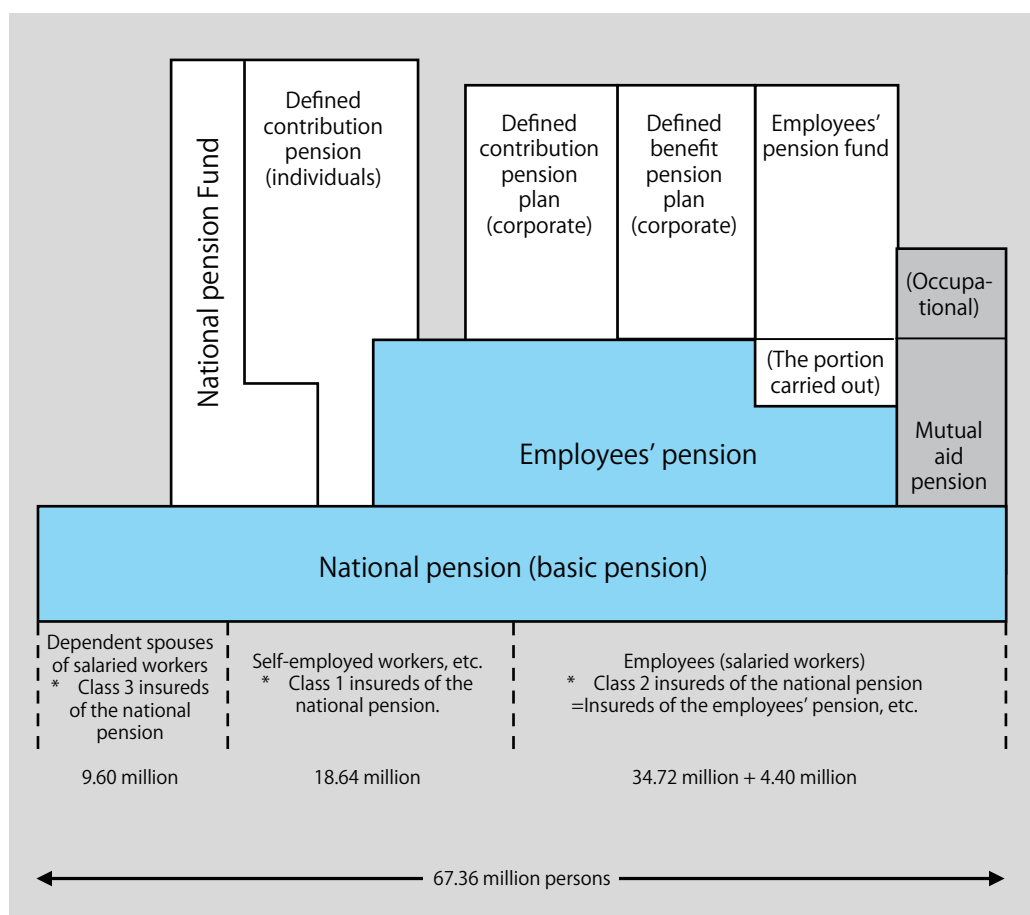


3 The Pension System and Public Assistance

Pension system: As can be seen from Figure VI-8, the basis of the pension system, which fulfils a role in guaranteeing income after retirement, is the basic pension, in which all citizens (those aged 20 or above but under 60) enroll and which pays pension benefits once an individual reaches pensionable age (currently 60 years old, rising to 65 for men from 2013 and to 65 for women from 2018). In addition to this, salaried employees such as company employees and civil servants respectively receive the welfare pension and mutual aid pension, which are earnings-related pension schemes paid to top up the basic

pension. To distinguish it from these pensions paid to salaried employees, the basic pension that most self-employed workers and workers in the agriculture, forestry and fisheries sector receive is called the national pension. In many advanced countries (such as the U.S., Canada and Sweden), the same pension system is applied to both company employees and civil servants, and post-retirement income security does not differ according to job category. From this perspective, consideration is currently being given to integrating the welfare pension and mutual aid pension systems.

Figure VI-8 The Pension System



Source: *Annual Health, Labour and Welfare Report 2013-2014*, References 11. Pension Security

Note: Figures are as of March 31, 2013. "Category-2 insured persons, etc." are persons insured under employees' pension schemes (as well as Category-2 insured persons, these also include persons aged 65 and over who are eligible for pension benefits on grounds of old age or retirement).

Japan's pension system is revised once every 5 years based on recalculations of pension financing. In the pension reform of 2004, it has been decided to adjust the benefits standards along with the economic situation and the progress of an aging society (however, it is aimed that the standards should not go below 50% of the income of the working generations), instead of fixing the future insurance burden to a certain level (18.3% after 2025, in the case for employees' pensions), drawing from Sweden's pension reform of 2001, etc. In the pension reform of 2009, the proportion of the basic pension paid to all citizens that is funded by the government from tax revenues was raised from one-third to one-half.

