

# A Look at Japanese Households Facing Risk of Livelihood Collapse Due to COVID-19

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“The dust of an era weighs a mountain when it falls on an individual.”

—From *Wuhan Diary* by female Chinese writer Fang Fang (February 3, 2020)

## I. A once-in-a-century pandemic

Infectious disease caused by the novel coronavirus COVID-19 is spreading out of control throughout the world and has the potential to change human history. It is reported that, as of June 1, 2020, the number of COVID-19 cases confirmed in 188 countries and regions of the world exceeds 6.06 million and that of fatalities has surpassed the astounding level of 371,000.<sup>1</sup> As at the time of writing, in almost all countries, including Japan, infections and fatalities continue to grow rapidly, and thus it is impossible to predict when infections will peak out.

Throughout history, society-transforming pandemics have occurred numerous times with the movement of people and goods. Particularly well known among them are the Black Death (Plague) of the 14th century, smallpox in the 16th century, cholera in the 19th and 20th centuries, and the Spanish flu in the early 20th century. In terms of its rates of infection and fatality, the current pandemic appears ready to become one of the worst pandemics in history, rivaling the Spanish flu of 1918 and 1919, at the end of World War I, that killed 50 million people (equivalent to 3% of the global population at that time).

Furthermore, the spread of infectious diseases

is even broader than it was in the early 20th century due to the current dramatic pace of globalization. According to a simulation conducted by Murray et al. that was published in the authoritative medical journal *The*



*Lancet*,<sup>2</sup> if a pandemic equivalent to the Spanish flu of 1918 had occurred globally in 2004, it would have produced 62 million fatalities, or 12 million more than the number who died from the Spanish flu.

Even if the actual number of fatalities remains comparatively low due to medical advancements and aggressive infection countermeasures, no one can presently predict how much human damage and economic loss the COVID-19 will ultimately cause. However, it seems almost certain that the global economy is already falling into recession. The International Monetary Fund (IMF) wasted little time in presenting a pessimistic outlook, saying on March 24 that a global recession will likely continue at least until 2021.<sup>3</sup> Moreover, the International Labour Organization (ILO) also raised an alarm in a report issued on April 7, stating that the current pandemic's effect on employment will exceed that of the global crisis which followed Lehman Brothers' bankruptcy. Some 3.3 billion people in the world (81% of the world's total workforce) are being affected by the COVID-19 today, and a 6.7% decrease in total global working hours is anticipated in the second quarter of 2020 alone.<sup>4</sup>

## II. The importance of “protecting the vulnerable”

Natural disasters do not always affect individuals in the same way. Some people are only slightly affected, while others suffer catastrophic effects. In general, individuals and households in circumstances of biological disadvantage or socio-economic disadvantage are exposed to greater risk.<sup>5</sup>

“Biological disadvantage” is a term referring to demographic characteristics with a high risk of infection, such as being elderly, a child, pregnant, or a person with a disability or chronic disease. In the case of the COVID-19, it is reported that the elderly and people with chronic conditions, such as high blood pressure and diabetes, are more likely to experience aggravated symptoms and are therefore at greater risk.

On the other hand, “socio-economic disadvantage” refers to social and economic characteristics that can raise the risk of infection. Examples include being economically challenged, being an uninsured person who cannot receive health insurance coverage, or being a person who is socially excluded due to nationality, religion, race, or other such factors.

A problem is that “socio-economic disadvantage” and “biological disadvantage” are not independent phenomena, as both can occur in combination. Let’s take the United States as an example. Compared to whites, many black Americans are in the low-income bracket and extremely disadvantaged economically. Because people with lower incomes tend to eat inexpensive high-calorie meals more often, they have comparatively higher rates for obesity and diabetes. In other words, “economic disadvantage” causes “biological disadvantage” among African Americans. For instance, in Chicago, where the COVID-19 is spreading out of control, blacks comprise 30% of the city’s total population but account for 52% of infections and 68% of fatalities. Indeed, the fatality rate among blacks is as much as five times that of whites (announced on April 7).<sup>6</sup>

People in a situation of “socio-economic disadvantage” are especially vulnerable to the

