Hello Work Offices provide detailed career counseling and job placement services according to the type of disabilities, as well as the trial employment program for persons with disabilities. The Regional Career Center for Persons with Disabilities in each prefecture works in close cooperation with local Hello Work Offices to offer persons with disabilities career assessment, career guidance, and assistance by supporter of work place adjusting (job coaches).
- For vocational capability development of persons with disabilities, public vocational capability development centers have established training courses for persons with mental or developmental disabilities so that such people can have more opportunities to participate in training. There are also vocational capability development schools dedicated to persons with disabilities (Vocational Schools for Persons with Disabilities), which provides detailed vocational training. Furthermore, at the prefectural level, vocational training for persons with disabilities is also provided by local companies and social welfare corporations under contract so that persons with disabilities can take training courses suited for their type of disabilities in their local communities.
- Under the Service and Supports for Persons with Disabilities Act, which went into effect in 2006, programs such as employment support services and continuous employment support services have been instituted in order to enhance employment support from the welfare side. The Employment Promotion Law for Persons with Disabilities was amended in 2005 and has facilitated employment support that combines employment and welfare. An example of this is the Local Program to Support Employment of People with Disabilities, which aims to allow Hello Work Offices to cooperate with welfare centers to offer job search assistance and counseling and advice on employment management.

**(Direction of employment support for persons with disabilities)**

- The 5-year Plan for Priority Measures and the 5-year Plan to Promote a Shift from Welfare to Employment (formulated in December 2007) spell out that the number of employed persons with disabilities should be increased to 640,000 by FY 2013 and that an “Employment and Life Support Center for People with Disabilities” should be established in every Healthcare and Welfare Zone for People with Disabilities. Various measures will be taken to achieve the targets set in these plans.
- Although steady progress has been made in the employment of persons with disabilities, the average employment rate among all companies has yet to reach the statutory rate. In particular, the employment rate has been falling among SMEs, which can offer persons with disabilities a workplace within their local communities (Chart 3-4-2). In response to the situation, a bill to amend the Employment Promotion Law for Persons with Disabilities was submitted to the 2008 ordinary session of the Diet and is still under deliberation. The purpose of this amendment is to gradually expand the applicability of the obligation to pay levies related to the employment of persons with disabilities from the current definition of companies with 301 or more regular employees to those with 101 or more.

**Chart 3-4-2 Actual employment rate of persons with disabilities by company size**



Source: Employment Security Bureau, MHLW, “Report on the Employment Status of Persons with Disabilities.”  
 (Note) As of June 1 each year

**2 Support for fatherless families**

**(Employment support and income security)**

- In 2002, the Law for the Welfare of Mothers with Dependents and Widows and related laws were amended. In line with these laws, support for fatherless families emphasizes independence and employment. The government is implementing comprehensive measures to support independence, such as (i) childrearing and daily life support, (ii) employment support, (iii) measures to ensure childrearing expenses, and (iv) economic support.

- Employment support is particularly important for the independence of fatherless families. For this reason, the government is implementing projects to formulate support programs for independence of fatherless families in which the government closely cooperates with Hello Work Offices to help mothers find jobs, and the program to establish employment and independence support centers for fatherless families, which will provide total employment support services, including career counseling.

**(Direction of support for fatherless families)**

- The employment status of fatherless families has improved to some extent, but their average income (¥2.119 million) is still lower than the average of all households (¥5.638 million). Therefore, the government will continue to push ahead with support measures in line with the 5-year Plan to Promote a Shift from Welfare to Employment.
- The ruling parties' project team has been discussing the current policy of partially stopping payment of the Child Rearing Allowance to the recipients who have received it for 5 years. The team concluded that allowance payment should be reduced to half for only those recipients who are apparently not willing to work with no justifiable reason for not working (e.g., disabilities or disease of the recipient or her child) and that other recipients should be allowed to continue to receive the allowance. Following this decision, the government issued and enacted a Cabinet Ordinance to amend the enforcement order of the Child Rearing Allowance Law in February 2008.

**3 Support for public assistance recipients**

**(Outline of the public assistance system)**

- The aim of the public assistance system is to provide necessary assistance for all those who are in dire need (according to their financial situation), guarantee the minimum level of healthy and cultural life, and foster their independence.

