

Social Security

In

Japan

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Preface

This booklet aims to provide foreign researchers with an introductory explanation of aspects of the social security system in Japan: pensions, health insurance, public assistance, long-term care and employment insurance. The booklet was first published in March 2000, and this is the fourth version updated for 2007. The booklet is mostly descriptive and kept at a minimum level in outlining the current system and the challenges facing it. Researchers who wish to learn more are advised to refer to homepages of related agencies (most notably that of the Ministry of Health, Labor and Welfare and the Institute of Population and Social Security Research). As Japan's social security system is undergoing a series of reforms, we will update this publication from time to time.

Dr. Takanobu Kyogoku

Director-General

National Institute of Population and Social Security Research

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Chapter 1

Overview of Social Security System

I. General Characteristics

1. Social security

As with other countries, the source of social security in Japan could be found in charity-oriented communal activities for the poor in a pre-modern era. In the modern era, while legislations such as *Indigent Person's Relief Regulation* (1874) and *Poor Relief Law* (1932)¹ were enacted, the modern social security system based on the state's responsibility in sharing and mitigating social risk of the population did not start until after the World War II with the inclusion in the *Constitution* of the Article 25:

“(1) All people shall have the right to maintain the minimum standards of wholesome and cultured living. (2)The State must make efforts to promote and expand social welfare, social security and public health services to cover every aspect of the life of the people”.

Starting with the urgent need to relieve the war-stricken people, the system of “social security” has gradually extended its reach. The term “social security” means in Japan a range of social policy that is the task of a welfare state, from income security to the public health. Table 1.1 shows the list of major schemes defined as social security in Japan. The main organ responsible for overseeing and carrying out these schemes is the Ministry of Health, Labour and Welfare (MHLW).

2. Universal health insurance and universal pension

The year 1961 was memorable in the history of Japanese social security. Two laws for universal health insurance and pension were enacted in 1958 and 1959, respectively, and enforced in 1961. They have become the two main pillars of Japanese social security system. Together with the *Public Assistance Law* (1946) and *the Employment Insurance Law* (1974), they are the main institutions of social policy to mitigate the risk of sickness, accidents, unemployment and old age.

¹ The English names of law and schemes are in consistent with official documents, in order to avoid the confusion.

Table 1.1 Schemes of Social Security

Health insurance	
Management of health care delivery system	
Prevention of diseases such as TB, AIDS and cancer	
Long-term care insurance	
Public pension	
Income assistance	<i>(Public assistance)*</i>
Services for the elderly	<i>(Welfare for the elderly)*</i>
Assistance for the disabled	<i>(Welfare for the disabled)*</i>
Benefits for children	<i>(Welfare for children)*</i>
Public health	
Employment insurance	
Work-related accident insurance	
* Terms in italics are official ones used by the government	

3. Social insurance and tax

Social security systems such as those for health care, long-term care, public pension, employment and work-related accident take the form of social insurance. The public insurance system provides in-cash and in-kind benefits to insured persons (and their family) in case of downfalls within their life cycle. The participation for these schemes is mandatory to all citizens and their employers in case they are employed. The contribution to the schemes is shared by all insured, in most cases, according to their ability to pay (income). Thus, the function of social insurance is to share the risk among insured persons, and at the same time, to redistribute income among them.

On the other hand, measures identified as social welfare, such as public assistance (meaning income maintenance for the poor, in Japan) and services and benefits for the elderly, children and the disabled are mostly paid out of the general budget of the government (tax). There is a continuing debate, especially on the pension schemes, between those who claim converting some of the insurance-based schemes to the tax-based schemes and those who prefer to maintain the link between the contribution and benefit through an insurance system.

4. In-cash and in-kind assistance

Kinds of benefits provided through the social security system are either in-kind or in-cash. Table 1.2 lists major types of benefits by in-kind/in-cash classification.

Table 1.2 Major Types of Service by In-kind or In-cash Classification

To whom	In-kind	In-cash
The sick	Health care services	
The elderly	At-home services Institutionalized services	Assistance for households which take care of its own elderly (limited) Old-age and survivor's pension
The disabled	Institutional service for the disabled	Disability pension
The children	Institutions for special children	Child allowance Child rearing allowance for single-mothers
The poor	Health care services	Livelihood (income) support
The unemployed	Employment services	Unemployment benefits

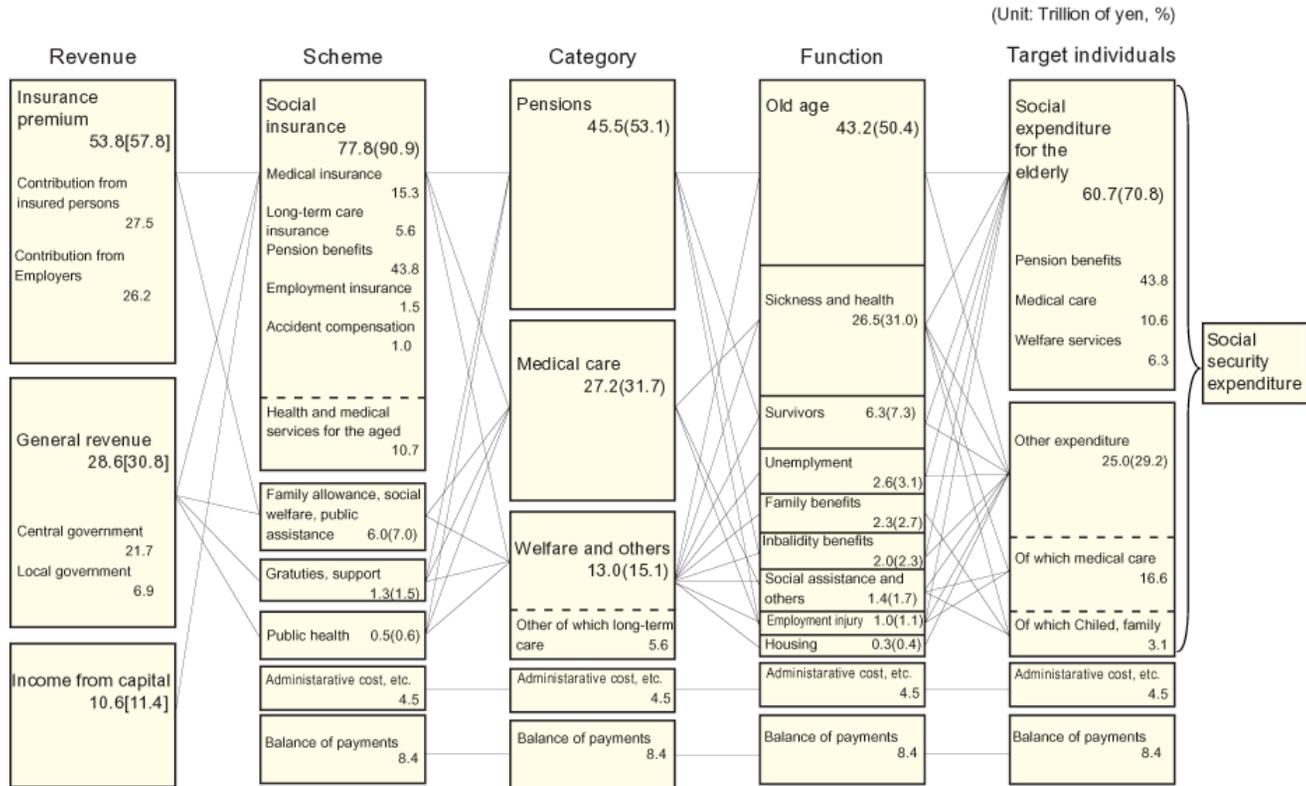
5. Service providers

Service providers of social security, such as hospitals and clinics for the health care, day-care centers and institutions for the elderly long-term care, rehabilitation centers and support centers for the disabled, and so forth, can be both public and private. For example, there are public hospitals and private hospitals, services of which are both covered by the public health insurance, and from the view point of the user, there is no difference. They both operate under the supervision of the Ministry of Health, Labour and Welfare (MHLW) and the prefectures.

II. Revenues and Expenditure of the Social Security

Figure 1.1 shows a breakdown of social security revenue and expenditure as defined by the International Labor Organization. Insurance premium accounts for nearly 60% of the total revenue and government contributions and others for the rest. The expenditure for the public pension takes up nearly a half of the entire expenditure, and for the health insurance, a little more than one third.

Figure 1.1 Social Security Expenditure by revenue, scheme, category, function and target individuals, fiscal year 2004



- Notes:
1. "Child, family" refers to medical insurance in the form of a lump sum maternity allowance and child-rearing allowance, employment insurance in the form of parental leave allowance, day-care facilities administration costs and single parent family and disabled child allowance.
 2. Fiscal year 2004 Social Security Revenue amounted to 93.0 trillion yen (excluding transfer from other systems). The figure in square brackets [] represents the ratio of the Social Security Revenue total.
 3. Fiscal year 2004 Social Security Expenditure amounted to 85.6 trillion yen. The figure in parentheses () represents the ratio of the Social Security Expenditure total.

Chapter 2

Pensions

I. General Characteristics

1. Three-tiers of pension system

The Japanese pension system is multi-tiered, consisting of public and private pension schemes (Fig.2.1). In this booklet, the distinction between public and private pensions is defined to be whether the insurer of pensions is the government or not. The first tier is the *Basic Pension (Kiso Nenkin)*, which provides the flat rate basic pension of a universal coverage. As a non-income-related pension, it aims to provide a basic income guarantee for the old age, and the participation is mandatory to all residents. The second tier, the *Employees' Pension Insurance (Kose Nenkin Hoken)* covers the most of employees and is income-related in both premium and the benefit structure. Its provision is mandatory to all firms over a certain size, and premium is shared by employers and employees. The first and the second tier pensions are both operated by the government and thus are public. The third tier is an optional scheme. It is provided either by private firms (employers) for their employees, or by collective national pension funds for the self-employed for which the government is the insurer. The Employees' Pension Funds is operated by employers, but has a large portion of the Employees' Pension Insurance and thus has a quasi-public character. On top of the three tiers, purely private, individual-based pensions, such as those offered by the life insurance companies, provide the additional coverage for those who wish to purchase the plans.

The schemes in the first and the second tiers for employees are jointly operated and a single contribution rate covers contributions for both schemes. Thus, in many cases, the term "*Employees' Pension Insurance*" refers to both of them jointly. The Employees' Pension Insurance covers both employees and their spouses (Categories No.2 and No.3 insured. See Fig 2.1).

Similarly, the Basic Pension for the self-employed, farmers and other non-employed (Category No.1 insured) is called the *National Pension (Kokumin Nenkin)*, which are operated, by municipalities (and thus called regional-based pension). The civil servants have a separate scheme on their own called *Mutual Aid Pensions*, which covers both the *Basic Pension* portion and the income-related portion. Thus, the entire adult population, in principle, is insured either by the *Employees' Pension Insurance*, the *National Pension* or

the *Mutual Aid Pensions*.