The insurance premium for the basic pension (known as the "National Pension") for self-employed workers is set at a fixed amount (¥15,590 monthly, as of 2015). On the other hand, the burden of the insurance premium for company employees and civil servants is borne equally by the employer and the employee, and the premium rate is set at 17.474% of

total income, including salary and bonuses (from April 2015). The bereaved families of those enrolled in the pension system and those receiving pension benefits receive survivor's pensions, while those enrolled in the pension system who have a disability receive a disability pension if they meet certain conditions. The transitions in the number of people receiving pension benefits and the amount paid to them can be seen in Table VI-9. At present (as of 2015), the basic pension benefit is 65,008 yen per month (781,000 yen per year) while survivors' basic pension benefit is 65,083 yen + child supplement per month (780,100 yen + child supplement per year). Taking the case of a married couple's basic pension added to the husband's remuneration-based portion, the amount of employees' pensions and old age pensions is 232,592 yen (2,791,104 yen). The amount of survivors' employees' pension is the survivors' basic pension added to three-quarters of the remuneration-based portion of the employees' pension.

Table VI-9 Transitions in the Number of People Receiving Benefits and the Amount Paid under the Pension System

FY	Insured persons (10,000 persons)					Insured persons (10,000 persons)				Income and expenditure				
	Total	Basic pension (Self-employed workers, etc.: Class 1)	Basic pension (Full-time house wife: Class 3)	Employee's pension	Mutual aid association (Pension in these)	Total	Basic pension (National pension)	Employee's pension	Mutual aid association	National pension Income (Insurance Premiums + State Contribution) (¥100 million)	National pension Expenditure (¥100 million)	Employee's pension Income (Insurance Premiums + State Contribution) (¥100 million)	Employee's pension Expenditure (¥100 million)	Reserve balance (¥100 billion)
1987	6,411	1,582	927	2,822	–	2,252	112	891	149	–	–	–	–	–
1990	6,631	1,758	1,196	3,149	–	2,500	191	1,065	96	–	–	–	–	–
1995	6,995	1,910	1,220	3,328	–	3,236	690	1,425	40	–	–	–	–	–
2000	7,049	2,154	1,153	3,219	–	4,091	1,307	1,307	14	–	–	–	–	–
2005	7,045	2190	1,079	3,302	460	3,995	1,337	2,316	342	37,873	43,350	300,685	353,284	1,403
2006	7,038	2,123	1,079	3,379	457	4,030	1,275	2,404	351	39,228	43,082	297,954	320,994	1,398
2007	7,007	2,035	1,063	3,457	451	4,146	1,260	2,523	363	38,466	43,435	299,463	329,875	1,302
2008	6,936	2,001	1,044	3,444	447	4,283	1,236	2,668	379	37,545	43,317	309,480	339,860	1,166
2009	6,874	1,985	1,021	3,425	443	4,414	1,205	2,814	395	37,813	39,911	320,483	365,618	1,208
2010	6,826	1,938	1,005	3,441	442	4,445	1,092	2,943	410	34,010	31,498	319,356	379,804	1,142
2011	6,774	1,904	978	3,451	441	4,539	1,067	3,048	424	34,701	34,717	326,080	375,420	1,115
2012	6,736	1,864	960	3,472	440	4,699	1,108	3,154	437	38,616	43,145	333,206	368,115	1,179
2013	6,718	1,805	945	3,527	439	4,742	1,082	3,216	444	39,178	41,021	357,754	376,371	1,236

Source: Compiled by the author based on the Ministry of Health, Labour and Welfare's *Overview of Employees' Pension Insurance and National Pension Services* for each fiscal year

Notes: 1) Figures since 1987 are shown because the basic pension was introduced after the National Pension Act was amended and the New National Pension Act was enacted in April 1986.

2) The total number of those receiving pension benefits is the number receiving the basic pension after excluding overlap with those receiving the basic welfare pension.

The corporate pensions that supplement these public pensions consist of defined benefit and defined contribution corporate pensions (arrangements for which were instituted in 2001 to protect beneficiaries and ensure the portability of reserves) and employees' pension funds, which were established prior to 2001. For the self-employed and professionals, there is also a national pension fund for supplementing the basic pension. Following the introduction of the corporate pension system in 2001, it was decided that welfare pension funds would gradually change to defined-benefit corporate pensions, so as shown in Table VI-9, the number of defined-benefit corporate pension funds and the number of subscribers increased up to 2011. However, investment yields were negative for a while in FY2010, in the wake of the Lehman collapse.

This increased the risk of corporate burdens in the case of defined-benefit pensions, as the pension benefit is fixed, and has caused a decline in the number of defined-benefit corporate pension funds and subscribers in recent years. On the other hand, even companies that were previously unable to have employees' pension funds owing to their small corporate scale can now provide defined-contribution corporate pensions, through contracts with investment bodies. With corporate pensions of this type, moreover, fluctuation in investment yields does not increase the risk of corporate burdens. Therefore, both the number of businesses and the number of subscribers adopting defined-contribution corporate pensions are increasing (Table VI-10).