**(Current state of measures for supporting the recipients to become independent)**

- Since FY 2005, support for independence has been provided under the support program for independence. This program requires municipal governments to (1) sort out the situations of public assistance recipients and the factors inhibiting their independence and set up support programs for independence for each of them to describe the details and procedures of independence support, (2) choose the appropriate program for each public assistance recipient and provide independence support pursuant to it in an organized manner, in cooperation with related departments, public health centers, medical institutions, welfare centers, and specific nonprofit corporations. Independence support is divided into 3 categories: (i) support for financial independence, (ii) support for independence of everyday life, and (iii) support for independence of social life. These are provided according to the abilities of each public assistance recipient.

More effective efforts are underway with regard to employment support for public assistance recipients as part of the above. For example, local Hello Work Offices and welfare offices work in coordination to choose the menu most suited for the target person's desires, experience, and skills so that every public assistance recipient can receive support tailored to his or her needs.

**(Direction of independence support for public assistance recipients)**

- The 5-year Plan to Promote a Shift from Welfare to Employment stipulates that every municipal government should develop an employment support program and that employment of public assistance recipients should be facilitated. This includes the goal of increasing the employment rate of those receiving support under the project to support the employment of public assistance recipients (a project as part of the 5-year Plan) to 60% by FY 2009.



# Chapter 4

## Creation of lifelong independence and mutual support

### (Summary)

- The social security system is deeply related to the daily lives of people. Under the circumstances, it is inevitable that the size of national burdens, such as social insurance premiums and taxes, depends on the level of social security benefits and services, and that social security benefits and burdens will increase in the future. This raises the need to make the social security system sustainable and redesign it in a way that gives more consideration to the viewpoint of the people who receive its benefits and services.

Therefore, the government should continue its effort to develop social security that will always be trusted in the years to come, while harmonizing it with the society and economy and facilitating equality between and within generations.

- With people's average life span extending, it is important that individuals make full use of their abilities and live a life suited to their personality. What are essential in developing life plans with respect to lifestyle and work style are (i) laying the groundwork for a fulfilling life, (ii) redesigning lifestyle and work style, and (iii) community-based mutual assistance and exchange.

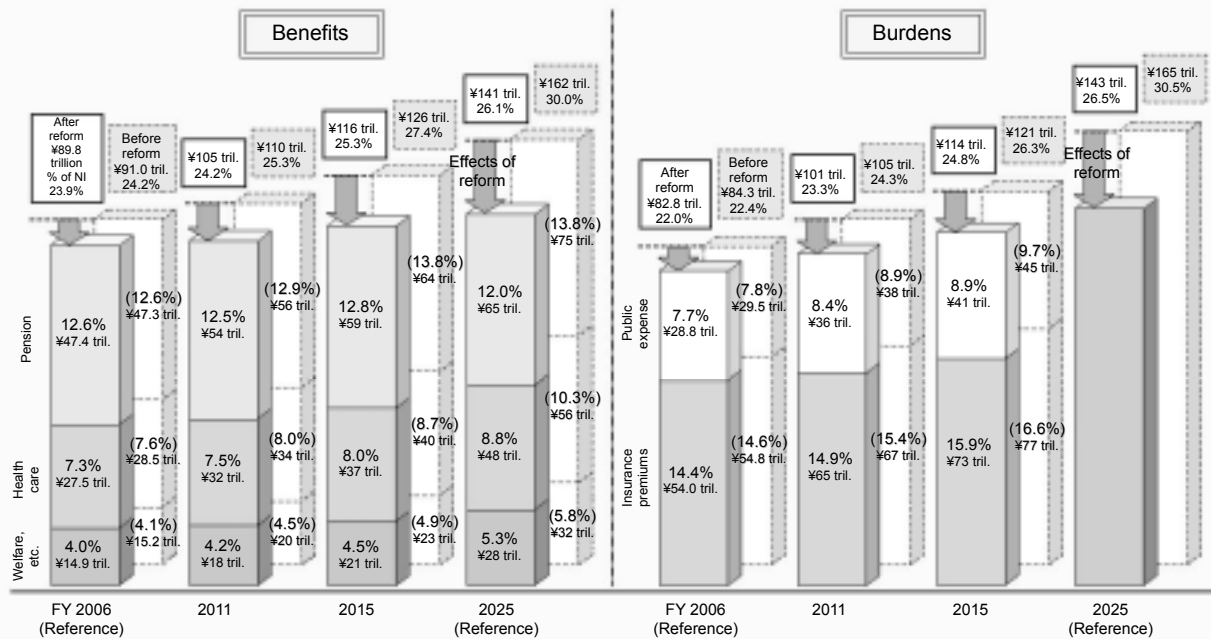
### Section 1 Social security in the future