2. Universality of the basic pension

The coverage of the Basic Pension is universal, i.e. it is intended to cover all residents 20 years old or above in Japan including foreigners. For the *National Pension*, the eligibility to receive pension benefit requires a minimum of 25 years of premium payment.

3. Mixture of public and private schemes

The insurer of the *National Pension* and the *Employees' Pension Insurance* is the government. They form the two pillars of Japan's public pension system. According to a survey, more than 60% of the elderly households depend entirely on the public pension benefits for their income.

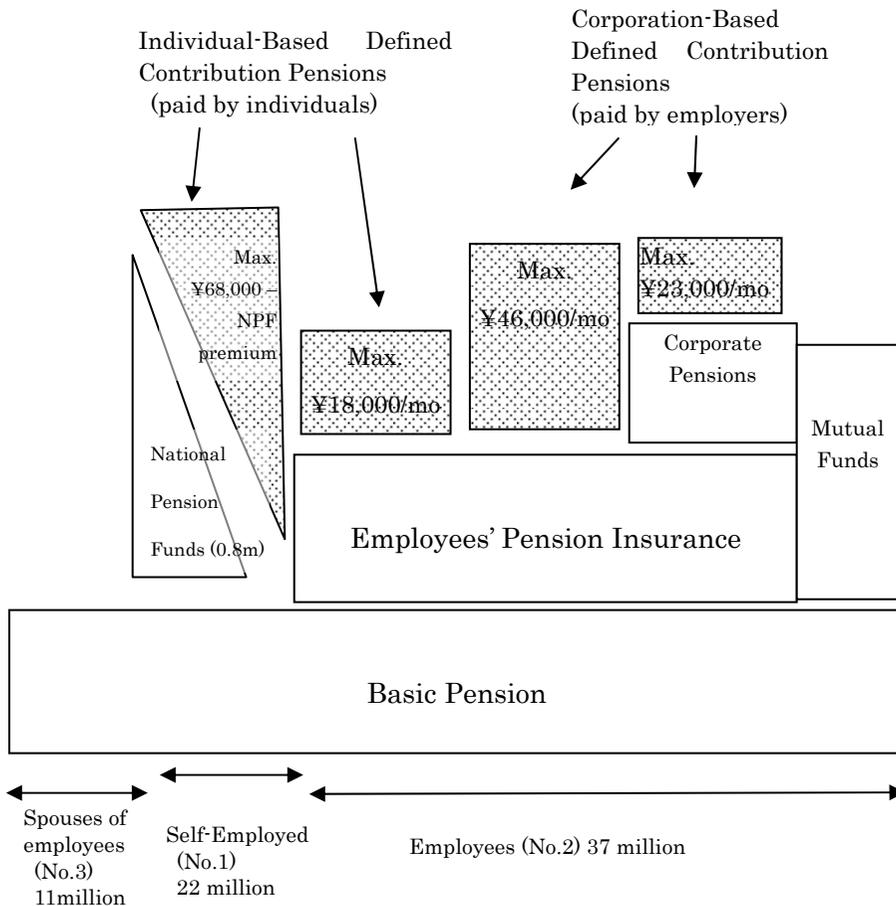
Other schemes are occupational pensions. The *Employees' Pension Funds*, the *Tax Qualified Pensions* and the *Mutual Aid Pensions*, the third tier for the Category No.2 insurers (employees), are run by each private firm or the government in the case of the Mutual Aid Pensions where the government is the employer, and not all of the employees are covered by them. The *National Pension Funds*, which provide the third tier coverage for the Category 1, are run by local and occupational funds. It is also optional, and only a fraction of the Category 1 is participating.

4. Insurance premium

For the *Employee's Pension Insurance* (the public pension for the Category No.2, i.e. employees), the premium is paid by both employees and employers, and is set at a fixed rate of the salary. The same rate covers the premium for his/her spouse who does not make more than ¥1.3 million/year (called the Category No.3). For the *National Pension* (the public pension for the Category No.1, the self-employed), the premium is paid by the insured only, and is a flat rate for all. Both the Category No.1 and his/her spouse, if he/she is not working as employees, have to pay the premium.

The premium for occupational pensions differs from scheme to scheme, but mostly is paid by the employers for the Category No.2 and by the insured for the Category No.1.

Fig. 2.1 Pension System in Japan



Shaded boxes indicate optional Defined-Contribution pensions. The amount inside is the maximum premium.

Max.
¥18,000/mo

Note: Numbers in () are number of subscribers. No.1, 2, & 3 denote categories of subscribers: No.1 is for self-employed, farmers, students, etc., No.2 is for employees, and No.3 is for spouses of No.2. (All numbers are as of March 2005)
Source: Kose Hakusho, MHW, 2006

5. Government subsidy for the public pensions

For the first tier (*Basic Pension*), one half of the benefits and all of administrative costs are paid from the general budget of the government. For the second tier (*Employees' Pension Insurance*) and mutual aid association pensions for central and local civil servants, the administrative costs are paid by the central government. For the third tier, there is no subsidy from the government.

6. Mixed retirement package

Japanese firms traditionally offered to its employees a retirement allowance in the form of a one-time lump-sum payment. Since the introduction of public pension schemes, firms started to offer private pensions to attract employees. Currently, most firms provide a mixture of a lump-sum payment and a pension scheme. Since the two types of scheme are interchangeable in many instances, the entire retirement package is seen as the income security for the retired.

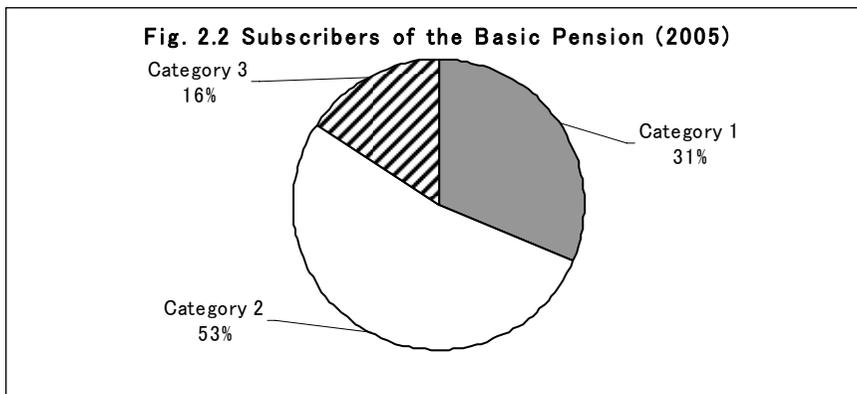
7. Defined –Benefit vs. Defined-Contribution Pension Schemes

The *National Pension*, the *Employees' Pension Insurance*, and optional National Pension Funds and corporate pensions are all defined-benefit schemes. In 2001, Defined-Contribution pension schemes were introduced. However, the number of schemes and the enrollment has not increased as much as expected. The number of enrollment was around 1.2 million persons at then of FY 2005.

II. Pension Schemes

1. *The National Pension*

As described above, all residents in Japan between ages of 20 to 60 are eligible and required to become a subscriber of the *Basic Pension*. Whereas employees automatically enroll in the *Basic Pension* when they subscribe to the *Employees' Pension Insurance*, the *National Pension* is for those who are not employees. A fixed amount (¥13,860 per month in 2007) is levied on each subscriber as a premium. However, low-income persons (about 15.0% of all No.1 subscribers in 2004) and non-working spouses of employees are exempt from paying premiums, partially or entirely. Current benefits are paid out of currently collected premiums (pay-as-you-go system), but as much as one half of the benefits are subsidized from the general budget of the government. The benefit is flat rate to all, and the scheme is a defined-benefit scheme.



Category 1: All residents who are not Category 2 or 3, i.e. self-employed, farmers, students, etc.
Category 2: All employed persons whose workplace has more than 5 employees
Category 3: Non-working spouses of Category 2

Source: MHW, 2006

Currently, only about 1 to 2 % of the eligible persons fail to participate in the *Basic Pension*, and 96% of all persons aged 60 and over receive the *Basic Pension*, thus its scheme has achieved near perfect universality. The average monthly benefit amount for the old age is about ¥52,500.

2. *The Employees' Pension Insurance*

The *Employees' Pension Insurance* forms the core of the income security for retirees. All workplaces with more than 5 employees and their employers are required to participate in this scheme. Both employers and employees contribute 7.32%¹ of employee's monthly salary as premiums (including a premium for the *National Pension*), and the pension benefit is income-related. There is no discount system for low-income persons/household (or his/her employer), but employers of those who are on maternity leave (up to 1 year) are exempt from paying premiums². However, the ceiling of the premium is set at the premium rate multiplied by ¥620,000 (the maximum category of monthly salary). The benefits are related to the employee's salary. The average monthly benefit for the old age is about ¥167,500, which amounts to 53.4% of the average monthly salary of subscribers (2004).

3. National Pension Fund

The National Pension Fund is an optional pension for the self-employed (Category No.1), and it is designed to give additional pension coverage to the self-employed who do not have the second-tier pension (*Employees' Pension Insurance*). However, only about 3% (0.73 million) of Category No.1 subscribers (22 million) are currently subscribing to the Fund.

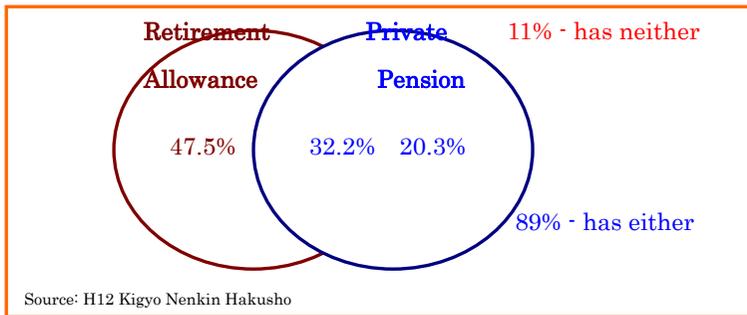
4. Corporate pensions and retirement allowances

90% of all Japanese firms offer retirement packages for their employees. A retirement package can be either a one-time lump-sum retirement allowance, or a life-long or limited duration pension, or both. In 1997, about a half (52.5%) of firms with some kind of retirement package offered a pension scheme, while nearly 90% provided a lump-sum allowance. Even though the pension is gradually spreading its share, the traditional style of the lump-sum allowance is still the main stream and most employees choose to take a part or the entire amount of the retirement money as the lump-sum payment.

¹ The premium rate applies only to monthly salary, and the premium rate for seasonal bonus payments (usually 3.5 months worth of salary) is 0.1% shared equally between employers and employees.

