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**Japanese social security measures to support
the retiring aged:
From employment insurance and public pension**

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Abstract

The Japanese government has implemented two major income support measures for people between the ages of 60 and 65. One is the partial pension called Old-age Pension for Active Workers beyond the age of 60. The other is an employment subsidy for elderly employees from the employment insurance called Employment Continuation Benefit for Elderly. In this paper, the effects of these measures are examined from the perspectives of social insurance financing and labor market measures.

The uniqueness of Japan's social and employment measures puts emphasis on promoting work among the elderly. Early retirement measures have little attraction to the Japanese people and the Japanese government under the circumstances of a declining population and an aging population in the early twenty-first century. There are two phases: the labor market and the social security scheme. The examples are extending the average retirement age among employees by promoting working opportunities and the extending the statutory pensionable age from 60 to 65. In this paper, the background to such measures as well as their effects, are described and analyzed. Japan's current policy discussions up to in the first half of 2000 are also introduced in the papers.

I. Japan no longer has unique social economic circumstances

Learning by analogy about one's nation and its social measures is one of advantages of international comparative studies of social security schemes. There is also a lot to learn from differences among schemes. However, sometimes differences are emphasized so much that unique feature is treated as an exception. In the past, Japan has been treated as an exception for some reasons. For instance, good economic performances; that is, positive rate of economic growth, low unemployment rate due to the custom of long-term (life-time) employment, extended family structure under which plural generations of families live in the same household and where old parents are dependent on their children, and relatively slowly started aging in population. But, such reasons are no longer relevant.

The average economic growth rate between 1998 and 1999 was only 1.2%.

This is much lower than the average of OECD (2.7%) nations during the same period.¹ Japan's unemployment rate has become 4.7%, which is a post-war record.² The elderly is no longer live as a member of extended families. A recent survey conducted by the Ministry of Health and Welfare indicated that only 3.5% of elderly live with their children, while 49.8% live with their partners, and 46.7% live alone.³ The rate of the elderly to the total population became 16.8% in October 1999. This figure is higher than the former medium variant projection of 16.7% published by National Institute of Population and Social Security Research in 1997. According to International comparisons in 1998, Japan's elderly was accounted for 16.2% of the population and is the largest and aging population among OECD nations along with Sweden (17.4%), Germany (16.6%), and Spain (16.3%).

The current social economic situation of Japan is very similar to other OECD nations. Japan should be no longer being treated as an exception. Japan implemented various measures to corp. with similar social and economic environments to other OECD nations.

II. Achieving Stability of Social Security Financing in an Ageing Society

Maintaining stable social security financing in an aging society is a major concern of OECD nations, as well as Japan. In particular, coordinating public pension financing is the most important issue. A popular Public Pension Reform measures among other OECD nations, such as extending the pensionable age and reducing Old-age pension benefits are already underway in Japan. In 1994, the pensionable age under the National basic pension scheme was raised to 65 years.⁴ For beneficiaries of Employees' Pension under the age of 65, a specially provided Old-age Employees' Pension (OEP) is paid. However, the first tier of the so-called basic pension has the pensionable age extended to 65 years starting from 2001 for males and 2006 for females. Every three years, there will be a one-year extension of the pensionable age. In the most recent pension reform, the pensionable age for the second tier, or the so-called remuneration-based amount pension, was extended to 65 years old, which is the same as the first tier. For male beneficiaries, those born after the 2nd of April in 1961, for female beneficiaries, those born after the 2nd of April in 1966, a specially OEP

¹ GDP Growth, OECD in Figures 2000 Ed.

² Annual Report on the Labour Force Survey 1999, Statistic Bureau of Management and Coordination Agency, Government of Japan.

³ Comparative Survey of Living Condition of People on Health and Welfare, 1999.

⁴ Access to our institute's website for more information on Japanese public pension scheme.

provided will be abolished.⁵ Regarding the reduction in the level of Old-age benefits, the level of benefits has been reduced by approximately 5% from the previous level. The employees' pension secured 62% of net working income but it was reduced to 50% by the reform.⁶ Another reform is the introduction of a partial pension. There are two ways of receiving partial pension benefits. One is to receive a reduced pension before the statutory pensionable age and the other is to receive an increase after the statutory pensionable age. In Japan the former measure of a reduced partial pension is not popular. Referring to Figure 1, the number of beneficiaries of an increased partial pension is larger than those of the reduced pension, however, recent trends show a decline. An improvement of benefit levels under the Old-age Pension for Active Workers affected its decline. The considerable unpopularity of reduced partial benefits that is, early retirement measures are caused by the relatively low (from 66 to 67% level of ordinary pension benefits) pension benefits. Another reason for its unpopularity is the strong willingness to continue to work after retirement. Various social policies and measures support them to remain in work force.