#### 1 Progress in social security reforms

##### (Recent system reforms)

- In recent years, a series of reforms have been implemented, including the pension system reform in 2004, the long-term care insurance system reform in 2005, and the health care system reform in 2006. Although social security benefits and burdens are expected to be restricted to some extent because of these reforms (Chart 4-1-1), expenditures on social security benefits will likely increase at a rate beyond that of economic growth, due to the aging of society and other factors.
- To address this, the "Program to Improve the Quality and Efficiency of Medical and Long-Term Care Services" was established in 2007. It stipulates that the government should improve the efficiency of services in the 5-year period between FY 2008 and FY 2012, while ensuring the provision of necessary services and maintaining and improving their quality.

Chart 4-1-1 Forecast of benefits and burdens of social security (May 2006 projections)



Source: Counselors for Social Security working under the Director-General for Policy Planning and Evaluation, MHLW, "Forecast of benefits and burdens of social security" (2006).

(Note 1) Bars in the front reflect the effects of the 2004 pension system reform, the 2005 long-term care insurance system reform, and the 2006 health care system reform (i.e., after reform)

Bars at the back show figures without these reforms (i.e., before reform).

(Note 2) Public expenses are calculated on the assumption that the portion of state subsidy for basic pension will have been raised to one-half by FY 2009.

### (Further efforts to ensure peace of mind in the daily lives of people)

- In the field of health care, the government faces the need to solve doctor shortages and problems associated with emergency medical care. To carry out a future-oriented reform, the government has just formulated the "Vision to Secure Reliable and Desirable Medical Care" in June 2008 and will take specific measures in line with this vision.
- The longevity medicine system, a new health care system for the elderly aged 75 and older, is aimed at creating a mechanism through which elderly health care burdens are shared between the working generation and the elderly themselves and providing "health care to support people's lives." After reviewing the system's implementation status since April 2008, the government and ruling parties' council approved the document titled "Reducing Burdens for the Smooth Operation of Elderly Health Care" in June 12, 2008. The items that this document identified as needing further discussion by the ruling parties will be continuously reviewed by the project team on the elderly health care system.

Taking account of this council decision and other issues, the government will take detailed measures, including the reduction of burdens on people with very low income, and widely communicate the purpose and the need of the system, in close cooperation with relevant officials of local governments.

### (Situations concerning social security and the establishment of the National Commission on Social Security)

- The social security system is deeply related to the daily lives of people and it is inevitable that the size of national burdens such as social insurance premiums and taxes depends on the level of social security benefits and services, and that social security benefits and burdens will increase in the future. There is a need to make the social security system sustainable.
- Since the aim of social security is to support the basis of people's daily lives and give them peace of mind, there is a need to redesign social security in a way that gives more consideration to the viewpoint of the people who receive its benefits and services.
- In January 2008, the National Commission on Social Security was established at a conference convened by the Prime Minister. Taking account of the results of the discussions by this Commission,