² Employees who are on maternity leave typically do not receive salary, except unemployment benefits (40% of their pay), and thus do not need to pay a premium. The duration of maternity leave is counted as insured months in calculating a benefit level.

Fig. 2.3 Share of firms with retirement allowance scheme and/or private pension scheme (1998)



There are two types of corporate pension schemes: defined-benefit pension schemes and defined-contribution pension schemes. Among the defined-benefit pension schemes are the *Employees' Pension Fund* and the *Tax (Exempt) Qualified Pension* (scheduled to be phased out). The newly introduced defined-contribution schemes offer an attractive choice for employers and employees seeking flexibility.

5. Defined-Contribution pension schemes

The defined-contribution (DC) pension schemes have two types: individual-based and corporation-based. The individual-based defined-contribution scheme is for self-employed persons (Category 1 subscribers) and is designed to give optional pension coverage to the self-employed. It is operated by the National Pension Fund Association, and its premium is paid by the subscribers themselves. The second type of the defined-contribution pension schemes, the corporation-based DC pension, is a type of corporate pensions. Corporations may provide this type of pensions to its employees. The premium is entirely borne by the employer.

Firms welcomed the introduction of DC schemes and many corporations have shifted from the Defined-benefit (DB) corporation pension to the DC corporate pension. This is because firms are realizing a huge burden of future pension payments, which is now labeled as liabilities under the new accounting system. Suffering from low-returns on their funds, firms are eager to convert their DB pension schemes to DC schemes, in which future payments are related to the investment performance of funds, as opposed to the current system in which future payments are fixed at the beginning.

Another motivation behind the introduction of DC pensions is the changing employment patterns. The traditional Japanese pattern of a life-long employment has been gradually

disintegrating. Thus, corporate pension schemes based on a long-term employment at a fixed workplace needed to suit the new employment practices. One of the advantages of the DC pension, mentioned above, is that it is portable from a firm to another.

III. Current Issues of Pension System and 2004 Pension Reform

1. Financial crisis of public pension

Aggravated by rapid aging, low rate of economic growth, and near-zero interest rates, the *National Pension* and the *Employees' Pension Insurance* are facing a difficulty to secure enough funds to meet the future burden of pension benefits. Various reforms to restrain the payments, including cutting back of future benefits, raising of premiums and raising the pensionable age from 60 to 65 (for the *Employees' Pension Insurance*) have taken place in order not to put too much burden on the future generations.

In the 2004 Pension Reform, the following reform was put in place: 1) Raising the share of the subsidy from the central government for Basic Pension from 1/3 to 1/2, 2) Introduction of automatic adjustment of the benefit level to balance the premium income, 3) mandating re-examination of the financial forecast every 5 years, and 4) strengthening the collection enforcement of premiums.

2. Non-compliance and defaults in the *National Pension*

One of the biggest problems of the *National Pension* is that there are a growing number of eligible and required persons who have not paid the premium in full. According to the survey in 2004, as much as 0.36 million persons have not subscribed to the National (Basic) Pension at all. In addition, in 2004, the ratio of monthly premiums actually paid to fully expected premiums was only 63.6%. In addition, 15.0% of the Category No.1 was legally exempt from paying the premium in 2004, making the financial situation of the *National Pension* even worse. Every effort is being made at central, prefectural, and municipal government levels to decrease the default rate. The default and non-compliance of the *National Pension* is worse in younger generations.

To raise the compliance, the government has put in place a mechanism to exempt paying premiums for low-income persons. In 2006, the 4-level exemption status was introduced, where previously there were only two levels.

3. Financial pressure on firms

At the same time, corporate pension schemes are also facing a number of problems. The first problem is financial. Not only did the continuing recession of the Japanese economy and very low interest rate made it difficult for corporations to keep defined-benefit corporate pensions, it has also made it difficult for some corporation to keep paying the employers' contribution for the Employees' Pension. It is required by law to participate in the Employees' Pension Insurance for firms of certain size and over, but some corporations have taken a drastic measure to dissolve their Employees' Pension Insurance and make their employees subscribe to the National Pension, which does not require employers to share a part of the premium.

4. Duration of payment of premiums

As mentioned before, the traditional Japanese working pattern of the life-long employment with a single employer has been gradually diminishing. Many people now switch jobs and their pension status, thus, change over the life-course. The pattern is more evident among women who tend to leave and re-enter labor force during raising children. Thus, it is becoming increasing harder to put in the required payment period for pension premiums. For the National Pension, to get the full benefit, one has to have paid the premium for 25 years, and the Employees' Pension Funds also have, albeit shorter, required premium paying period. Many people, especially women, are unable to put in the required duration, and do not qualify to get the full amount. The same problem is also applicable to foreigners who stay and work in Japan for only a limited number of years, and for Japanese who spend some years abroad. Japan has entered into an agreement with some countries to exchange the premium paying years between public pensions of two countries, but it is limited to a few countries so far.

5. Accommodating various employment arrangements and life-styles

There has been a big shift of employment arrangements from full-time to part-time, especially among women workers. However, the Employees' Pension does not include part-time workers, and many women adjust their working style in order to remain as Category No.3 (dependent spouse of subscribers of Employees' Pension). The 2004 Reform did not actually implement measures to correct this, but it has mandated the government to

review and take necessary action within 5 years.

The 2004 Reform implemented the following changes to accommodate the changing life-styles: 1) extending the period of premium exemption for those taking maternity or paternity leave from 1 year to 3 years, 2) making it possible to divide the pension benefit of the Employees' Pension between husband and wife if they divorce, and 3) putting a time limit of 5 years for survivor's pension benefit for widows (widowers) younger than 30 years old and with no children.

Outline of the public pension system in Japan

		Public Pension	
		Basic Pension	Employees' Pension Insurance
Type of Insurance	Note	Basic 1st Tier Mandatory	Supplemental 2nd Tier Mandatory
Insurer		Government	Government
Eligible persons	①	All residents (categories 1-3)	Category 2 private-sector workers under 65 who work at workplaces with more than 5 employees
Number of subscribers (millions)	②	70.29	32.49
% to all residents(20-59years)	②/pop	98%	45%
Number of current pension recipients	③	22.99	22.33
% to all subscribers	③/②	33%	69%
Premium Type		Flat rate	Fixed % of salary
Average contribution (% to salary) Employee		—	7.32%
Employer		None	7.32%
Average contribution (¥)	⑤	¥13,860 (for Category 1 & 2), ¥0 (Cat.3)	(All income including bonus: 6.79%) (including premium for National Pension)
Average monthly salary of subscribers	⑥	Not Available	¥313,679
Tax exemption Employee		Exempt	Exempt
Employer		Exempt	Exempt
% of subscribers exempt from paying premium		5.3%	0%
Default rate (as % of expected premium)		27.0%	1.6%(1997)
Benefit (Old Age) Type		Flat rate	Income-related
Calculation method		¥792,100 x ((insured months + 1/3 x exempt months)/480)	(Monthly income * 0.55% * insured months * slide rate)+ dependents allowance
Average monthly benefits (2004)	⑦	¥52,565	¥167,529
Replacement ratio (average)	⑦/⑥	Not available	53.4%
Starting age	years	65	65
Benefits (Disability)		Flat rate	Income-related
Calculation method		¥990,100 (1st degree) or ¥792,100 (2nd degree) + dependents allowance	1st degree old age pension * 1.25 + dependents allowance, 2nd degree: old age pension + dependents allowance, 3rd degree: old age pension
Average monthly benefits (2004)		¥74,964	¥106,024
Benefits (Widow/Widower)		Flat rate	Income-related
Calculation method		¥792,100+ children allowance for wives w/children	3/4 of old age pension for spouse or close family
Avg monthly benefits (2004)		¥81,935	¥89,998

Source: Kose Rodo Hakusho (2006), Kigyo Nenkin Hakusho (2001), Minist

(All numbers are as of 2005, unless otherwise noted)

Semi-Private Pension		
Mutual Aid Pension	Employees' Pension Funds	National Pension Funds
Supplemental 1/2/3 Tier Combined Mandatory	Supplemental 3rd Tier Optional	Supplemental 3rd Tier Optional
Mutual Aid Associations	Employers of more than 500 employees	Government
National and local civil servants, teachers, etc.	Employees of above	Category 1
4.64	5.31	0.73
6%	7%	1%
3.47	2.76	
75%	52%	0%
Fixed % of salary	Fixed % of salary	Subscriber's choice
7.05~7.38%	1.2 ~ 2.5%	--
7.05~7.38%	1.2 ~ 2.5%	None
(including premium for National Pension)		¥19,000
		Not Available
Exempt	Exempt	Exempt up to ¥68,000
Exempt	Exempt	
0%		
17.11%(1997)		
Income-related (Monthly income * 0.55% * insured months* slide rate)+ dependants allowance	Income-related Average monthly salary during insured months * fixed rate + alpha	Premium-related Depending on premium & age at the time of entry
¥223,000(1997)	¥333,622 (2000)	
	Not available	Not available
65	65	65
Income-related 1st degree old age pension * 1.25 + dependents allowance, 2nd degree: old age pension + dependents allowance, 3rd degree: old age pension		
Income-related 3/4 of old age pension for spouse or close family		

Chapter 3

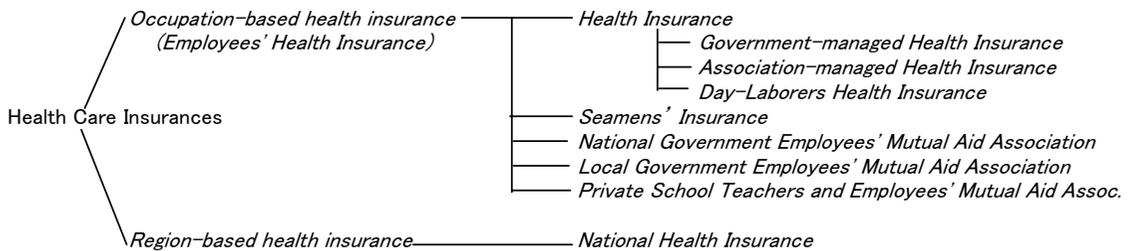
Health Insurance

I. General Characteristics

1. Public health insurance system

Japan's medical services are financed through a public mandatory health insurance system, which is composed of two types of schemes: occupation-based and region-based. The former is called the *Health Insurance*. Employers and employees of firms of a certain size and over form a health insurance society and thus these are called the *Society-managed Health Insurance*. For those who work at smaller firms, the government provides a collective health insurance, which is called the *Government-managed Health Insurance*. In addition, special professions such as civil servants, day laborers and seamen form separate nation-wide professional associations. These occupation-based public health insurances cover employees and their dependents. Those who are not covered by the *Health Insurance* are required to participate in a region-based health insurance, called the *National Health Insurance*, for which the municipalities act as independent insurers. (See Fig 3.1) Mostly self-employed, farmers, workers of smaller firms and their family join the *National Health Insurance*, thus its participants more or less overlap those of the *National Pension*.