III. Transition from Employment to Public Pension in Japan

It has been said that the labor participation rate of elderly Japanese has been gradually declining in recent years; however, it is still high compared with other OECD nations. (See Figure 2) In Japan, policy makers seek the goal of later retirement along with the principle of extending the pensionable age. To extend the age at which people leave the labor force, there are various measures to promote elderly employment opportunities. There is a perfect matching of people's willingness to work and government goals for pension reform.

In 1971, the original law of Utilizing the Working Abilities of the Aged was approved by parliament. This was amended in 1986 and the current principle of employment policy for the elderly was decided. In the same period, the public pension reforms described above were enacted. In 1986, a new law to promote elderly employment opportunities was enacted and amended in June 1990. The major amendment was a declaration that the main purpose was to secure employment opportunities for those aged between 60 and 64 years.

According to the Fundamental Law for the Aging Society (Law No.129, 1995),

⁵ The partial employee's pension benefits in reduced rate will be introduced for those who are 60 years old and over.

⁶ The reduced amount of benefits were applicable only to those who start receiving benefits after April in 2000.

the role of government in Chapter 2 and item 9, there are three policy measures that government should take. (1) Government should take various measures to reach the following goals: securing various employment opportunities for the elderly and making it possible for them to use their skills and stay in the labor force over the long run. (2) Government must achieve good coordination between employment and public pension scheme and secure appropriate level of income. (3) Government should take relevant measures to promote self-help efforts to build appropriate savings for a comfortable Old-age.

In a revolutionary event the National Law declared the importance of coordination between employment and public pensions.

IV. Backgrounds of high labor participation rate of elderly Japanese and strong willingness to continue working

The recent trend of elderly Japanese to participate in the labor force seems to be declining. The age group between 60 and 64 has increased its labor participation rate compared to the age group over 65. (See Table 1) After the year 2000, the rates indicated in Table 1 are projections. The projections are made under the assumptions of raising the pensionable age to 65 years and also interesting the mandatory retirement age of many enterprises beyond 60. These may be optimistic projections, however, it is not too optimistic due to the shortage of labor resulting from the sharp decline of the fertility rate.

People often say that working hard is in the nature of Japanese workers. For instance, an international comparative study indicates the relatively high willingness of Japanese workers to work.⁷ (See Table 2)

There has been a relatively low unemployment rate until recent years in Japan, but the rate is not necessarily low among the elderly. Therefore, historically various measures have been taken to promote employment opportunities for the elderly. One of the reasons for the high unemployment rate among the elderly in Japan is explained by moral hazard. It used to be possible for retired elderly people to receive both pensions and unemployment benefits. Therefore, elderly people registered as unemployed simply to be paid unemployment benefits. In 1998, however, the law was amended and it is no longer possible to receive double benefits. There is still a

⁷ Question to those currently engaged in paid job, "Do you want to continue paid job in the future?" Approximately 90% of them replied positively, which is similar to the result in the United States among five nations studied. International Study on living and consciousness of Senior citizens, September 1996, Policy Office for the Aged, Management and Coordination Agency.

Table 1 Changes and projections of labor participation rate by Japanese male and Age

	55~59	60~64	65+
1975	92.2	79.4	44.4
1980	91.2	77.8	41.0
1985	90.3	72.5	37.0
1990	92.1	72.9	36.5
1995	94.1	74.9	37.3
1996	94.6	74.5	36.7
1997	94.8	74.5	36.7
1998	94.5	74.8	35.9
1999	94.7	74.1	32.5
2000	93.3	77.0	36.4
2005	94.8	80.1	34.0
2010	93.3	80.5	34.4
2015	93.3	81.4	34.5
2020	93.3	81.9	32.8
2025	93.3	82.4	31.0

source: Up to 1999, Annual Report on the Labour Force Survey
Statistic Bureau of Management and Coordination Agency
2000 and later, Projections made by Ministry of Labor