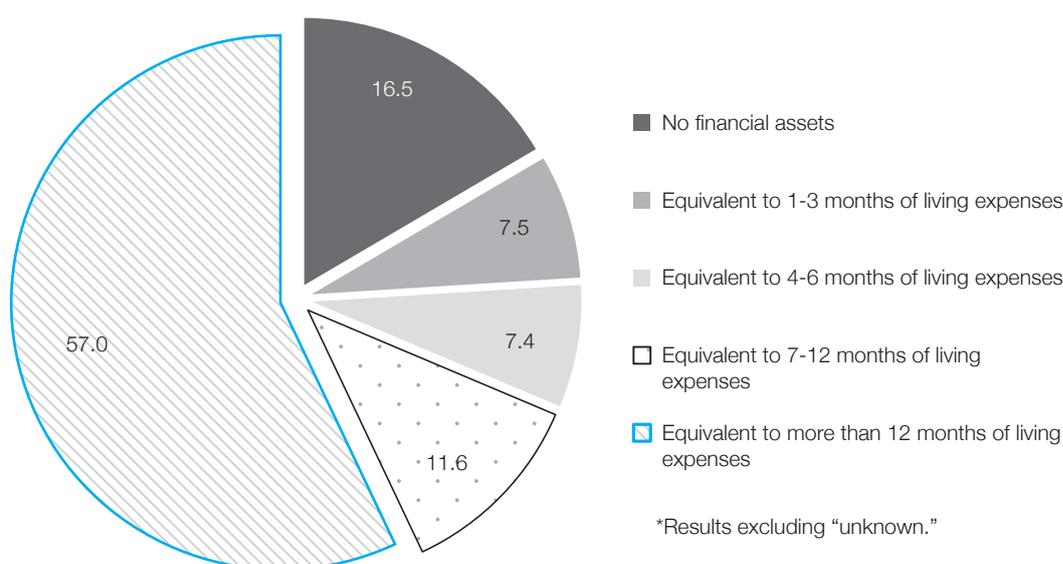
pandemic. This is because, in addition to having a high risk of infection, they also have a high risk of seeing their livelihoods collapse as a result of unemployment or reduced wages. For these reasons, the pandemic will spur the polarization of social classes and expansion of income disparities. Protecting the vulnerable in the pandemic is not only a public health issue but also a matter of great urgency in terms of social justice.

## III. Insufficient preparations for sudden loss of income among one-fourth of Japanese households

As the fight against the novel coronavirus continues, the government is being pressed to make a policy shift toward a high alert mode. This is represented by its asking the public to voluntarily refrain from staging large events; temporarily close movie theaters, sports gyms, and the like; and shorten the business hours of eating and drinking establishments. It is predicted that, if this situation becomes prolonged, consumer activity will contract, companies will go bankrupt, more people will become unemployed, and household finances will be seriously impacted.

Generally speaking, households with few “liquidity constraints”—in other words, which have ample savings and other financial assets available—are robust to economic shocks. This is because, even if their labor income temporarily plummets due to a pandemic, it is unlikely they will experience an immediate collapse of livelihood. In the case of households with few financial assets, however, it is highly likely they will be unable to make ends meet amid dramatic income fluctuations, and their livelihoods could collapse without policy assistance.

Although this is not commonly known, the percentage of Japanese who have absolutely no financial assets is rather high. According to a nationwide survey conducted by the Yu-Cho Foundation in 2018, for example, one in six working-age households (16.5%) has no financial assets of any kind. Under 10% (7.5%) are households with few financial assets that can only cover between



Source: Calculated by the author using the individual data from Yu-Cho Foundation, “*Dai-san-kai (2018) Kakei to Chochiku ni kan-suru Chosa*” (third survey [2018] on household finances and savings).<sup>7</sup>

Note: Result is limited to two-or-more-person households with the head under age 65.

Figure 1. Financial assets of working-age households (2018, %)

Table 1. Financial assets of two-or-more-person households (2018, %)

	Working-age households <sup>a</sup>	Elderly households <sup>b</sup>	Child-rearing households <sup>c</sup>	Working-age households with female head
No financial assets	16.5 (10.7)	13.6 (7.7)	16.4 (10.8)	37.9 (22.4)
Equivalent to 1–3 months of living expenses	7.5 (4.8)	3.0 (1.7)	7.1 (4.7)	10.3 (6.1)
Equivalent to 4–6 months of living expenses	7.4 (4.8)	3.5 (2.0)	8.0 (5.2)	5.2 (3.1)
Equivalent to 7–12 months of living expenses	11.6 (7.5)	7.7 (4.3)	13.3 (8.7)	6.9 (4.1)
Equivalent to more than 12 months of living expenses	57.0 (37.0)	72.3 (41.0)	55.1 (36.0)	39.7 (23.5)
Unknown	— (35.2)	— (43.3)	— (34.6)	— (40.8)
Total	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)
Average amount of financial assets (unit: 10,000 yen)	1,043	1,857	903	765
Percentage of households with assets of less than 1 million yen	29.0 (18.8)	29.1 (16.5)	28.2 (18.5)	60.3 (35.7)
N	1,193	716	688	98

Source: Same as Figure 1.