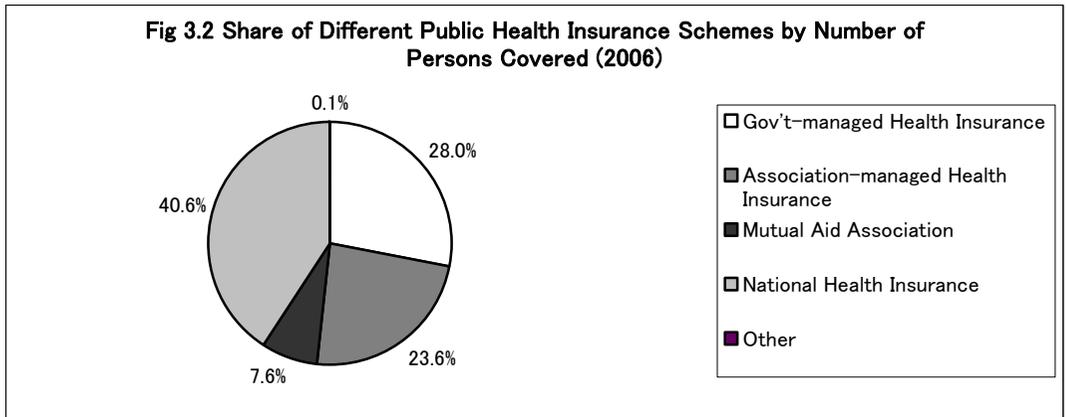
Fig. 3.1 Public Health Insurance System



Hence, these public health insurances provide nearly universal coverage over the population.¹ The share of each scheme is shown in Fig. 3.2. The Government-managed Health Insurance, the Association-managed Health Insurance, and the National Health

¹ Those who are receiving public assistance are not covered by health insurance, since their medical needs are met by the welfare payments.

Insurance each account for about one third of the total population.



Source: MHW *Kose Hakusho* (2006)

2. Financing of health insurance

All the public health insurance schemes are financed by premiums, subsidy from the general budget of the government, and co-payment from patients. For the *Health Insurance*, the premium is a fixed percent of employee's salary, which is shared equally by the employers and the employees. For the *National Health Insurance*, the premium differs among local governments and is usually levied on the basis of income, property, and number of insured within a household. A substantial government subsidy is given to the *National Health Insurance*. For all Japanese medical insurance systems combined, the contribution by government subsidy, insurance premiums, and patient co-payment were 32.2%, 52.9%, 14.9%, respectively (1998).

3. Freedom of choice

Because Japanese health insurance systems are universal, there is no distinction between public and private hospitals from the viewpoint of the user. In fact, users are free to choose any medical service providers without constraint in terms of hospital type, location or other factors such as having referral or not.

4. Equal coverage of services at equal price

The coverage of health insurance and the prices of medical services are standardized by law, and thus, all persons receive the same medical service at equal price. The area covered by the insurance is shown in Fig. 3.3.

II. Health Insurance Schemes

1. *(Employees' Health Insurance (Occupation-based public health insurance)*

People covered under this type of insurance are employees and their dependents. All employed persons are required to join the association, except those who are employed by private firms with less than five employees and self-employed. Depending on the occupation and size of employers, there exist several programs as described below.

(a) *Association-managed Health Insurance*

This scheme is operated by health insurance associations organized by large firms for their employees. Sometimes more than one firms form a single association. Currently, there are 1,584 such associations and 30 million individuals are covered by them (as of April 2006). However, due to the high cost of keeping them, more and more firms are dissolving such associations, and their number has been declining lately.

(b) *Government-managed Health Insurance*

This is for the employees of small and medium scale firms, which cannot form a health insurance society on its own. The Government provides a collective health insurance for them, with contributions from the employers and employees. About 36 million individuals are covered by this type of health insurance (as of April 2006).

(c) Other Occupation-based health insurance

- *Seamen's Insurance*
- *Day-Laborer's Health Insurance*
- *National Government Employees' Mutual Aid Association*
- *Local Government Employees' Mutual Aid Association*
- *Private School Teachers and Employees' Mutual Aid Association*

The first two are operated by the Government, and the other three, by each mutual-aid associations.

2. *National Health Insurance*

This scheme covers all those who are not covered by the *Health Insurance*, i.e. self-employed, farmers, students, and so forth. Currently 52 million individuals are covered by this scheme (April 2006). The insurers are municipalities in most cases, except for special professionals such as medical doctors who form *National Health Insurance*

Societies on their own. Retirees who previously subscribed to the *Health Insurance* are insured under the *National Health Insurance*. However, the health care cost for the retirees aged between 60 and 70 are financed by the transfer from the *Employees' Health Insurance*, i.e. retiree's former insurer.

The *National Health Insurance* is financed by the government subsidy as well as the insurance premiums collected from its subscribers on household basis. The premium amount differs from a municipality to another, and is based on both income and number of people who will be covered within the household. The premium can be discounted up to 60% for low-income households.

3. *Health Insurance System for the Elderly*

Previously, health insurance for the elderly was covered under the *National Health Insurance*, except when they are financially dependent on their family and are covered by the *Health Insurance* of their family as their dependents. However, as a result of an increasingly aging population and rising cost, this arrangement led to an unbearably heavy burden on the *National Health Insurance*. Thus, a special program was created for those aged 70 and over, and for those between 65 and 70 years old who are bed-ridden or have severe disabilities. Under this program, the health care costs are mostly met by the subsidy from the central and local governments (30%) and the transfer of contributions from the *National Health Insurance* and the *Health Insurance* (70%) with minimal co-payments from the elderly.

III. Medical benefits and Co-Payment Rate

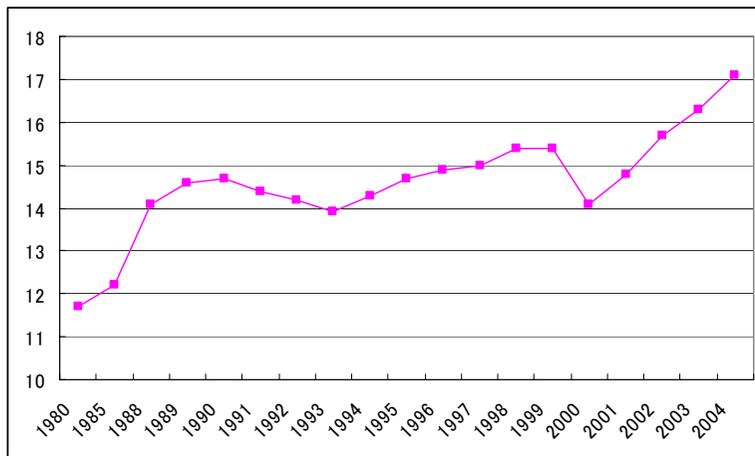
Under the *Employees' Health Insurance* and *the National Health Insurance*, the insured and their dependents pay 30% of cost of all care, normally. The children under 3 years old only need to pay 20%, and the elderly above 70 years old, 10% (except for those elderly with high income, 20%). For both schemes, there is a maximum limit of co-payment, above which is borne by the government. The limit is 63,600 yen a month or the 22% of the average monthly salary, plus 1% of the cost over a certain amount for one illness. There are a lower threshold for low-income families and a higher threshold for the high-income families.

IV. Current Issues and recent reforms of the public health insurance

1. Health Insurance for the elderly and the 2006 Reform

As mentioned earlier, Japan's public health insurance is going through a financial crisis. One of the main problems is the rising cost for the elderly which has been putting an upward pressure on the total health care cost. The share of public health expenditure in the general public outlay has increased from 11.7% in 1980 to 17.1% in 2004 (Fig 3.4).

Fig. 3.4 Share of Public Health Expenditure among Total Public Expenditure



Source: Kose Rodo Hakusho 2006

Meantime, Japan has been implementing a series of small reforms, keeping the current system mainly in tact. The reforms from 2002 to 2006 raised the co-payment rate for both old and young generations. For those below 69 year old and who are in the Health Insurance, the co-payment rate was raised from 20 to 30% (Subscribers of the National Health Insurance already face 30% co-payment rate). The premium rate is also reformed to be applied to the entire annual salary, including bonuses. For those above 70 years old and above a certain income criteria, the co-payment rate is raised from 10 to 20% in 2002. The co-payment for the elderly was again raised in 2006 (the co-payment was raised from 10% to 20% for those aged between 70 and 74 and for those elderly with high income, to 30%). The monthly upper limit of co-payment is also raised according to the income of the subscriber.

The 2006 Reform enacted two new schemes both of which will start in April 2008. One is the "Health Scheme for the Late Elderly (Koki Koureisha Iryo Seido). This system will cover those who are above 75 years old. It will be financed by premiums (10%), transfers from the young generations (National Health Insurance and Employees' Health Insurance)

(40%) and general government budget (50%). The other is the “Health Scheme for the Early Elderly (Zenki Koureisha Iryo Seido). This scheme which will cover those from 65 to 74, is a budget transfer scheme, similar to the Health Insurance System for the Elderly which is now in place. In effect, the reform separates the coverage for those over 75 from the Health Insurance system for the Elderly.

3. Reform of medical fee System

Under the current systems of fee-for-service payments, medical providers are paid, in principle, for whatever services and medicine they provide. Thus, there is an incentive for medical providers to over-examine and over-prescribe medicine, creating a tendency to higher medical costs. In addition, there has been a gradual shift from acute to chronic diseases. This has led to a debate on a reform of the fee schedule to fixed prospective payments so that doctors are paid a fixed amount depending on the type and severity of the disease, sometimes called DRG (Diagnosis Related Groups) method. This system has been experimentally introduced earlier, and in the 2006 Reform, was expanded.

Table 3.1 Financial Standing of Health Insurance Schemes (2004)

	Government Managed Health Insurance	Association Managed Health Insurance	National Health Insurance
Income			
Premiums	60,221	58,097	26,671
Government Subsidy	7,942	49	36,357
Other	163	1,389	15,176
Total	68,326	59,536	78,203
Expenditure			
Benefits	38,956	29,965	47,815
Outlay for HI for Elderly	18,993	14,428	22,361
Outlay for HI for Retirees	6,888	7,016	
Other	1,084	5,064	6,340
Total	65,921	56,474	76,516
Balance	2,405	3,062	▲ 2,800

Source: Kose Rodo Hakusho 2006

4. High Default rate of the National Health Insurance

The National Health Insurance has a mechanism to include low-income individuals into the “universal” health insurance. As noted earlier, the premium structure is set by each municipality, but the reduction of the premium for low-income households is done according to the rules set by the central government. Currently, up to 60% (in some municipality 70%) of the premium can be reduced for households whose income is below a certain level (the statistics on the number of people whose premiums are reduced are not readily available).

