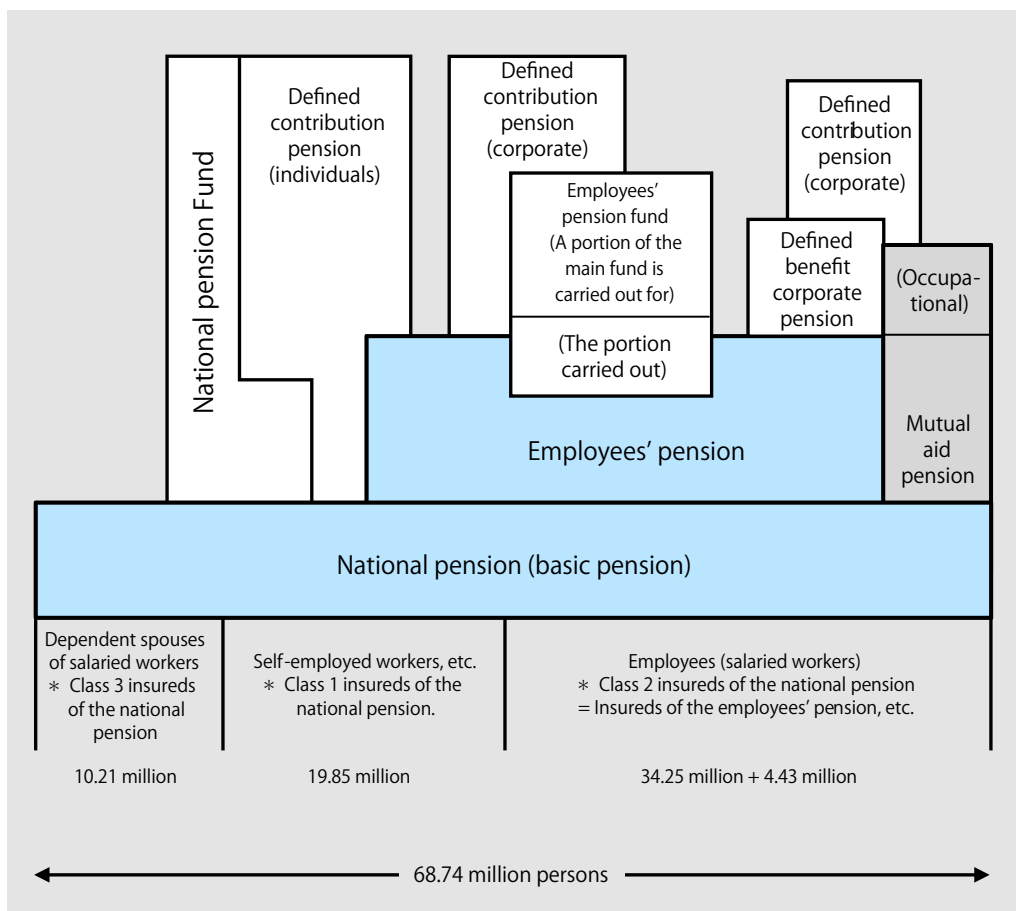


3 The Pension System and Public Assistance

Pension system: As can be seen from Figure VI-7, 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-7 The Pension System



Source: Compiled by the author, adding the number of insured persons in 2009 to the *2004 Key Points in Pension System Reforms* published by the Ministry of Health, Labour and Welfare Pension Bureau

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 for self-employed workers is set at a fixed amount (¥15,040 monthly, as of 2013). 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 16.4% of total income, including salary and bonuses (from September 2013). 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-8. Currently (as of 2013), the basic pension benefit is 65,541 yen per month (784,000 yen p.a.), while the old age welfare pension is 239,000yen (2,771,000 yen) when combining a couple's basic pension with the husband's earnings-related component.

Table VI-8 Transitions in the Number of People Receiving Benefits and the Amount Paid under the Pension System

FY	Insured persons (10,000 persons)				Beneficiaries (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)	Employee's pension Income (Insurance Premiums + State Contribution) (¥100 million)	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	2,190	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	6,926	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

Source: Ministry of Health, Labour and Welfare, Overview of Welfare Pension Insurance and the National Pension Scheme (FY2011)

Notes: 1) The integration of welfare pension schemes and mutual aid societies (pension divisions) is being considered, so the number of insured people enrolled in mutual aid societies, such as civil servants, in recent years is shown.

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 those enrolled in them are increasing.

Moreover, even companies that were unable to have a welfare pension fund because of their small scale have become able to offer defined-benefit corporate pensions by concluding contracts with operating agencies, and the number of contracts for this kind of corporate pension and the number of people enrolled therein are also increasing. However, although the asset management yield of corporate pensions was in positive figures before the Lehman Shock, the yield for FY2010 fell into negative figures, following the Lehman Shock, so there is growing concern among companies and those enrolled in such schemes about the reliability (or lack thereof) of the asset management of corporate pensions.

Table VI-9 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	33	361
2003	1,357	835	135	168	148	316	71	845
2004	838	615	314	484	508	992	126	1,402
2005	687	531	384	834	596	1,430	173	1,966
2006	658	474	430	1,335	605	1,940	219	2,313
2007	626	462	506	2,479	619	3,098	271	2,710
2008	617	439	570	4,396	611	5,007	311	3,043
2009	608	431	647	6,797	610	7,407	340	3,301
2010	595	430	727	9,436	608	10,044	371	3,705
2011	577	411	801	14,377	612	14,999	422	4,135

Sources: Pension Fund Association, Statistics Concerning the Fiscal Situation, Transitions in the Number of Defined-benefit Corporate Pension Systems by Establishment Type and the Number of People Enrolled Therein, and Transitions in the Number of Defined-contribution Corporate Pension System Contracts and the Number of People Enrolled Therein

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 2013, public assistance was provided to 1,577,000 households and 2,155,000 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-10 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)	Households with older people (%)	Households with single mothers (%)	Households with sick or injured people, etc. (including households with disabled people) (%)
1990	622	232	73	318	37.2	31.5	31.3
1995	601	254	52	294	42.3	20.6	37.1
2000	750	341	63	346	45.5	18.5	36.0
2005	1040	452	91	497	43.5	20.0	36.5
2006	1074	474	93	507	44.1	19.5	36.3
2007	1103	498	93	512	45.1	18.7	36.2
2008	1146	524	93	529	45.7	17.8	36.5
2009	1274	563	100	612	44.2	17.7	38.1
2010	1405	604	109	692	43.0	7.8	49.3

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.