Notes: 1. a = head of household under age 65, b = head of household aged 65 or older, and c = household with child under age 18.

2. Results excluding “unknown.” Values in parentheses are aggregated values when “unknown” is included.

3. “Living expenses” refers to the average per-month amount of expenditure of the year prior to the survey of surveyed households.

4. One million yen is approximately US\$9300.

one and three months of living expenses. When both groups are added together, roughly one in four working-age households falls into a risk group that will run out of living money within six months in

the event of unemployment or reduced income (see Figure 1 and Table 1). This percentage rises even further when household heads are female (e.g., households comprised of an unmarried female with

her parents or a single mother with her children), reaching as high as just under half (48.2%) of the total (Table 1).

For the time being, the government has declared a state of emergency that will last until the end of May. However, considering that it took between two and three years for the Spanish flu to subside, Japan could be in for a long-term struggle. An important fact that must not be forgotten here is the existence of many risk-group households who possess extremely limited financial assets.

#### IV. Demographic characteristics of the group at risk of livelihood collapse

It is probable that many individuals and households grappling with biological disadvantage and socio-economic disadvantage are included among the “households without assets”<sup>8</sup> that face a high risk of livelihood collapse. In fact, conducting an attributes comparison demarcated by having and not having financial assets reveals that “households without assets” have demographic characteristics that are closely associated with “socio-economic disadvantage.” Based on the aforementioned Yu-Cho

Foundation survey, it is apparent that, compared to households “with assets,” the heads of households “without assets” disproportionately tend to be women, people with a low level of education, people with health issues, jobless people, or employees of microenterprises (Table 2).

Looking at the heads of households engaged in the “food and beverage services, accommodations” industrial sector, which is suffering particularly as a result of COVID-19, the percentage of those of “households without assets” is conspicuously higher than those of “households with assets” (5.4% vs. 2.3%). It is easy to predict that economic harm will befall “households without assets” as a result of COVID-19. The government should focus on the existence of these “households without assets” and pay particular attention to them as a policy target.

#### V. Determining the targets for support

As a practical matter, adopting policies that target this risk group is challenging. This is because the government cannot accurately ascertain the amount of financial assets each household possesses nor even individuals’ income. It is possible that

Table 2. Comparison of attributes by “having assets” and “not having assets” (2018, %)

Attributes	Not having financial assets (N=128)	Having financial assets (N=721)	p-value (chi-squared test)
Head of household is female	17.2	6.2	0.000***
Head of household's final school of graduation is high school or junior high school	62.5	36.2	0.000***
Head of household suffers from (some) health issues	18.0	7.5	0.000***
Form of employment			
Regular employment	60.2	71.7	0.009***
Non-regular employment	16.4	11.7	0.132
Self-employed, freelance, etc.	10.2	11.4	0.687
Jobless	13.3	5.3	0.001***
Head of household works at an enterprise with fewer than 30 employees	37.8	26.9	0.018**
Head of household works in the “food and beverage services, accommodations” sector	5.4	2.3	0.068*
Lives in a rented house (other than own house)	37.5	21.4	0.000***

Source: Same as Table 1. Results are limited to working-age households in which the head of household is under age 65.

Notes: 1. Statistics of enterprise and job attributes is limited to the employed persons.

2. \*p-value<0.1, \*\*p-value<0.05, \*\*\*p-value<0.01

**Table 3. National economic assistance schemes (relating to COVID-19; as of May 1)**

	Recipient of payment	
	Employers (indirect payment)	Individuals/households (direct payment)
Involve income screening		Emergency small amount funds/general support funds (COVID-19 special exception) Deferments of social insurance premiums and public utility charges Temporary rent subsidy Special payments to child-rearing households (10,000 yen per child)
No income screening	Employment Adjustment Subsidies (COVID-19 special exception) Allowances in response to elementary school closures, etc. (business suspension allowances for parents and guardians)	A universal cash handout of 100,000 yen (\$930) to every residents of Japan

Source: Prepared by the author based on the following Ministry of Health, Labour and Welfare webpage <https://www.mhlw.go.jp/content/10900000/000622924.pdf> (Accessed on May 5, 2020).

deferments of social insurance premiums and public utility charges, temporary rent subsidies, and special payments to child-rearing households, all of which are currently being planned as COVID-19 responses, will reach some of these risk group households. However, because these responses will involve income screening, it is also likely that a considerable number of targeted households will slip through (Table 3).