However, even with schemes to exempt part of the premium, the number of households who have defaulted has been increasing rather rapidly. The latest statistics is for 2003, and nearly one in five households who are subscribing to the National Health Insurance failed to pay premiums. Even though they can continue to receive medical care for some time, eventually their right to receive it is relinquished.

Outline of the Health Insurance System in Japan

		Health Insurance		Seamens' Insurance
1) Name		Gov't-managed Health Insurance	Association-managed Health Insurance	Seamens
2) Eligible subscriber		Employees of Small-Medium firms	Employees of Large firms	
3) Number of subscriber (millions) Dependents		18.93	14.79	0.07
		16.69	15.20	0.11
4) Insurer (number of organizations)		Government	Health Insurance Associations (1,584)	Government
5) Premium rate:	Subscriber	4.10%	3.335% (avg)	4.55%
	Employer	4.10%	4.149% (avg)	4.55%
6) Gov't Subsidy to:	Administrative cost	All	All	All
	Medical cost	13%	¥10.3 billion	¥3 billion
	Contribution for the health care for elderly	16.40%	--	--
7) Co-payment:	Subscriber			30%
	Dependents			30%
	Inpatient meal expense Maximum	¥260/meal (for low-income family ¥210/meal for first three months) ¥80,100 (for low-income person ¥35,400)		
8) Allowance:	Childbirth allowance	¥350,000		¥350,000
	Funeral expense	¥50,000		2 months of salary (min. ¥100,000)
	Fun.exp. for dependents	¥50,000		1.4 month of salary (min. ¥50,000)
	9) Unemployment benefits:			
	Due to sickness	60% of avg. wage		60 % avg. wage
	Due to childbirth	Up to 18 months 60% of avg. wage 42 days before birth, 56 days after		Up to 3 years 60% of avg. wage Unemployed days before birth, 56 days after
	Due to unemployment	--		--
10) Disaster Relief:	For death			--
	For death of a family member	--		--
	For disaster	--		--

Source: Kose Rodo Hakusho 2006, Shakai Hoshō Tokei Nenpo, 2006

All numbers are as of March 2005 unless otherwise noted.

National Govt Employees' Mutual Aid Association	Local Govt Employees' Mutual Aid Association	Private School Teachers & Employees' MAA	National Health Insurance		
National Govt Civil Servants	Local Govt Civil Servants	Private School Teachers & Employees	Self-employed, farmers, etc.		Retired
1.11	2.87	0.47	47.61	3.97	7.28
1.42	3.47	0.37			
Mutual Aid association of each ministry (21)	Mutual Aid association of each local govt (54)		Municipality (2,531)	National Health Insurance Associations (166)	Municipality (2,531)
2.75 ~ 4.30%	4.36%	3.69%	Avg. premium per family ¥160,346		
2.75 ~ 4.30%	4.36%	3.69%	--	--	(2004)
All	All (by local govt)	Partial	All	All	All
--	--	--	45%	32~52%	--
--	--	--	--	--	--
				30%	
			--	--	--

s, ¥160/meal after 3 months, or for most low-income family above 70 years old ¥100/meal)

standard amount ¥350,000	standard amount ¥350,000	standard amount ¥350,000	standard amount ¥350,000
¥50,000	¥50,000	¥50,000	Set according to the law
¥50,000	¥50,000	¥50,000	--
65% of avg. salary	80% of salary	80% of avg. salary	Standard not set
Up to 18 months (except for TB 3 yrs)	Up to 18 months (except for TB 3 yrs)	Up to 18 months (except for TB 3 yrs)	
65% of avg. salary	80% of salary	80% of avg. salary	Standard not set
42 days before birth, 56 days after	42 days before birth, 56 days after	42 days before birth, 56 days after	
50% of avg. salary	60% of salary	60% of avg. salary	--
1 month of avg. salary	1 month of salary	1 month of avg. salary	--
70% of monthly avg. salary	70% of monthly salary	70% of monthly avg. salary	--
0.5 to 3 months of avg. salary, due to severness	0.5 to 3 months of salary, due to severness	0.5 to 3 months of avg. salary, due to severness	--

Chapter 4

Social Assistance

I. General Characteristics

1. Explanation of terms

The social assistance in Japan can be divided into: (1) Income assistance for the poor and (2) Social services and assistance for socially disadvantaged people. The former is called the *Public Assistance*, while the latter includes *Welfare for the Children*, *Welfare for the Disabled*, *Welfare for Single-Mother Households*, and *Welfare for the Mentally Disabled People* depending on the specified target group. The *Public Assistance* includes both in-kind and in-cash assistance to the poor household, while the latter includes mostly services such as at-home and institutional services, but sometimes in-cash assistance. Thus, the term *welfare* is used widely to indicate various social assistance programs and institutions that fall within the above-mentioned areas. Most of these programs, institutions and services are provided from the general budget of the government and municipalities.

Until the *Long-Term Care Insurance* was introduced in 2000, the services for the elderly were also termed the “Welfare for the Elderly”. However, many services for the elderly are now covered by the *Long-Term Care Insurance*, and thus, it will be discussed in Chapter 5.

2. Means test and universality

The *Public Assistance Law* stipulates a principle that every citizen has a right to claim public assistance without discrimination, regardless of reasons for falling into hardship. However, the *Public Assistance* is provided with fairly strict means and asset tests, which might be a reason for low percentage of population receiving the public assistance. The *Child Allowance* and *Child Rearing Allowance* for single-mothers are also provided with a means test, but the threshold is much higher than that for the *Public Assistance*.

On the other hand, most of the services provided at institutions for the disabled and children are provided to all, even though there is a difference in fee depending on the income of the recipient.

II. Assistance Schemes

Here, main features of the following three categories of the social assistance will be described. Income assistance, rather than services, will be the main focus of the discussion.

1. *Public Assistance for the poor*
2. *Welfare for Children (including Single-Mother Households)*
3. *Welfare for the Disabled*

1. *Public Assistance for the poor*

The root of Japan's public assistance goes back to poor relief before the World War II. Today's public assistance has its legal basis on the *Revised Public Assistance Law (New)* enacted in 1950. The Law stipulates four fundamental principles: (1) public assistance to the people in need is a responsibility of the state, (2) all citizens¹ have a right to claim public assistance without discrimination of sex, social background and reasons for falling into hardship, and only the economic condition is the criteria of receiving assistance, (3) the state guarantees to all citizens a minimum level of healthy and cultural life, and (4) public assistance is a supplement to all resources available to and the best efforts exerted by the applicant.

The *public assistance* is provided upon a receipt of an application from a household in need and after a careful examination of the application. The assistance is calculated by subtracting the household's final income from the *minimum cost of living*. In case the minimum cost of living exceeds the final income, the difference is given as the assistance. The *minimum cost of living* is calculated from seven categories of expenses: livelihood, housing, educational, medical, maternity, occupational, and funeral expense. The calculation of the *minimum cost of living* takes into consideration the differences in living costs among different regions of the country, and household members' age. All assistance is provided as cash transfers, except a few such as medical costs, which are provided as in-kind.

(a) Means test

The principle (4) of the *Public Assistance* states that the *Public Assistance* must be a supplement to the person's best efforts and available resources. In other words, the person

¹ The Public Assistance Law (New) excludes foreigners from this right, but currently, by order, legal foreigners are given "equal treatment as citizens". Illegal foreigners are not covered.

is required to use all available resources, including assets, ability to work, as well as assistance from those who are required to support the person by law. Assets such as land, houses and farms must be sold, except in the case where the person is actually living or utilizing it and the value of the assets is higher when it is utilized than when it is sold. Household goods such as TV are allowed if the diffusion rate of the goods is more than 70% in the region.

As for the utilization of the ability, the person will not be able to receive assistance if he/she is judged as capable to work. If the person has a will and ability to work, but is unable to find work, it is unlikely that he/she would be given assistance.

The civil law states that certain relatives and family members are required to support a person in need. Thus, the public assistance is given only after it is judged that this support is not available. In practice, spouses and parents of a minor (less than 20 years old) have strong responsibility to support the person.

(b) Statistics

In 2004, 998 thousand households or 1,423 thousand persons (1.1% of the population) received some types of public assistance (monthly average). The share of the population receiving the assistance had been declining until 1995, but since then there has been a continuous rise. Among those receiving the assistance, elderly household make up the largest share, accounting for 46.7% of all recipient households, and has been increasing for some years. The share of the household with a disabled or sick is also large, at 35.1%. About 8.8% are single-mother households, and the rest, 9.4%, is classified as “other types of households”. The large share of households with the elderly, disabled or sick may be the reason that the most of recipient households (87.6% in 2004) do not have any working member.

By age, those above 70 years old comprise the largest share (27.1%). Those between 60 and 69 year olds also consist 20.4% of the recipients. The elderly in general have high coverage rate (i.e. % of those who are recipients of the Public Assistance among the general population of that age group). About 1 in 5 elderly above 60 years old are the recipients of the assistance, where only about 6.8% of the children aged less than 5 and 3.9% of those aged between 20 to 39 years old were the recipients (Table 4.1).