Table2 Future will to work
People who want to continue working

JAPAN				U.S.A.			
1st	2nd	3rd	4th	1st	2nd	3rd	4th
94.4	90.6	91.7	89.4	87.2	90.6	95.2	90
THAILAND				R.O.K.			
1st	2nd	3rd	4th	1st	2nd	3rd	4th
76.9	86.1		82.8	69.2	65.6		79.9
GERMANY							
1st	2nd	3rd	4th				
		87.5	69.4				

Note: 1st (1981) 2nd(1986) 3rd(1990) 4th(1995)

high unemployment rate among the elderly. This fact indicates that moral hazard is not the major reason for the high unemployment rate among the elderly. Many elderly Japanese may not lose their willingness to work after retirement. Why elderly Japanese have a strong willingness to work does not have a simple answer. Of course, the cultural and ethical backgrounds of the Japanese have a very strong effect, however, there are also key issues of policy and schemes to promote willingness to work. In the following sections, the high rate of elderly Japanese labor participation is examined. The key words are coordination of employment and pension.

V. Policy measures for coordinating employment and pensions: major reform acts since 1994

Three major reform acts were introduced after 1994. They are Revision of Benefit Level for Old-age Pension for Active Workers in 1994, introduction of new benefits called Employment Continuation Benefit for the Elderly in 1996, and abolition of double benefits comprising pension and unemployment benefits for the elderly in 1998.

(1) 1994 Reform of Old-age Pension for Active Workers

In Japan, reforms to public pension scheme are customarily made every five years following new population projections. The new projections are made after the National Census, which carried out at five-years intervals. The actuarial revaluation is carried out at least once every five years to strike a long-term balance between payments of pensions and funding. Most recently pension reform were carried on in 1994 and 1999. Under the 1994 pension reform, the rate of deduction for Old-age Pension for Active Workers was changed. There was criticism that the rate discourages the elderly from working with pension benefits. Through this change, the elderly were discouraged less inform participating in the work force. It is obvious that people were influenced by this change and pension accounts as a whole subsequently boomed.

The rate of increase in pension expenditure between 1995 and 1996 was quite high. A major reason for this was the sharp increase of benefits under Old-age Pension for Active Workers. Before the reform, the average annual increase of pension expenditure was approximately 6.0% between 1993 and 1994 and 6.8% between 1994-1996. Conversely to that, the rate of increase became 8.1% between 1995 and 1996. It is estimated that benefits other than Old-age Pension for Active Workers increased by approximately 6.9%. The increased benefits under Old-age Pension for Active Workers contributed greatly to the overall pension expenditure. (See Table 3) In addition to benefits, the number of beneficiaries increased sharply and compared to the previous year, the rate of increase was 71.3%.

Table 3 Old-age Pension for Active Workers and Employment Continuation Benefit for the Elderly

	Unit: Million ¥				
	1993	1994	1995	1996	1997
Social Security Expenditure	56,797,461	60,472,707	64,731,417	67,547,515	69,418,725
Pensions	29,037,640	31,008,372	33,498,611	34,954,804	36,399,599
Old-Age Pension for Active Workers	530,539	557,508	954,952	979,098	1,005,667
Compared with the previous year	8.5%	5.1%	71.3%	2.5%	2.7%
Rate of increase from previous year	6.0%	6.8%	8.0%	4.3%	4.1%
Compared to the previous year Pensions excluding Old-Age Pension for Active Workers	5.9%	6.8%	6.9%	4.4%	4.2%
Employment continuation Benefit for the Elderly			11,729	36,928	56,701
Number of Beneficiaries	Unit: 10 thousand person				
Numbers of beneficiaries of employees pension	1,191	1,260	1,362	1,432	1,578
Beneficiaries of Old-Age Pension for Active Workers	43	43	66	66	70
Rate of increase of beneficiaries for Employee's Pension as a whole	6.1%	5.8%	8.1%	5.2%	10.2%
Old-Age Pension for Active Workers rate of increase from the previous year	1.4%	-0.7%	52.3%	1.2%	5.7%
Contribution of increase in Old-Age Pension beneficiaries for Active Workers to the total increase in number of Pension beneficiaries	1%	0%	22%	1%	3%

Source : Social Security Agency of Japan, Ministry of Health and Welfare, "Annual Statistics of Social Insurance"
 Note: Beneficiaries at the end of fiscal year, March.