“Employment Adjustment Subsidies (COVID-19 special exception)” and “business suspension allowances for parents and guardians,” which will be paid indirectly to employed persons through their employers, do not have income requirements for eligibility. Because of this, it is even less likely they will reach the risk group. In particular, there is a problem in that, from the start, people who have lost their jobs due to COVID-19 are not targeted by this assistance.

Additionally, although “a universal cash handout of 100,000 yen” (approximately US\$930) will be provided without income screening to all residents as economic assistance, this program will likely amount to no more than stopgap monetary assistance and will be unable to cope with prolonged COVID-19 effects.

## VI. The need for speedy provision of interest-free/unsecured loans

Expanding interest-free/unsecured loans (with a leniency system) for individuals is an effective way of providing immediate assistance and, further, addressing risk groups who possess few financial assets. Because speed should be the top priority, it is important to provide loans using a simple self-declaration system and thereby, first and foremost, prevent livelihood collapse among individuals and households.

The possibility that some people will submit false declarations naturally exists. As a countermeasure, after the COVID-19 crisis settles down, it will be necessary to demand that false reporters pay interest based on their income and other information that will become available following final income tax return filing with the tax office. It should also be possible to take additional measures for people who are truly in need at a later date, such as debt reduction or exemption.

A loan system for living expenses in the form of “emergency small amount funds/general support funds” (interest-free/unsecured) is currently available and most closely approaches what the author has in mind. This system is based on the already existing “emergency small loans” program

of the Japan National Council of Social Welfare (special loans of the Social Welfare Program) and, as a special measure in response to COVID-19, permits the exemption from the repayment obligation of households who continue to suffer from a significant loss of income when repayment is due.

It has been pointed out, however, that loan programs led by the Japan National Council of Social Welfare have problems in terms of their practicality. Specifically, these problems are (1) the programs are difficult to use in practice, (2) a large number of documents must be submitted before loans are approved, and (3) the screening process takes a considerable amount of time.<sup>9</sup> In view of this, one idea could be to make loans available through not only government-affiliated financial institutions but also private-sector financial institutions (e.g., city banks, regional banks, and credit unions) that are closer to the needs of individuals and households. Both institutional types have a complementary relationship, and therefore it is desirable for both to work together to provide policy assistance to high-risk groups.

The views and recommendations of this paper are the author's and do not represent those of the Japan Institute for Labour Policy and Training.

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2. Murray CJL, Lopez AD, Chin B, Feehan D, Hill KH. (2007) "Estimation of potential global pandemic influenza mortality on the basis of vital registry data from the 1918–20 pandemic: a quantitative analysis," *Lancet*. 368:2211–2218.
3. Reuters "IMF sees pandemic causing global recession in 2020, recovery in 2021" (2020.3.24).
4. ILO: COVID-19 causes devastating losses in working hours and employment (2020.4.7).
5. Lori Uscher-Pines, Patrick S. Duggan, Joshua P. Garron, Ruth A. Karron, Ruth R. Faden (2007) "Planning for an Influenza Pandemic: Social Justice and Disadvantaged Groups." *The Hastings Center Report*, Vol. 37, No. 4, 32–39.
6. Washington Post, "'Those numbers take your breath away': Covid-19 is hitting Chicago's black neighborhoods much harder than others, officials say" (2020.4.7).
7. In January 2018, the Yu-Cho Foundation mailed questionnaires to 5,000 households (with a head of household aged 20 or older and two-or-more members) that were randomly sampled from the Basic Resident Registers of 250 survey locations selected nationwide via two-stage stratified random sampling. Valid responses were obtained from a total of 2,005 households (40.1%). Please see the Yu-Cho Foundation's website for details.
8. Here, "assets" refers to financial assets. Just under 60% of the "households without assets" own a home (fixed asset) in their own name or the name of a family member (Table 2).
9. Ministry of Health, Labour and Welfare, "*Seikatsu Fukushi Shikin Seido no Seido Gaiyo*" [System outline of the Social Welfare Loan System] (around 2018) page 13, [https://www.mhlw.go.jp/file/06-Seisakujouhou-12000000-Shakaiengokyoku-Shakai/syuro\\_2\\_kougi-siryu\\_8.pdf](https://www.mhlw.go.jp/file/06-Seisakujouhou-12000000-Shakaiengokyoku-Shakai/syuro_2_kougi-siryu_8.pdf) (Accessed on May 5, 2020).

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