Table 4.1 Break-down by age, Public Assistance Recipients (2005)

Age	Share (%)	Coverage rate (% in Assistance)
<5	3.2	6.8
6 to 19	13.4	11.1
20 to 39	9.2	3.9
40 to 49	8.1	7.3
50 to 59	16.3	12.2
60 to 69	22.7	20.4
70+	27.1	21.3
	100	11.22

Fig 4.1 Break-down by the Duration of Receiving Public Assistance (2005)

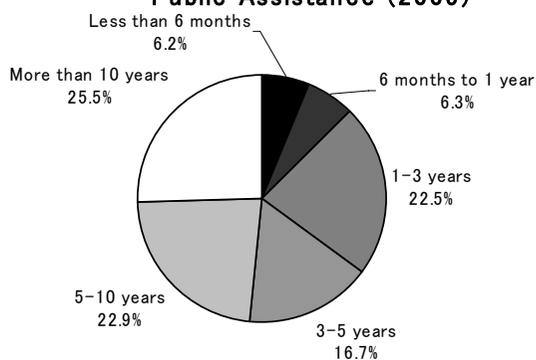


Fig 4.2 Working/Non-working Households receiving Public Assistance (2004)

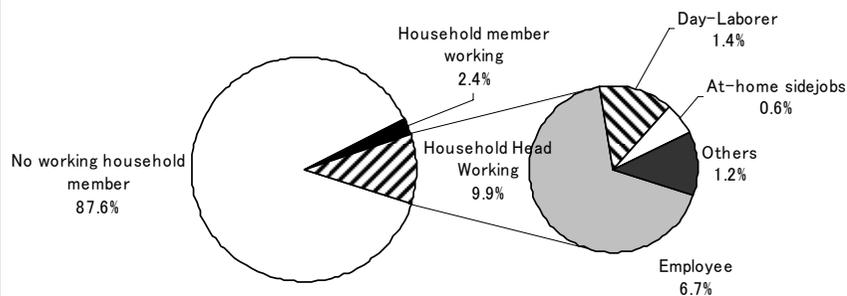
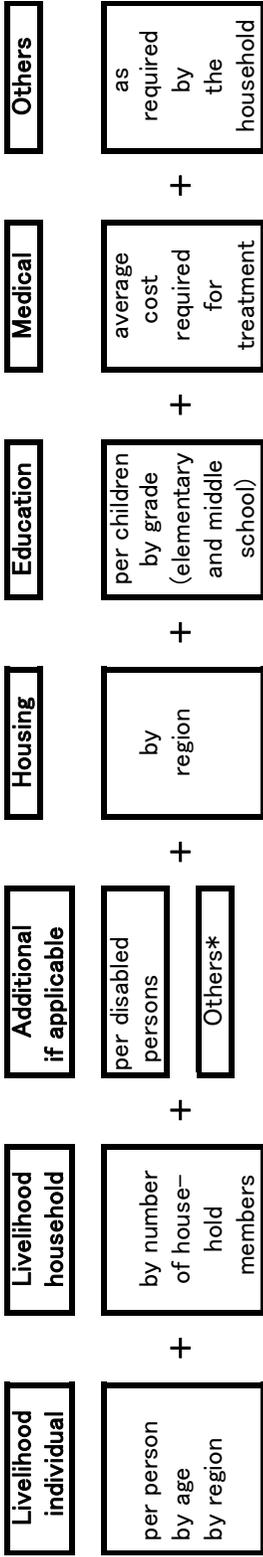


Fig.4.3 Determination of Monthly Minimum Cost of Living



* Others include children under age of 3, pregnant women & sick persons being treated at home requiring special meals.

Items seen as One-Time Requirements and is provided in addition to monthly expense

- 1 Bed (if not in possession), clothes for new-born, diapers, etc.
- 2 Expenses for entering school
- 3 End-of-year expenses
- 4 House maintenance for electricity, water, etc.
- 5 Others

2. Welfare for Children (including Single-Mother Households)

(a) Child Allowance and Special Child Allowance

This is an area where there have been significant reforms within past few years. The new interest in reforming the Welfare for Children is spurred mainly due to the concern about the low fertility, now estimated to be at 1.26 (2005). Previously, the *Child Allowance* was granted to parents (or guardians) who are raising children less than 3 years old and whose income is less than a specified amount. Since 2000, the age limit has been raised to 6 years old, then to 9 years old and now to 12 years old. The income threshold was also raised, and thus the Child Allowance today is nearly universal. The amount of the *Child Allowance* is ¥5,000 per month for the first two, and ¥10,000/month/child for subsequent children. The financial burden of the *Child Allowance* for children 0 to 3 years old is born by employer, central, prefectural and municipal governments, but the expansion of the scheme in the last few years has been totally financed by the central government.

Table 4.2 Number of Child Allowance Recipients and Expenditure (2004)

(2004)	Number of Recipients	Number of Children covered	Expenditure (unit: million yen)
Total	7,473,761	9,644,674	593,336
(of which SCA)	(537,164)	(595,915)	(39,066)
Employee	4,935,807	6,337,127	387,372
(of which SCA)	(401,043)	(438,447)	(28,473)
Non-Employee	1,932,029	2,500,727	155,747
Public Servants	605,925	806,820	50,217
(of which SCA)	(136,121)	(157,468)	(10,593)

Source: Kose no Shihyo (Journal of Health and Welfare Statistics) 2004

(b) Child Rearing Allowance (for single-mother households)

Child Rearing Allowance is given to single-mothers who are rearing a child less than 18 years old, who does not share a common household income with father and whose earnings for the previous year is less than the threshold. The monthly allowance is ¥41,880 in case of one child, ¥5,000 for the second child, and for third and subsequent children additional ¥3,000 for each child (2006). In 2002, the income threshold for receiving the full amount of the allowance was lowered and tapering of the allowance amount as the income rises was introduced. For a single-mother household of two (mother and a child), the income threshold is now stands at ¥3,650,000 for full allowance, and for those whose income is between ¥1,300,000 and ¥3,650,000, the allowance is tapered to zero. The 2002 reform also stipulated that the government may reduce the amount of the benefit up to 50% after a

single-mother has been a recipient for 5 years. The 5-year time limit will be implemented from April 2008. The idea behind this reform was to convert the benefit to a temporary measure to assist the initial phase of being a single-mother. It is expected that single-mothers will gain enough experience to achieve self-sufficiency after 5 years, and various schemes of job training have also been put in place. However, there has been a severe outcry against the reform from the single-mother community and whether and how it will be implemented is still unclear.

(c) Child Care Facilities (Day-care centers, etc.)

Municipal governments are required by the *Child Welfare Law* to provide day-care centers for children whose parents are not capable of taking care of them for reasons such as work, illness, and care of other members of the family. Day-care centers typically provide 8 hours of care, but demand to extend the hours has been increasing. The staffing and other quality measures are tightly regulated by the municipality. Fee for day-care centers differ from a municipality to another, but is usually set so that it depends on income and number of children of the household.

3. *Welfare for the Disabled*

The measures for people with disabilities are divided into (1) those for people with physical disabilities, (2) for people with mental disorders, (3) for children with mental and physical disabilities and (4) adults with intellectual disability. Measures are mainly institutional services and in-home services. Tables 4.3 and 4.4 list services provided.

Table 4.3 Measures for People with Physical Disabilities

Community Service	
Rehabilitation	Provision of medical rehabilitation service Home visiting examination and rehabilitation counseling
Provision of goods	Provision of technical aids for daily life Provision of daily life appliances
In-home care	Allowance for people with special disabilities Home-help service Short term stay program
Health care	Health checkup
Social participation	Counseling Day-service programs Sheltered day workshops etc.
Institutionalized Service	
Rehabilitation facilities	For persons with disabilities of limb or body For the blind For the deaf For people with internal disorders For people with severe disabilities
Residential facilities	Custodial care homes Welfare homes
Work facilities	Sheltered workshops Sheltered workshops for people with severe physical disabilities Sheltered Day workshops Welfare factories
Community facilities	Welfare centers (health care and relaxation activities) Day service centers Recreation centers Facilities for braille publication and Braille libraries Information center for the deaf Facilities for production of prosthetic appliances Homes for the blind

Source: MHW, 2000

Table 4.4 Measures for People with Mental Disorders

Medical services	Psychiatric hospitals and clinics
Community services	Day-care Visiting guidance for user groups welfare counseling
Social rehabilitation services	Dormitories (for those unable to carry out daily lives on their own) Short-term residency (for those who can carry out daily lives on their own, but have no place to live) Welfare factories (provide workplace) Sheltered workshops (those who can work, but have no place to live) Group homes Small workshops (work training) Social rehabilitation programs Counseling

Source: MHW, 2000

As for the income assistance, disability pensions under the *National Pension*, the *Employees' Pension Insurance* schemes, and the *Allowance for Special Disabled Persons* are

granted for eligible persons with disabilities who are over 20 years of age. For households who are raising children with disabilities under age 20, the *Family Allowance for Special Children* and the *Welfare Allowance for Disabled Children* are applicable. If the sum of eligible allowances and any other income is under the minimum cost of living, the *Public Assistance*, as discussed in section II.1, is granted to secure the minimum standard of living. Amount of each allowance is summarized in Table 4.5.

Table 4.5 Income Assistance for the Disabled, 2002

Allowances	Allowance for Special Disabled Persons	Welfare Allowance for Disabled Children	Family Allowance for Special Children
Amount (monthly)	¥26,440	¥14,380	¥50,750 (1st degree) ¥33,800 (2nd degree)
Eligibility	Disabled persons over 20 years old requiring special care and living at home	Those raising disabled children requiring special care and living at home	Those raising disabled children and is not receiving disability pension

Pensions	National Basic Pension	Employees' Pension Insurance
Type	Flat rate	Income-related
Amount	¥990,100 (1st degree) or ¥792,100 (2nd degree) + dependents allowance (monthly)	1.25 * Amount of Old Age Pension (1 st degree) or 1.00 * Amount of Old Age Pension
Eligibility	Over 20 years of age, who have paid 2/3 of premium period and those who are under 20 at the time of becoming disabled and who have turned 20	For those who have become disabled during insured months (for those under 300 months of insurance period, 300 is applied)

Source: Kose no Shihyo (Kokumin no Fukushi no Doko) 2002

III. Current Issues

1. The Reform of the Public Assistance

The Public Assistance is one of the oldest schemes of social security system in Japan. The recent upward trend in the number of recipients and expenditure of the Public Assistance has become controversial and the Public Assistance program has become one of the main target for budget restraint in the policy debate. One of the criticisms of the program was that the benefit level is too high, compared to the income level of people who do not receive Public Assistance benefits. For example, the benefit level for single-mothers was pointed out to be higher than many of single-mothers who are “managing on their own”. While many scholars argue that this is not the problem of the benefit level, per se, and the problem is the fact that many people do not receive the benefit even though their income level is so low (i.e. the take-up rate of the program is rather low). Meantime, the government has demolished the additional benefit which was previously given to single-mothers and elderly households.

2. Need to create a society favorable to child rearing

Japan has faced a rapid aging of the population, which is caused by both a decrease in the fertility rate and an increase in the life span. In order to stop the trend toward a society with a few children, it is necessary to create an environment favorable to child rearing. However, many Japanese working parents rely much on mothers staying at home or grandmothers taking care of children. As the number of working mothers rises, there has been a severe shortage of day-care centers, especially for 0 to 2 year olds, within metropolitan cities. In 1999, the Government has allocated a special supplemental budget to reduce the number of waiting children for day-care centers. Yet, more efforts in this field are needed to increase the number and diversify the kind of day-care centers and other measures to help working parents. Measures to help not only working parents but also non-working mothers, who are feeling stress of bringing up children in the absence of extended family and community ties, will work to create a child-rearing easy society.