Following the reform in 2000, the coverage of the elderly who can receive Old-age Pension for Active Workers was extended to those aged between 65 and 69 starting in April 2002. In this case, the beneficiaries were considered to be insured persons. They also have to pay their contribution in just the same way as younger insured persons. Numbers of scheme were introduced for those aged 65 - 69 years. The new partial pension will be implemented and a specially provided OEP will be abolished.⁸

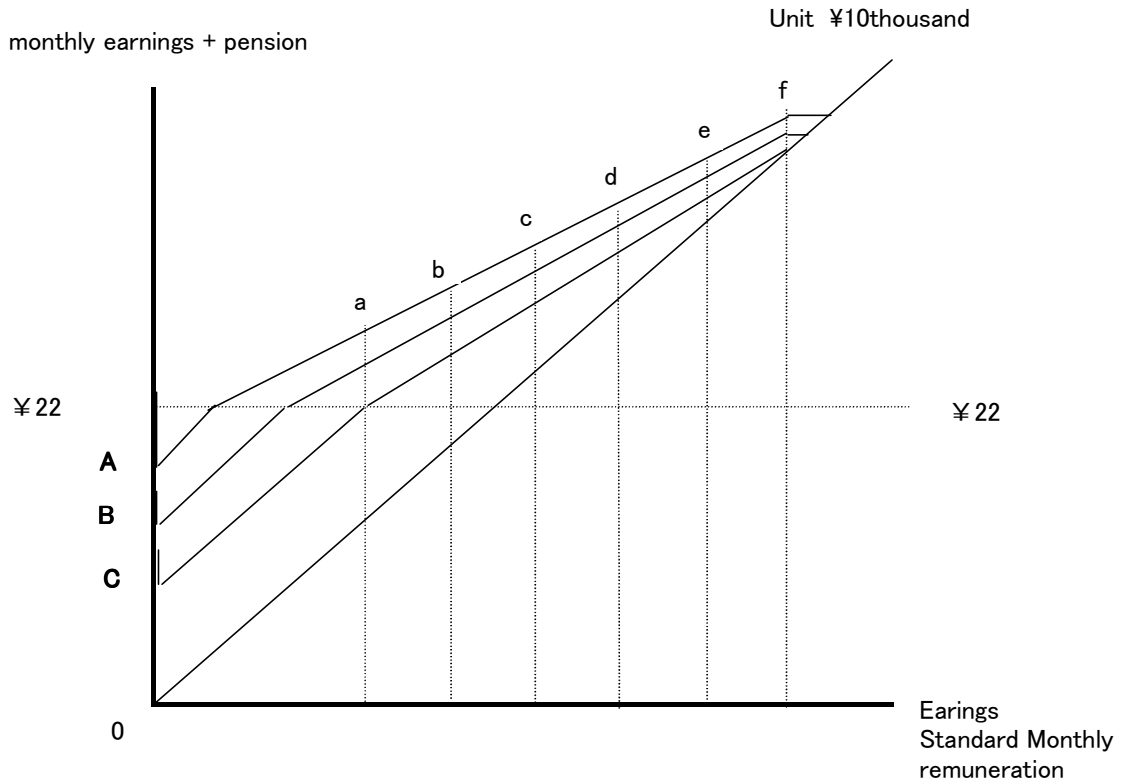
(2) 1996 Introduction of Employment Continuation Benefit for Elderly

A new scheme called Employment Continuation Benefit for the Elderly was introduced in 1996. Benefits are paid to promote continuation in employment in the same enterprise after retirement age. Benefits are given to elderly employees who continue to work in the same place with a reduced salary. The scale of reduction should be more than 25% than the salary at the age of 60.

The same kind of subsidy was given to employers who continue to employ the elderly as a part of services for stabilizing employment. Such services were conducted to prevent employees from being discharged. One third of medium-sized enterprises apply this service and receive the subsidy. However, the new benefit is given directly to the elderly employees. The idea is to encourage elderly individuals to keep working by providing additional income.

⁸ Guide to Social Insurance 2000, *Shakaihoken Kouho Sha*, in Japanese.