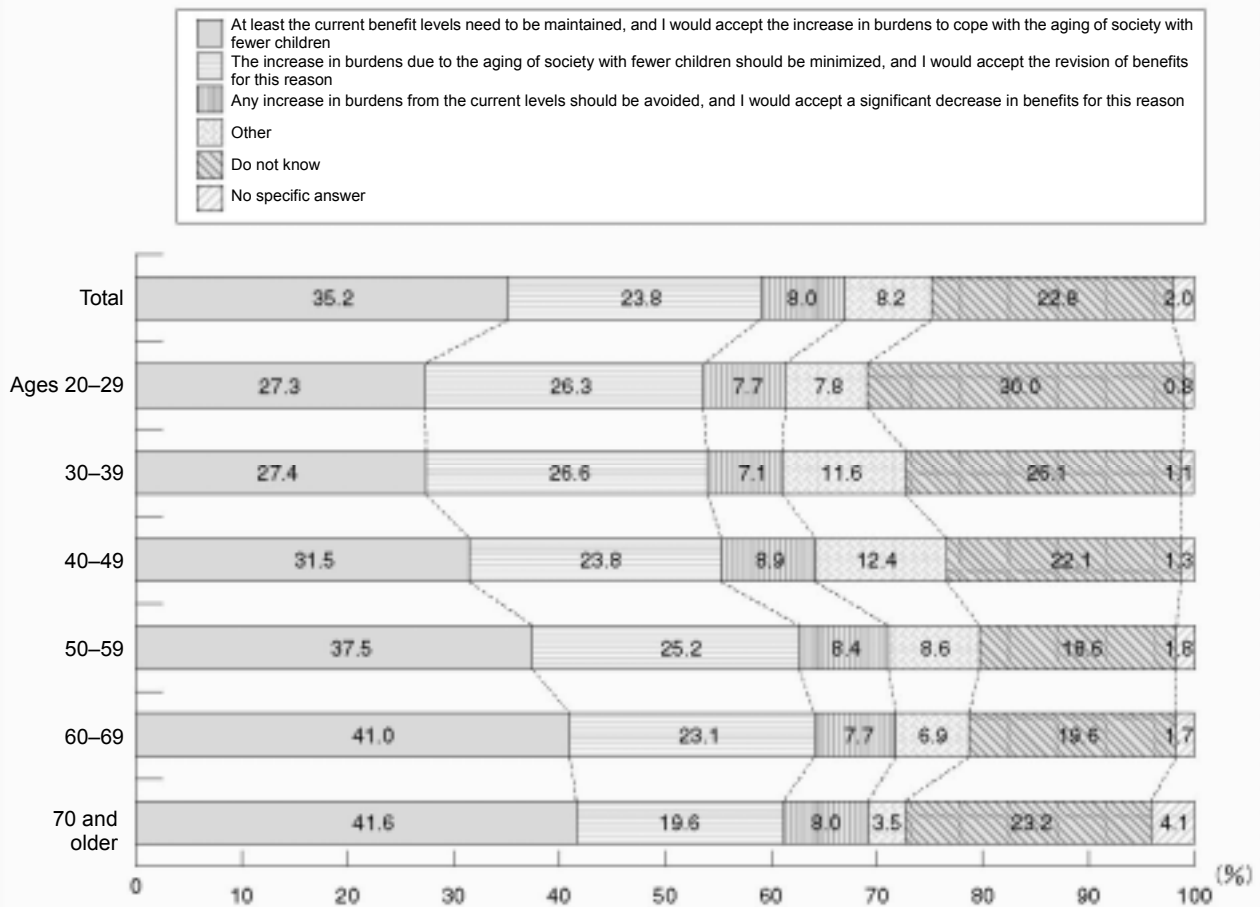
the Ministry of Health, Labour and Welfare will strive to develop a social security system that will always be trusted for a long time to come.

## 2 Ideas of the people on the future social security

### (Ideas of the people on social security burdens)

- Poll results show that the most common view of the people on the relation between social security benefits and burdens is “At least the current benefit levels need to be maintained, and I would accept the increase in burdens to cope with the aging of society with fewer children” (responded by 35.2%), followed by “The increase in burdens due to the aging of society with fewer children should be minimized, and I would accept the revision of benefits for this reason” (23.8%) (Chart 4-1-2).

**Chart 4-1-2 Ideas on the relation between social security benefits and burdens**



Source: Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, “Opinion Poll on Old-Age Social Security” (2006).

### (Sectors of social security considered as important and as needed to be expanded)

- The most frequent answer to the question asking “sectors of social security considered as important” (multiple answers permitted) was “income security in old age (pensions),” followed by “medical services and long-term care for the elderly,” “medical insurance,” and “childcare support.”
- The most frequent answer to the question asking “sectors of social security considered as insufficient now and needed to be expanded in the future” (multiple answers permitted) was “childcare support,” followed by “medical services and long-term care for the elderly,” “income security in old age (pensions),” “medical insurance,” and “job security and unemployment measures” (Chart 4-1-3).