Chapter 5

Long-Term Care

I. General Characteristics

Introduction of the *Long-Term Care Insurance*

Starting in April 2000, Japan introduced the *Long-Term Care Insurance*. The insurance system covers the long-term care of the elderly, which was previously provided partly through the health insurance system and partly by the welfare measures. The main differences between the *Long-Term Care Insurance* and long-term care provided by the prior systems are shown in Table 5.1. The new system grew out of the recognition that, due to changes in the society such as weakened community ties, increase in small-sized families, and increase of working women, financial and psychological burden of family facing the care for the elderly has become unbearably large. The *Long-Term Care Insurance* is designed to share the burden of caring for the elderly among all members of the society and lessen the burden of the family. In other words, it aims to establish a system that responds to society's major concern about aging, and to assure the citizens that they will receive care, if necessary, and be supported by society as a whole. Furthermore, it is expected to alleviate the financial pressure of ever increasing long-term care cost of an aging society on the health insurance systems.

Table 5.1 Differences between New and Old Care Systems

	Old		New
	Welfare for the Elderly	Insurance for the Elderly	Long-Term Care Insurance
Service Target	Low-income, living alone or other requirements	Those aged 70 years old and over and those between 65 and 70 with disabilities	Those aged 65 years old and over and those between 40-64 who are subscribers of medical insurance
Eligibility for Service	Care needs and conditions of family structure, income, etc.	Care needs	Care needs
Co-payment	According to ability to pay	¥530/visit, ¥1,200/day of hospitalization	10% of service fee
Service Providers	Public welfare facilities	Medical facilities	Public or private care facilities, medical facilities
Freedom of choice by user	No	Yes	Yes

Source: Nihon Iryo Kikaku, "Iryo Hakusho, 1998"

II. Long-Term Care Insurance System

a) Insured

The insured persons are those who are aged 65 and over (*Category I*) and those between ages of 40 to 64 and are subscribers of health insurance (*Category II*). Currently, about 24 million persons are subscribed as Category I and about 43 million persons, as Category II (as of April 2006). The premium is collected through municipality and deducted from pensions for the *Category I*, and through additional premium to be paid to health insurance for the *Category II*. Premium amount is determined by each municipality, and thus differs from a municipality to another. Premium is income-related, and there will be measures to moderate the burden for low-income persons.

b) Service provided

A list of care services is shown in Table 5.2. The services are provided both at home and at institutions depending on the care required by user. The user is free to choose the kind of care and its providers, which can be either public or private.

c) Source of financing

The cost incurred in the *Long-Term Care Insurance* is financed by premiums, government subsidy and co-payment of users. Apart from the co-payment of the users, the cost is financed 50% by premiums (19% by Category I, 31% by Category II) and 50% by government subsidy. Within this framework the municipality can determine the rate of premium for the insured of Category 1. It is estimated about 2,900 yen per month on average (2000-2002). For the Category 2 insured the rate will be 0.95% of salary in the Government-managed Health Insurance and 0.88% in the Society-managed Health Insurance. Co-payment for the services is 10% of the cost, plus, for those in a hospital or an institution, a part of the meal expense.

d) Assessment of the care-needs

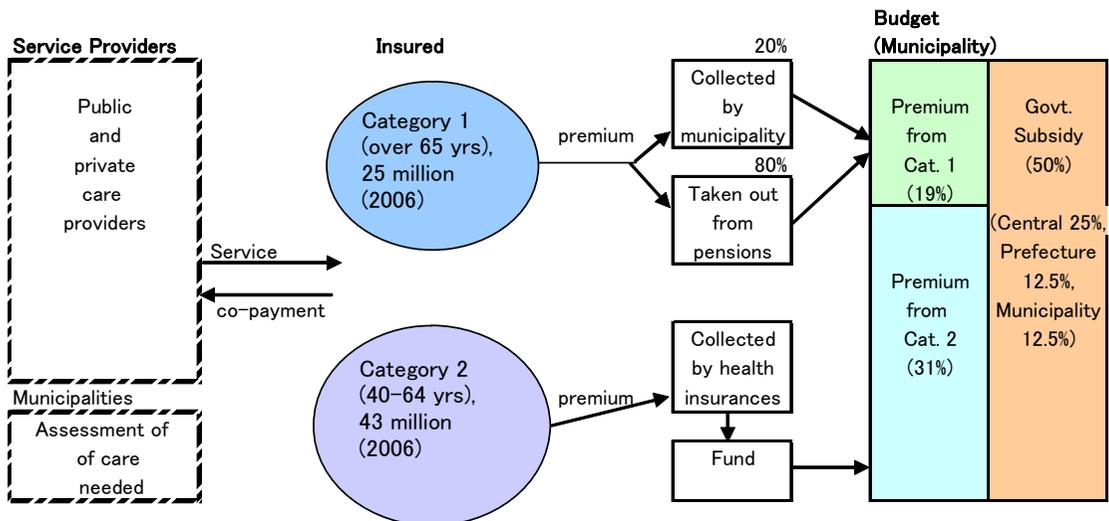
The users are classified into 6 categories ("Assistance Required" and "Care Required Level 1 to 5"), depending on the severity of the care need. The upper limit of services provided is determined according to this category. The user must be assessed by the municipality into one of the categories before applying for the services.

Table 5.2 Care under Long-Term Care Insurance

Service for those staying at home	Service for those who are institutionalized
Home-help	Special nursing homes for the elderly
At-home bathing	Long-term care at health facilities for the Elderly
At-home nursing	Long-term care at medical care facilities for sanatorium (sanatorium words, etc.)
At-home rehabilitation	
Out-patient rehabilitation	
At-home medical care management counseling	
Day-service	
Short-stay service	
Group home for elderly with dementia	
Long-term care at private homes for the elderly	
Provision or subsidy for care equipment	
Subsidy for home alteration to meets care needs	

Source: Shakai Hosho Nenkan 2002

Fig. 5.1 Diagram Representation of Long-Term Care Insurance



Source: Shakai Hosho Nenkan 2006

III. Current Issues

1. Financial Strain and the Reform

Soon after its enactment, it has become evident that the initial financial arrangement was not enough to meet the cost of the long-term care. The number of care recipients grew from 1.49 million (0.52 in institutions and 0.97 at-home care) in September 2000 to 3.29 million (0.78 in institutions and 2.51 at-home care) in April 2005. The financial outlay grew steadily from ¥3.6 trillion (2000) to ¥7.1 trillion (2006 estimate). Further, the baby boom generation will begin to become elderly in 2015. With such background, the long-term care insurance was reviewed and several reforms were put in place five years after its enactment. The major reforms were:

1) In view of the increase of those who require relatively little care (Level 1 or “assistance required”), a new program was introduced whose purpose is the prevention of future care needs. 2) To balance the benefit payment between at-home and institutionalized care, the living expense (meals at institutions, etc.) of care facilities was no longer covered by the insurance. At the same time, for those with low-income who can not afford to pay the meal expenses out of pocket, certain measures were put in place. 3) Services are reorganized as region-based, and 4) care management certification process was revised.

2. Response to the rise of insurance premium and the co-payment

Another issue is the amount of premium. For the insured of the *Category I*, the premium is deducted from pensions or collected separately by the municipality, and for the *Category II* the premium of the *Long-Term Care Insurance* will be added on top of the health insurance premium. There is also a considerable variation in the premium among municipalities. There has been a considerable out-cry from low-income households who cannot bear the premium or/and the co-payment, and as a response municipalities set the maximum of 5 levels of premium structure according to the insured's income. The Reform added another level, so that the premium structure is currently 6 levels.

3. Determination the Category

Assessing the true requirement of the elderly, and categorizing into 6 categories is very hard. Especially in case of dementia, there have been reports that they are likely to be classified in a lower category.

Chapter 6

Employment Insurance

I. General Characteristics

Japan uses the term “Labor Insurance” to mean both the *Labor Accident Insurance* and the *Employment Insurance*. The two are independent schemes, but in some respects, such as the collection of the premiums, are treated together. In this Chapter, the focus of the discussion is the Employment Insurance.

Employment Insurance has two functions. One is to provide employees cash benefit in case he/she loses the job. The other is to support employers to prevent them from laying off their employees. The former is called the *Unemployment Benefits*, and the latter consists of three components, namely: *Services for employment stabilization*, *Services for developing human resources*, and *Services for employees’ welfare*. The *Unemployment Benefits* also include a variety of benefits such as the *Job Applicants’ Benefits*, the *Study and Training Benefits*, and the *Employment Continuation Benefits*. The entire scheme is shown in Fig. 6.1.

II. Employment Insurance System

1. The Basic Allowance for the Job Applicants

This is the most commonly referred to as the “Unemployment Benefits”. For general employees, it is necessary to have been insured for at least 6 months within one year prior to leaving the job. The duration of the benefits ranges according to the age of the beneficiary and the years of being insured. Since April 2001, the duration of the benefits also depends on the reason of the unemployment, i.e. whether the termination was voluntary (including retirees) or involuntary and without enough time period to arrange re-employment (due to lay-off or bankruptcy of the firm). The Tables 6.1 to 6.3 show the number of days for each kind of recipients.

2. Old Age Continuous Employment Benefits

This is a scheme for old employees who are between ages 60 and 65 and continue to work at a salary lower than 85% of their salary at age 60. They have to be insured for at least 5 years before receiving the benefit.

