

# Chapter VI Social Security Systems

## 1 Medical System

### Japan's Social Security System

Japan's social security system resembles those in force in Europe and the United States in that it embraces medical insurance, pensions, employment insurance, social welfare and public health services. Medical insurance, pensions and employment insurance are administered as part of the social insurance system, whereas social welfare programs are disbursed from the government's budget.

### Preparing for a Society Characterized by Dwindling Birthrates and an Aging Population

Since 1970, birth rates have continuously fallen and the elderly population (65 years of age or over) as a percentage of total population continues to climb. Consequently, there have been notable increases in medical expenses and pension benefits (VI-1), and both the percentage of social security benefits in national income and the rate at which the social security burden is carried in order to provide these social security benefits are increasing.

The advance of aging society is predicted to continue and the percentage of elderly population in the total population is forecast to appreciate further from 16.2% in 1998, climbing to 27.4% in 2025 and 32.3% in 2050 ("Future Population Projections," National Institute of Population and Social Security Research, January 1997). To further enhance social security in such an aging society, the Long-term Care Insurance Law (1997) and the Pension Reform Law (1999) were enacted.

### Features of the Medical System

The medical system is characterized by the fact that it is administered according to the principle of universal

medical insurance, under which all citizens are insured and all citizens can receive medical services should they become ill or injured.

The Government-managed Health Insurance Law has been in place since before World War II, having been enacted in 1922 and taking effect in 1927. On the other hand, the National Health Insurance Law was enacted in 1963 and came into force in 1966 in all of Japan's municipalities, realizing universal health care (See VI-4).

Types of medical insurance include comprehensive health insurance, government-managed health insurance, national health insurance, and medical insurance managed by the Mutual Aid Association for National Government Employees and the Mutual Aid Association for local Government Employees.

Private sector business owners that employ five or more workers regularly are required by law to insure their workers and their families with government-managed health insurance. The insurance premium is 8.5% of the worker's monthly salary (4.25% each for workers and employers). However, depending on the scale of the personnel of the office or enterprise it is possible to select either comprehensive health insurance or government-managed health insurance.

National health insurance is for the self-employed, farmers, employees of small office home offices, the unemployed and others who do not qualify for government-managed health insurance or mutual aid association insurance. In such cases, the municipality is the insurer in principle. For those aged 65 and above, there is also a health-insurance plan for senior citizens, wherein the percentage of medical expenses paid by the insured is lessened.

### Long-term Care Insurance

Long-term care insurance was established in 1997 and came into effect from April 2000. It was created with the aim of lightening the care burden for families of the

bedridden elderly and other aged people. Citizens aged 40 and older pay long-term care insurance premiums, and if needed, from age 65 are eligible to receive benefits for various care services.

### VI-1 Percentage of the Population Over 65 in the Major Countries

(%)

Year	Japan	U.S.	U.K.	Germany	France	Sweden
1950	4.9	8.3	10.7	9.7	11.4	10.3
1960	5.7	9.2	11.7	11.5	11.6	12.0
1970	7.1	9.8	12.9	13.7	12.9	13.7
1980	9.1	11.2	15.1	15.6	14.0	16.3
1990	12.0	12.4	15.7	15.0	14.0	17.8
1995	14.5	12.5	15.9	15.5	15.0	17.6
2000	17.2	12.5	16.0	16.4	15.9	17.4
2010	22.0	13.2	17.1	19.8	16.6	19.5
2020	26.9	16.6	19.8	21.6	20.1	23.1
2025	27.4	18.8	21.2	23.4	21.7	24.3
2030	28.0	20.6	23.1	26.1	23.2	25.5
2040	31.0	21.5	25.0	28.8	25.3	27.2
2050	32.3	21.7	24.9	28.4	25.5	26.7

Source: *Annual Report on Health and Welfare*, Ministry of Health and Welfare, 2000