**Chart 4-1-3 Sectors of social security considered as important and as needed to be expanded**

Sectors of social security considered as important (multiple answers permitted) (%)

	Income security in old age (pensions)	Medical services and long-term care for the elderly	Childcare support (daycare, infant health care, comprehensive measures to stop falling birth rate, etc.)	Medical insurance	Maintenance and promotion of health	Welfare for persons with disabilities	Public assistance	Job security and unemployment measures	Other	Do not know	No specific answer
Total	72.0	56.6	34.1	37.4	19.2	8.8	9.9	20.8	0.8	4.4	3.3
Ages 20–29	60.7	41.6	52.3	35.1	15.9	8.9	13.1	26.1	0.9	7.3	2.7
30–39	65.5	45.8	50.6	37.6	15.1	8.9	9.5	27.2	1.3	4.2	2.2
40–49	71.8	55.6	38.2	38.3	17.8	9.2	10.2	29.0	0.8	3.3	1.8
50–59	75.0	57.7	30.5	38.6	20.4	8.6	8.6	25.7	0.6	3.1	3.0
60–69	79.6	64.9	26.9	35.7	22.4	8.5	11.3	15.3	0.6	3.5	3.0
70 and older	74.8	66.6	17.4	37.9	21.7	8.7	8.3	6.8	1.0	5.5	6.0

Sectors of social security considered as needed to be expanded (multiple answers permitted) (%)

	Income security in old age (pensions)	Medical services and long-term care for the elderly	Childcare support (daycare, infant health care, comprehensive measures to stop falling birth rate, etc.)	Medical insurance	Maintenance and promotion of health	Welfare for persons with disabilities	Public assistance	Job security and unemployment measures	Other	Do not know	No specific answer
Total	35.2	36.5	42.7	34.1	26.3	18.8	14.0	34.0	1.3	7.2	5.4
Ages 20–29	40.3	34.8	47.5	31.6	20.3	17.2	17.3	32.1	1.2	9.5	3.8
30–39	41.4	37.9	48.0	33.8	20.4	18.8	13.9	33.1	1.5	6.9	3.3
40–49	38.7	41.0	44.7	35.8	23.2	19.5	13.2	39.0	1.4	5.5	3.5
50–59	34.5	37.6	44.9	35.1	26.8	20.4	13.6	39.4	1.5	4.7	4.2
60–69	31.8	35.5	42.3	35.7	32.3	19.0	15.1	35.6	1.4	5.9	5.1
70 and older	28.6	33.0	32.6	32.3	31.0	17.4	12.2	25.7	1.0	10.7	10.6

Source: Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, "Opinion Poll on Old-Age Social Security" (2006).

### 3 Viewpoints for developing future social security

#### (1) Harmonization with the society and economy

- The government should ensure that social security works in harmony with society and the economy, continues to serve as a safety net to support people's daily lives, and is sustainable and reliable as a system. To this end, continuous efforts should be made to secure necessary services, improve their quality, and improve the efficiency of benefits.
- The government should continue to strive to develop a reliable social security system by discussing burden and benefit levels in an integrated manner.

#### (2) Ensured equality between and within generations

- To avoid placing excessive burdens of social insurance premiums and taxes on specific generations,

continued attention should be paid to ensuring equality between different generations, so that the burdens can be shared among a broad range of supporters. However, there is also a need to discuss how to ensure equality within the same generation, as well as between generations.

- In developing income redistribution measures, the government should comprehensively discuss the desirable scheme for redistribution, taking account of the effects of recent redistribution measures, because income is redistributed not only through the social security system but also the tax system.

### **(3) Emphasis on measures for the working generation**

- With the arrival of a full-fledged depopulating society, supporting development of the next generation has become a crucial issue from the viewpoint of allowing people to marry and bear and rear children as they desire. At the same time, changes in the work environment, such as the increase in the number of low-paid workers and workers engaged in unstable jobs, have made it important to secure an environment where everyone can make full use of their abilities according to their willingness. This includes ensuring job opportunities for people with willingness and capability to work.
- For this reason, the government should focus on measures for the working generation, along with measures for the elderly.

### **(4) Construction of systems meeting changes in family structure**

- To meet changes in family structure, the government will
  - (i) review the mechanism and operation of the social security system in view of the future increase in the number of one-person households in both the working and elderly generations, and
  - (ii) lay the groundwork for establishing “new mutual support” in which the local government and residents work in cooperation in a community.
- Some of the people who are now working and living away from the area where their parents live may want to return to that area or its vicinity in the future to live with or near the parents. The Ministry of Health, Labour and Welfare’s ongoing programs designed to facilitate smooth labour mobility for those who wish to find employment in rural areas are expected to allow people to live in desired regions and foster mutual support among family members.