[Method of Calculating for Old-age Pensions for Active Workers]



A indicates pension benefits ¥250,000
 B indicates pension benefits ¥200,000
 C indicates pension benefits ¥150,000

unit ¥10 thousand

	a	b	c	d	e	f
A	26.1	28.5	31.0	33.0	36.0	38.0
B	24.1	26.5	29.0	31.0	34.0	36.0
C	22.0	24.5	27.0	29.0	32.0	34.0

Standard monthly remuneration

Pension amount =P

Monthly earnings =M

Calculation of Deduction:

If $S+M \leq ¥220,000$ then $P \cdot 0.2$

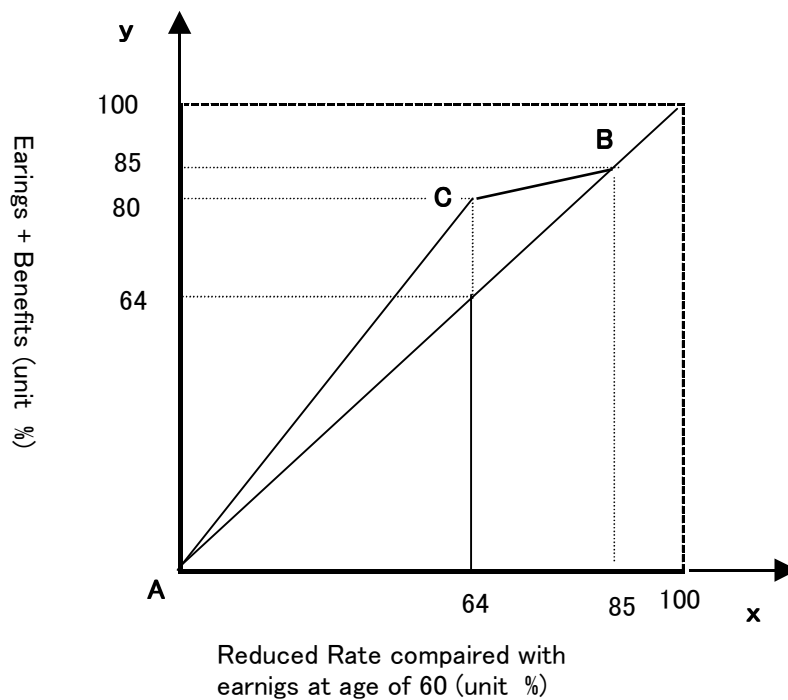
If $S+M \geq ¥220,000$ and $S \leq ¥370,000$ and $M \leq ¥220,000$ then $P \cdot 0.2 + \{(S+M - ¥220,000) \cdot 0.5\} \cdot 12$

If $S+M \geq ¥220,000$ and $S \leq ¥370,000$ and $M \geq ¥220,001$ then $P \cdot 0.2 + (S \cdot 0.5) \cdot 12$

If $S+M \geq ¥220,000$ and $S \geq ¥370,000$ and $M \leq ¥220,000$ then $P \cdot 0.2 + \{(\¥370,000 + M - ¥220,000) \cdot 0.5 + (S - ¥370,000)\} \cdot 12$

If $S+M \geq ¥220,000$ and $S \geq ¥370,000$ and $M \geq ¥220,001$ then $P \cdot 0.2 + \{(\¥370,000 \cdot 12) + (S - ¥370,000)\} \cdot 12$

[Method of Calculating of Employment Continuation Benefit for the Elderly]



Benefit amount = triangle area ABC

Monthly earnings at the age of 60 = ME@60

Monthly earnings at the age of over 60 = MEover60

Employment Continuation Benefit for Elderly=ECBE

Method of calculating of Employment Continuation Benefit for the Elderly

If $ME_{over60} < ME_{@60} * 0.64$ then $ECBE = ME_{over60} * 0.25$

If $ME_{@60} * 0.85 > ME_{over60} > ME_{@60} * 0.64$ then $ECBE =$

$$1 * (16/21) * ME_{over60} + (13.6/21) * ME_{@60}$$

Upper limit of ECBE is $ME_{over60} + ECBE = ¥387,170$

If $ME_{over60} + ECBE > ¥387,170$ then deducted amount of $ECBE = ¥387,170 - ME_{over60}$