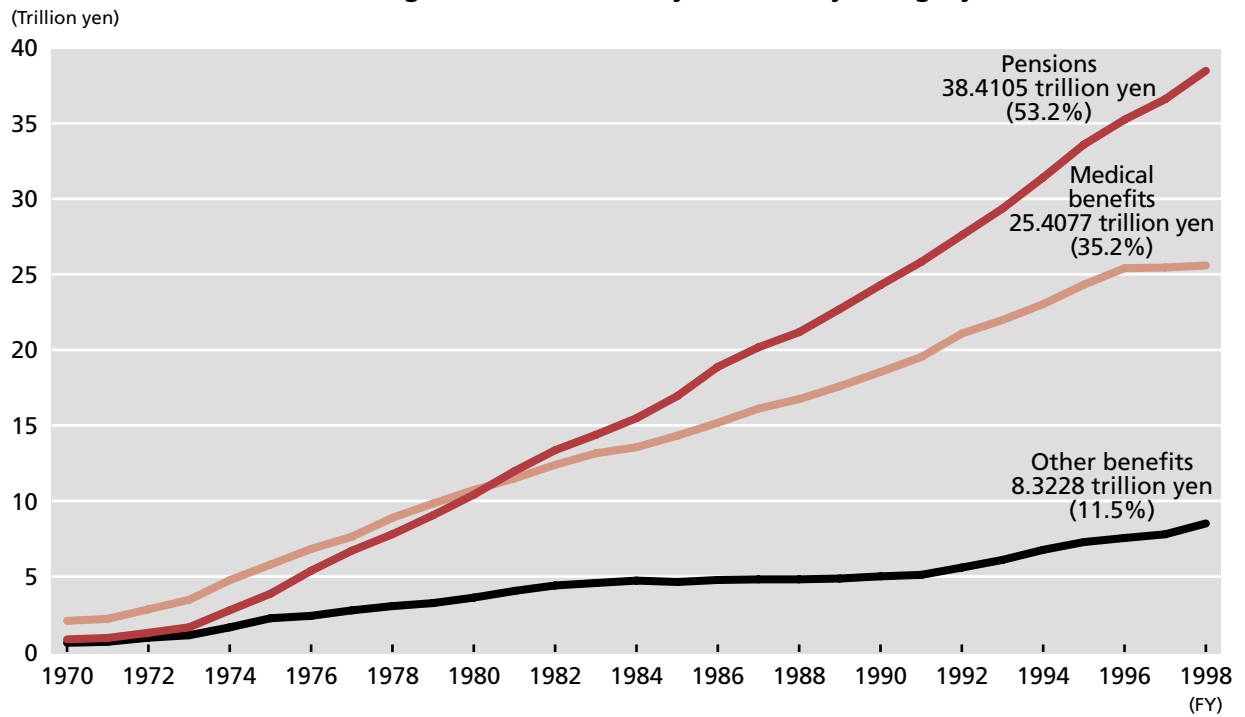
### VI-2 International Comparison of Tax Burdens and Social Security Costs

(%)

Country	1996		
	Comparison of National Income		
	Tax burden	Social Insurance burden	Total
Japan	23.1	13.3	36.4
U.S.	26.4	10.1	36.5
U.K.	39.0	10.2	49.2
Germany	30.0	26.4	56.4
France	35.1	29.0	64.1
Sweden	51.0	22.2	73.2

Source: *Annual Report on Health and Welfare*, Ministry of Health and Welfare, 2000

### VI-3 Changes in Social Security Benefits by Category



Data: Refer to Appendix 13

Source: *Annual Report on Health and Welfare*, Ministry of Health and Welfare, 2000

## VI-4 The Medical Insurance System

Plan		Insurer (As of 31 March 1999)	Subscribers (As of 31 March 1999) and subscriber's dependents (Unit: 1,000 persons)	Financial resources		Percentage of elderly population insured for health and medial care (As of 31 March 1999)	
				Insurance premiums (As of 31 March 1999)	Government subsidies (2000 budget)		
Health insurance	Ordinary employees	Government- managed	National government	37,575 [ 19,685 ] 17,890	8.5% Special insurance premiums 1%	13.0% of benefits (16.4% of benefits for the elderly)	5.6
		Association- managed	Health insurance associations 1,794	32,578 [ 15,650 ] 16,928	Approx. 8.5 % (Association-wide) average	Subsidies (Budgetary Aid)	2.9
	Insured parties, as stipulated in Article 69, Par. 7, Health Insurance Law		National government	59 [ 38 ] 20	Daily rate (Class 1) ¥140 Daily rate (Class 13) ¥2,750	13.0% of benefits (16.4% of benefits for the elderly)	6.5
Seamen's insurance		National government	259 [ 94 ] 165	8.8%	Subsidies: ¥30 billion	7.5	
Mutual aid insurance	National government employees	Mutual aid associations (24)	10,139 [ 4,538 ] 5,601	Approx. 7.8%	None	4.2	
	Local government employees	Mutual aid associations (54)		Approx. 8.6%			
	Private school instructors	Mutual aid associations (1)		Approx. 8.5%			
National health insurance	Farmers; the self-employed	Municipalities 3,249	45,454 Municipalities 41,021	Each household is assessed a fixed amount based on ability to pay	50% of benefits	22.9	
		Health insurance associations 166			32-52% of benefits (see note 2)		
	Retired workers eligible for employees' insurance benefits	Municipalities 3,249	Health insurance associations 4,433	Calculations vary somewhat according to insurer	None		
Mutual aid associations for the elderly		[Administrator] Head of relevant municipality	13,929 Employees' insurance 3,514 National Health insurance 10,416	[Bearer of expenses] • National government 12/60 • Prefectures 3/60 • Municipalities 3/60 • Insurers 42/60	Average 11.0 [ Insurance Department Survey ]		