### **(5) Increased coordination between social security and other public policies**

- Since social security is a sector of public measures, its coordination with other public measures is essential from the viewpoint of people-oriented policy administration. Greater coordination should be pursued between education and labor measures (e.g., providing hands-on work experience and internship programs for students) and between housing and welfare measures (e.g., establishing long-term care service centers at large urban apartment complexes and providing houses for rent for the elderly).

## **Section 2 Lifestyle, work style, and life planning in a longevity society**

- Now that Japan is entering the “era of an 85-year life span,” in which people live 85 years on average, the lifestyle and work-style models formed early in the postwar period is no longer applicable. This section describes the visions of the lifestyle, work style, and life planning in a longevity society and systems to support them, based on the report by the advisory committee on the vision of an 85-year life.

### **1 Preparation of the groundwork for a fulfilling life**

- Lifetime health maintenance is fundamental and crucial to a fulfilling life in the era of an 85-year life span. In light of this, efforts should be focused on areas such as the acquisition and retention of healthy lifestyle habits (e.g., regular workouts), early detection of people suffering lifestyle-related and other diseases and improvement of their lifestyles, and promotion of workplace measures against

overwork and mental health problems.

- Ensuring people a wide variety of learning opportunities as they desire is also important. There is a need to promote support for worker's career development, including self-development.

## **2 Redesign of lifestyle and work style**

- Since major issues related to redesigning lifestyle and work style are mentioned in Chapter 3 with regard to future directions, only two points are described below.
- First, attention should be paid to ensure that children are given, during the course of their development from a child to an adult, as much time as possible for "self-development," an act of searching for the direction to go in their future while learning social systems.
- Second, to help people in the prime of their working life transform their work style, including long working hours, efforts to promote the widespread and regular use of the long vacation system should be furthered.

## **3 Community-based mutual assistance and exchange**

- To enrich the life of every individual in the "era of an 85-year life span," it is essential that ties between community members be revitalized.
- To this end, the government should implement programs to further invigorate Silver Human Resources Centers and activities at elderly club and those to encourage local residents to play an active role in community activities to contribute to education, environmental conservation, and disaster and crime prevention. It is also important to promote programs to foster regional culture, arts, and sports and those to improve local communities in a way that provides people with more opportunities to participate in cultural and other activities.

# Conclusion

## **< Creating a new restructured frame to support development of the next generation and improving work-life balance >**

- The first priority is to eliminate the situation where people are forced to choose between work and family life of marriage, child bearing, and rearing. This will allow people to marry and bear and rear children as they desire and help mitigate the decline in the total population and the labour force population arising from the falling birth rate.
- To this end, it is necessary that
  - (i) all members of society should take action to improve work-life balance in line with the Work-Life Balance Charter, and
  - (ii) new restructured frame to support development of the next generation should be created for fostering pioneering efforts to tackle urgent issues, such as the establishment of a system for home daycare, and for discussing the detailed design of the future systems as soon as possible.

## **< Securing employment for youth, women, the elderly, and persons with disabilities and creating an environment to facilitate this >**

- To address the problem of unstable employment styles, especially among the youth, the government should help them build a better economic base for the present and the future by ensuring stable employment through support measures, such as a program to increase the regular employment of freeters and the Job Card system.
- The government should promote work-life balance by reinforcing the safety nets that meet changes in employment structure and improving working hour arrangements.
- Securing employment opportunities for women, the elderly, and persons with disabilities, and creating an environment facilitating above are important. These goals will be pursued by measures such as developing an environment where women can effectively use their abilities and where parents can balance work and childrearing, promoting and disseminating the concept of “the company keeping employment until age 70,” and prompting SMEs to hire more persons with disabilities.

## **< Establishing a reliable social security system that provides old-age income security and other guarantees of peace of mind>**

- From the viewpoint of securing the economic base of the people throughout their lifetime, there is a need to ensure that public pension and other social security systems can serve as safety nets to support people’s living.
- To ensure that employees who are not covered by the employees’ pension system can live with peace of mind in the future, the employees’ pension system should be applied to part-time workers whenever possible. In this regard, attention should also be paid to those who are not eligible for employees’ pensions. The government should promote efforts to create an environment that makes it easier for these people to pay National Pension premiums.
- With an eye toward harmonizing social security with the society and economy and fostering equality between and within generations, the government will continue to strive to develop a social insurance system that will be trusted by the people for a long time to come.