Table VI-10 Transitions in Defined-benefit and Defined-contribution Corporate Pensions

Year	No. of welfare pension funds	No. of welfare pension fund contributors (x10,000)	Number of people enrolled in defined-benefit pension schemes (10,000 people)	Number of corporate defined-benefit pension schemes by establishment type			Number of people enrolled in defined-contribution pension schemes (corporate type) (10,000 people)	Number of businesses with defined-contribution pension schemes (corporate type)
				Convention type	Fund type	Total		
2002	1,656	1,039	9	15	0	15	361	33
2003	1,357	835	135	168	148	316	845	71
2004	838	615	314	484	508	992	1,402	126
2005	687	531	384	834	596	1,430	1,966	173
2006	658	474	430	1,335	605	1,940	2,313	219
2007	626	462	506	2,479	619	3,098	2,710	271
2008	617	439	570	4,396	611	5,007	3,043	311
2009	608	431	647	6,797	610	7,407	3,301	340
2010	595	430	727	9,436	608	10,044	3,705	371
2011	577	411	801	14,377	612	14,999	4,135	422
2012	560	415	795	14,090	607	14,697	4,247	439
2013	531	388	788	13,735	602	14,337	4,434	464

Sources: Compiled by the author from each year's edition of *Trends in number of defined-benefit corporate pension plans and subscribers by format of establishment* and *Trends in number of defined-contribution corporate pension (company-type) contracts and subscribers* for each year in the Pension Fund Association's Statistics on the Fiscal Situation.

The characteristic of Japan's pension system relating to the labor market is the point that it cooperates with unemployment insurance. In the case of older workers aged between 60 and 64, therefore, elderly employment continuation benefits and elderly reemployment benefits are provided when wages fall below 85% of the level immediately prior to retirement at 60. Further, to support female workers' combining of childrearing and work activities, payment of employees' pension insurance premium is excused for both the worker and employer during the period of child care leave (For the Assistance Measures to Balance Work and Family and for the Gender Equal Employment Policies, see Chapter V).

Public assistance: The public assistance system is designed to guarantee a minimum standard of living by providing benefits in kind according to need. These are provided by the Government through local governments when a person falls into poverty, despite employment, savings, assets, pensions, and allowances, etc., due to circumstances such as sickness, mental/physical disability, or unforeseen

accident based on the principle of complementarity. In practice, the level of public assistance is determined based on the minimum cost of living calculated according to standards laid down by the Government and relative to the income of the household concerned, the shortfall being covered by the provision of benefits in cash or in kind (such as medical benefits).

As of February 2014, public assistance was provided to 1,599,000 households and 2,166,000 individual beneficiaries, taking the ratio of assisted households to 1.7% of the general population. As a result of the recent stagnation of the economy and the growth of income disparities, the cost of public assistance is growing by the year. If one looks at the people receiving public assistance by age, one can see that the proportion of older people receiving such assistance has been growing in recent years, due to the fact that there are people who do not qualify to receive pension benefits, that it is difficult for older people to find employment due to the prolonged economic slowdown, and that a growing number of people are unable to pay for medical care costs as a

result of being on low incomes, and can only receive healthcare through the medical benefit paid under the

public assistance program (Table VI-11 Component Ratios, Elderly Households).

Table VI-11 Transitions by Year in the Number and Proportion of Households Receiving Public Assistance by Type of Household

Year	Number of households receiving public assistance					Composition ratio (%)			
	Total number	Households with older people	Households with single mothers	Households with sick or injured people, etc. (including households with disabled people)	Other households	Households with older people	Households with single mothers	Households with sick or injured people, etc. (including households with disabled people)	Other households
1990	622	232	73	267	51	37.2	11.7	42.9	8.2
1995	601	254	52	253	41	42.3	8.7	42.1	6.9
2000	750	341	63	291	55	45.5	8.4	38.8	7.3
2005	1,040	452	91	389	108	43.5	8.7	37.4	10.4
2006	1,074	474	93	397	110	44.1	8.6	37.0	10.3
2007	1,103	498	93	401	111	45.1	8.4	36.4	10.1
2008	1,146	524	93	407	122	45.7	8.2	35.5	10.6
2009	1,274	563	100	436	176	44.2	7.8	34.2	13.8
2010	1,405	604	109	466	226	43.0	7.8	33.2	16.1
2011	1,492	636	113	489	254	42.6	7.6	32.8	17.0
2012	1,551	678	114	475	284	43.7	7.4	30.6	18.3

Source: Compiled by the author from Annual Transitions in the Number of Households Receiving Public Assistance by Household Type and the Household Assistance Rate, from the list of official statistical data concerning "public assistance" published by the National Institute of Population and Social Security Research

Notes: 1) This is the one-month average.

2) Does not include households whose assistance is currently suspended.

3) In the household assistance rate, the number of households receiving public assistance is divided by the number of households in the National Livelihood Survey (per 1,000 households).

4) For some years, the figure by household type and the total figure for this differs from the overall total; this is not a printing error but is rather due to the margin of error resulting from adding up the total for each month (April - March) and dividing by 12, then rounding off the figures.