Source: *Annual Report on Health and Welfare*, Ministry of Health and Welfare, 2000

Notes: 1) Anyone aged 70 or older who subscribes to a medical insurance plan (excluding members of a household receiving welfare, to whom the National Health Insurance Law does not apply), as well as those aged 65-69 who have been bedridden for an extended period of time, is eligible for health and medical-care services for the elderly. Figures in the "subscribers" and "percentage of elderly population insured for health and medical care" categories are current.

2) Fixed-rate government subsidies granted to persons who subscribed after September 1, 1997 after having been deemed ineligible for medical insurance, and their dependents, are equivalent to [government employee benefits].

3) Low Income Earners: Beneficiaries of old-age welfare pensions who belong to households exempt from municipal taxes.

## 2 The Pension System

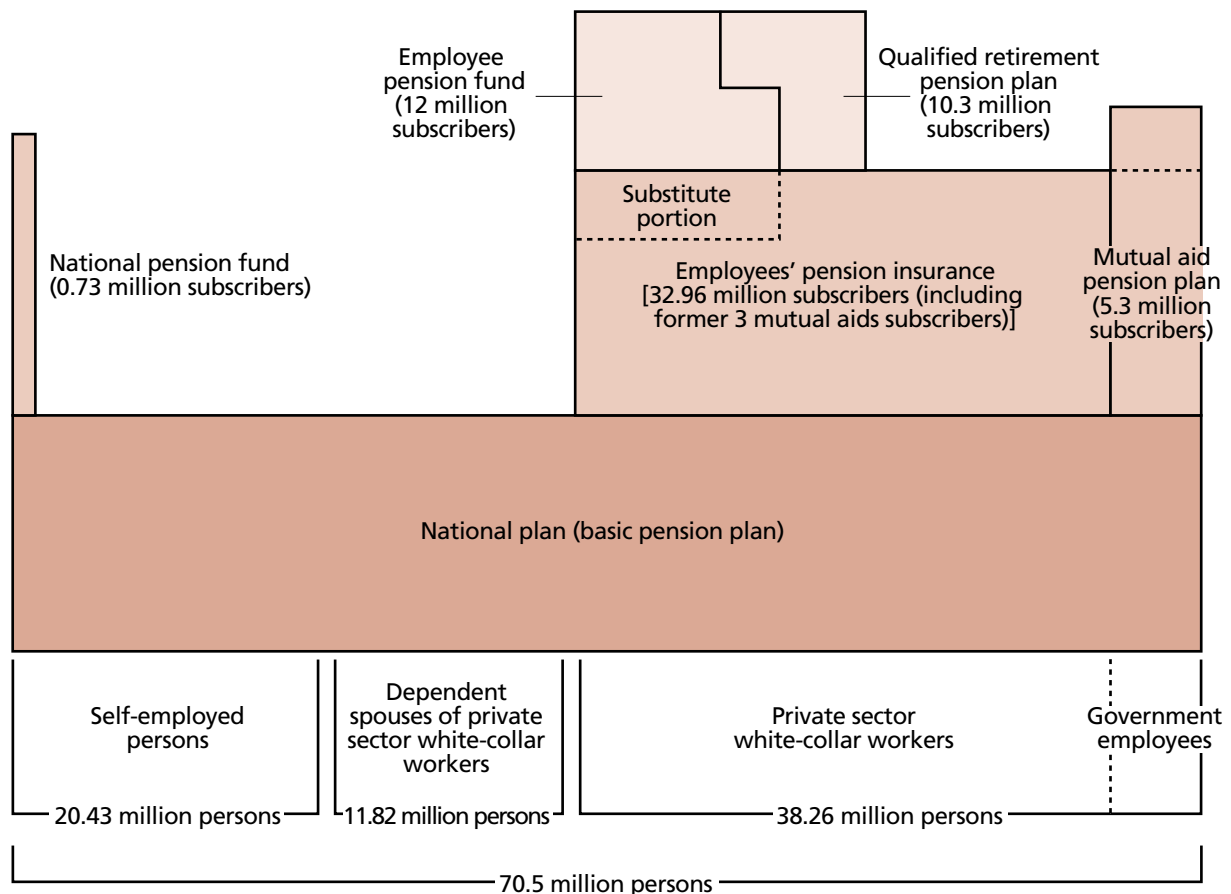
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### Public Pension Plan