Fig. 6.1 Employment Insurance

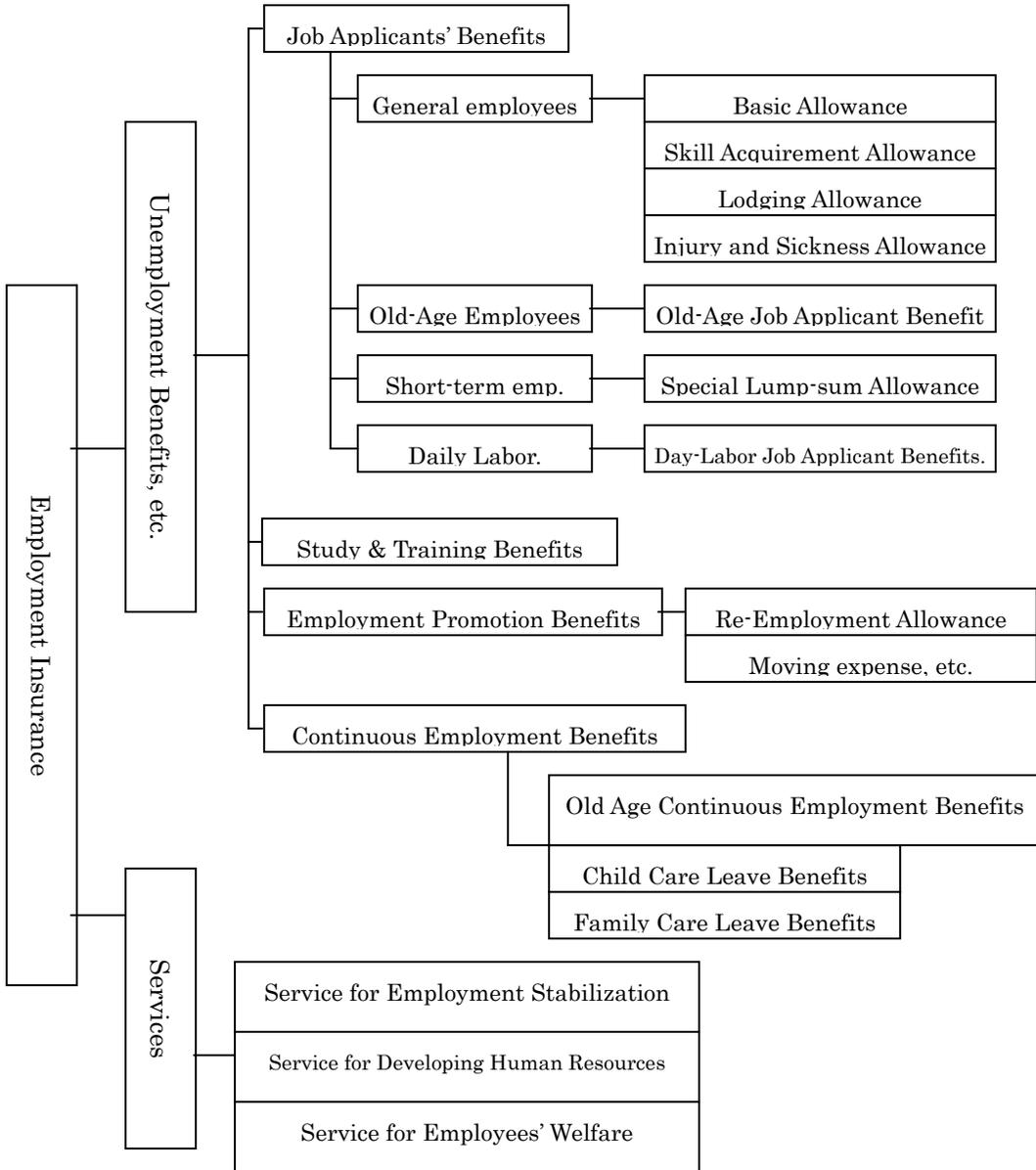


Table 6.1 Duration of Basic Allowance (General Employees)

(unit: days)

	Years of being insured			
	Less than 5 years	5<= and <10 years	10<= and <20 years	More than 20 years
General	90	120	150	180
Short-term	90	90	120	150

Data is effective starting April 1, 2001.

Table 6.2 Duration of Basic Allowance (Involuntary terminated Employees)

(unit: days)

Age of beneficiary	Years of being insured				
	Less than 1 year	1<= and <5 years	5<= and <10 years	10<= and <20 years	More than 20 years
Less than 30	90 (90)	90 (90)		180 (150)	-- --
30~44		90 (90)	180 (150)	210 (180)	240 (210)
45~59		180 (90)	240 (210)	270 (240)	330 (300)
60~64		150 (150)	180 (150)	210 (180)	240 (210)
For those difficult to get employed(disabled, etc.)					
Less than 45	150	300			
45~64	150	360			
Less then 30	(150)	(240)			
30~64	(150)	(270)			

* numbers in () are for part-time workers

Data is effective starting April 1, 2001.

Table 6.3 Duration of Old-Age Job Applicant Benefit

(unit: days)

	Years of being insured		
	Less than 1 year	1<= and <4 years	More than 5 years
Continuously older workers	30	60	75
Short-term workers	30	50	

3. Rise of Part-time and temporary employment in the young and the women

Partly due to high unemployment, and partly due to changing employment preferences (both by employees and employers), the number of part-time and temporary workers is rising, especially among young and women. Many of them do not or cannot participate in the Employment Insurance. This is due to the system's underlying concept that the Employment Insurance is security for livelihood for those who make their living with the wages received for their own labor, at the time they lose their jobs.

In response to the changing job market, the 2001 Reform of the Employment Insurance abolished some criteria for part-time and temporary workers to subscribe: the main one of them is the yearly income threshold (¥900,000/year). Now part-time or temporary workers working at least 20 hours per week, and works (or sent to work from temp agency) at a same workplace for more than 1 year are eligible to subscribe to the Employment Insurance.

III. Current Issues

1. The Increase of part-time and temporary workers

There has been a continuous shift of labor force from full-time permanent employment to part-time, temporary employment, especially among the young generation and women. In 2005, the government has set the goal of shifting 0.2 million temporary workers to permanent workers per year. Training and job-matching programs were put in place and the goal was met. In 2006, the goal of shifting 0.25 million workers has been set.

2. Treatment of elderly employees

However, the current system still favors old age employees in many respects (For example, the *Old Age Continuous Employment Benefits* and the insured period categorization of the *Unemployment Benefits*). The assumption of the Employment Insurance was that young people are hired easily and will continue to work full-time for the entire duration of their career. Some researchers believe these schemes distort the labour market. The treatment of old age employees must be re-examined closely in relation with the labour market and also other social security systems such as pensions.

Outline of the Employment Insurance System in Japan

		Employment Ins	
1) Eligible subscriber		General Employees	Short-term special employees
2) Number of subscriber **		35.23 (million)	
3) Insurer		Government	
4) Premium rate:		(General)	(for Agro-Forestry) (for Constru
Subscriber		0.80%	0.90%
Employer		1.15%	1.25%
5) Gov't Subsidy:		All	
Administrative cost		1/3 of benefits, none for Employment Continuat	
Benefits paid			
6) Unemployment Benefits			
(A) Job Applicant Benefits			
① Basic Allowance		Insured for at least 6 months in one year prior to leaving the job	Special One-time Allowance: 50 day worth of the Basic Allowance
Requirements		50 to 80% of pervious wage	
Amount		See Table 6.1	
Duration			
② Skill Acquirement Allowance		(1) ¥500/day for course fee, (2) up to ¥42,500 of transportation cost	
③Lodging Allowance		¥10,700/mo	
④Injury & Sickness Allowance		Same as the day rate of the Basic Allowance	----
(B) Employment Promotion Benefits		(1) 30% of Basic Allowance	Same as left, except (1)
		(2)Outfit Allowance for Regular Employment(for disabled, etc.), moving expenses, job seeking	
(C) Study & Training Benefits		Those who have completed the study & training designated by the Minister with more than 5 years of insured period	
Requirements		20-40% of expense (up to ¥200,000)	
Amount			
(D) Continuous Employment Benefits			
①Old Age Continuous Employment Benefits			
Requirements		Those aged 60 to 64 year olds who have been insured for at least 5 years, and whose wage is less than 75% of the wage at 60.	
Amount		15% of the wage after 60 (in case the current salary is 60-75% of the wage at 60, the rate is reduced gradually)	
Duration		Until the 65th birthday (In case re-employed after receiving unemployment benefits, 2 years if the remaining days of unemployment benefit is more than 200 days, 1 year, if 100 days.)	
②Child Care Leave Benefits		Those who has taken a child care leave to raise a child of less than 1 year old, and who have worked more than 11 days in a month for more than 12 months in the past two years	
Requirements			
Amount		40% of wage before the leave (30% during the leave, 10% after returning to work)	
Duration		During the child-leave	
③Family Care Leave Benefits		Those who has taken a family care leave and who have worked more than 11 days in a month for more than 12 months in the past two years	
Requirements			
Amount		40% of wage before the leave	
Duration		Up to 3 months	

Insurance		Seamen's' Insurance
Continuously Employed Older Persons	Day-Laborers	Seamen
	0.02	0.05
	Government	Government
0.90%	Left and ¥48~88/day	0.90%
1.35%	¥48~88/day	0.90%
Continuation benefits	All 1/3 of benefits	All 1/4 of benefits, 1/8 of Employment Continuation benefits
Has been employed since before turning 65, and till after 65, and insured for 6 months in the year before termination	Paid 26 days of premium in the past 2 months	Insured for at least 6 months in one year prior to leaving the job
50 to 80% of previous wage	¥7,500~¥4,100/day	50 to 80% of previous wage
See Table 6.3.	13~17days	50~180days general, and 50~330days for involuntary terminated
---	---	(1) ¥500/day for course fee, (2) up to ¥42,500 for transportation cost
		¥10,700/mo
		50 to 80% of previous wage
---	Same as left, except (1)	(1) Re-employment allowance: 20~70 days of above rate (2) Moving expenses
		Continuous Employment Benefits:
		25% of monthly wage

---	---	(1) Child-Leave Basic Allowance 25% * 30*Basic daily wage
		(2) Child-leave Returnee Allowance 5% * 30 * Basic daily wage
---	---	(1) Child-Leave Basic Allowance 25% * 30*Basic daily wage
		(2) Child-leave Returnee Allowance 5% * 30 * Basic daily wage

For More Information

Relevant Organizations

National Institute of Population and Social Security Research

<http://www.ipss.go.jp>

Ministry of Health, Labor and Welfare

<http://www.mhlw.go.jp/english/index.html>

Statistics Bureau Ministry of Internal Affairs and Communications

<http://www.stat.go.jp/english/index.htm>

National Statistics Center

<http://www.nstac.go.jp/en/index.html>

The Japan Institute for Labour Policy and Training

<http://www.jil.go.jp/english/index.html>

International Medical Center of Japan

<http://www.imcj.go.jp/>

National Institute of Health Sciences

<http://www.nihs.go.jp/english/index.html>

National Institute of Public Health

<http://www.niph.go.jp/English/index.html>

National Institute of Infectious Diseases

<http://www.nih.go.jp/niid/index-e.html>

National Cancer Center, Japan

<http://www.ncc.go.jp/index.html>

National Rehabilitation Center for Persons with Disabilities

<http://www.rehab.go.jp/english/index.html>

National Institute of Health and Nutrition

<http://www.nih.go.jp/eiken/html/index.html>

National Institute of Biomedical Innovation

<http://www.nibio.go.jp/english/>

Radiation Effects Research Foundation

<http://www.rerf.or.jp/>

Social Welfare and Medical Service Corporation

<http://www.wam.go.jp/>

Organization of Economic Cooperation and Development

<http://www.oecd.org/>

Reform Monitor, Bertelsmann Foundation

<http://www.reformmonitor.org>

Journals

The Japanese Journal of Social Security Research

<http://www.ipss.go.jp/index-e.html>

Author

Aya Abe

National Institute of Population and Social Security Research
International Cooperation and Research Division

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PUBLISHED BY NATIONAL INSTITUTE OF POPULATION AND
SOCIAL SECURITY RESEARCH

2-2-3 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011 JAPAN

Tel: 03-3595-2984 (Direct)

国立社会保障・人口問題研究所

〒100-0011 東京都千代田区内幸町2-2-3 日比谷国際ビル6階

Tel: 03-5253-1111(厚生労働省代表) 03-3595-2984 (総務課)

URL: <http://www.ipss.go.jp>

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