The public pension plan is comprised of national pensions, employee pensions and mutual aid pensions. In principle, all citizens aged 20 and older are enrolled in the plan, which begins to pay out from age 60. National pensions are for the self-employed, who receive basic pensions, while in the case of employee pensions and mutual benefit pensions for private sector employees and government employees, an amount combining basic pensions and proportional benefits is supplied.

VI-5 The Pension System (As of 31 March 1999)



**[Public pension plan]**

All Japanese citizens aged 20–59 subscribe to Japan's public pension plan. The public pension plan consists of national pensions, which pay basic benefits, and employee pension insurance and mutual aid pensions, which pay proportional benefits in addition to national pension benefits. Private sector employees subscribe to employee pension insurance, while government employees subscribe to mutual aid associations. For the self-employed, there is a national pension fund, which pays benefits to supplement basic pensions. To supplement employees' pension insurance, there is an employees' pension fund. As of March 31, 1999, there were 70.5 million subscribers to the national pension plan, 38.26 million subscribers to the employee pension plan; 19.09 million persons were eligible for national pension benefits, and 10.35 million for employee pension benefits.

Source: *Annual Report on Health and Welfare*, Ministry of Health and Welfare, 2000

### Insurance Premiums and Benefits

National pension premiums are fixed amounts, while employee pension and mutual aid association pension premiums are set at 17.5% of a person's monthly salary (8.75% each for workers and employers).

National pension benefits include the old-age basic pension, which is supplied from age 60; the bereaved family pension, which is paid to the family of the deceased beneficiary; and the disability basic pension, which is supplied provided that the disability claimed is recognized as such. One-third of national pension benefits is paid from the national treasury, with the remaining two thirds supplied from insurance premiums.

Employee pension benefits also include the old-age pension, the bereaved family pension, and the disability basic pension. There is also an additional employee pension benefit for those who continue to work past age 60, called the old-age pension for active employees. This benefit is paid to these workers while they are still working. In this case, the pension benefit amount is decreased in accordance with the worker's income.

### Dealing with the Aged Society

The birth rate has continued to decrease from the 1970s, and the proportion of the elderly (aged 65 and

older) as a percentage of the entire population has continued to increase. This aging of the population is expected to continue, with the percentage of the elderly among the population at large expected to reach 27.4% in 2025, and 32.3% in 2050, according to January 1997's "Future Population Projections", by the National Institute of Population and Social Security Research.

As the aging of the population develops, increases in the number of pension beneficiaries and the overall amount of benefits are unavoidable. In order to deal with this impending situation, insurance premiums will be raised to 27.6% by 2025, and the age for commencement of payments of benefits will be raised gradually from 60 to 65 for men (by 2025) and women (by 2030).

### Company Pensions

Company pensions function as supplements to public pensions. These include employee pension funds, which are common at large companies, and tax-qualified pensions and retirement allowances paid by the Workers' Retirement Mutual-Aid Organization, which are spread among large corporations. Both of these pension systems are set up and introduced by enterprises as part of benefit packages for employees and support the guaranteed income of the elderly.

## VI-6 Changes in the Number of Public Pension Plan Beneficiaries and Benefits

Year	Annual changes in pension beneficiaries (1,000 persons)			Annual changes in benefits (billion yen)	
	National pensions (old law)	Basic pensions	Employees' pensions	National pensions	Employees' pensions
1975	3,119	—	2,449	566	1,149
1985	8,837	—	7,384	2,748	6,858
1986	9,064	891	8,003	3,487	7,906
1987	9,148	1,210	8,642	3,653	8,583
1988	9,196	1,497	8,279	3,783	9,205
1989	9,236	1,805	9,919	4,097	10,225
1990	9,278	2,084	10,519	4,337	11,083
1991	9,100	2,928	11,092	4,874	12,066
1992	8,842	3,917	11,803	5,513	13,023
1993	8,578	4,982	12,535	6,147	13,828
1994	8,294	6,018	13,273	7,060	15,174
1995	8,002	7,151	14,448	7,746	16,396
1996	7,682	8,328	15,239	8,403	16,973

Source: Annual Report on Health and Welfare, Ministry of Health and Welfare, 2000