(3) 1998 Prohibition of double receipt of pensions and unemployment benefits

Most Japanese companies have a mandatory retirement age at 60 years old. But, unemployment benefits are available to those who have retired. This is because; they can receive double benefits of pension and unemployment at that time. Therefore, some people register on job seeking lists just to become eligible for unemployment benefits. This came about because there was as no coordination

between the public pension scheme and the employment insurance scheme. However, after April 1998, the scheme was amended. When one receives unemployment benefits, the specially OEP provided is now cut.⁹

VI. Affects of two benefits: Employment Continuation Benefit for Elderly and Old-age Pension for Active Workers

Two benefits were enacted almost at the same time. The two benefits are adjusted according to regulations. First, one receive the full Employment Continuation Benefit for Elderly. Then, a reduction is made for the pension within the limit of 10% of one's standard monthly remuneration. For those rehired with relatively the same earnings, more than 85% of the previous payment, there is not necessarily an adjustment of pension benefits, because they are not eligible to receive Employment benefits.

[Method of adjustment between Employment and Pension Benefits Under the Two schemes]

Method of Adjustment between Employment Continuation Benefit for Elderly and Old-age Pension Benefit for Active Workers

Employment Continuation Benefit for Elderly is deducted but earned income up to 10% is deducted from Old-age Pension Benefit for Active Workers.

Deducted pension = Pd

If $ME_{over60} < ME_{@60} * 0.64$ then $Pd = S * 0.1 * 12$ (Yearly amount)

If $ME_{@60} * 0.85 > ME_{over60} > ME_{@60} * 0.64$ then $Pd = S * \{ (-16x + 1360) / 21x \} * 10 / 25 * 12$ (Yearly amount)

Note: x indicates $ME_{over60} / ME_{@60}$

Rate of deduction according to x, see attached Table 4

⁹ Beneficiaries are between 60 and 65 years old. This was implemented for those eligible to receive the benefit after April 1998.

Table 4 Rate of reduction by standard monthly remuneration

x	85%and over	84.5	84	83.5	83	82.5	82	81.5	81
rate of deduction	0.00%	0.18%	0.36%	0.55%	0.73%	0.92%	1.11%	1.31%	1.50%
x	80.5	80	79.5	79	78.5	78	77.5	77	76.5
rate of deduction	1.70%	1.90%	2.11%	2.32%	2.52%	2.74%	2.95%	3.17%	3.39%
x	76	75.5	75	74.5	74	73.5	73	72.5	72
rate of deduction	3.61%	3.83%	4.06%	4.30%	4.53%	4.77%	5.01%	5.25%	5.50%
x	71.5	71	70.5	70	69.5	69	68.5	68	67.5
rate of deduction	5.75%	6.01%	6.27%	6.53%	6.80%	7.07%	7.34%	7.62%	7.90%
x	67	66.5	66	65.5	65	64.5	Less than 64%		
rate of deduction	8.19%	8.48%	8.77%	9.07%	9.38%	9.69%	10.00%		

Figure 3 shows the changes in Employment Continuation Benefits for the Elderly according to standard monthly remuneration. If the level of earnings is different from the previous level, and also if the rate of deduction is larger, then the benefits are bigger. For instance, in the Figure 3, those who receive 80% reduced remuneration have the lowest gain and those who receive 65% reduced earnings have the highest gain up to the 360,000-yen bracket.

Figures 4, 5, and 6 indicate the combined effects of Old-age Pension for Active Workers and Employment Continuation Benefits for the Elderly. Figure 4 is drawn under the assumption of receiving 100,000 yen in benefits. Figure 5 is drawn under the assumption of receiving 80,000 yen in benefits. Figure 6 assumes receiving 150,000 –yen in benefits. Every figure has its own where income drops. For instance, in Figure 5 of 80,000-yen pension-case was between 142,000 and 150,000. In Figure 4 the 100,000-yen pension–case was between 134,000 and 142,000 yen. In Figure 6 the 150,000-yen pension-case was between 98,000 and 104,000. Net income drops when the monthly earnings increase. The maximum net income is fixed when differences of the dropping points among three figures depend on the scale of pension benefits. Consequently if, the pension is higher then the dropping point is at the lower for monthly earnings. Table 5 shows the reduced net income ratio to the previous maximum level in different pension level and different after retirement earning levels. In any case, the 100,000-yen pension has the largest drop. This means that elderly employees who receive Old-age Pension for Active Workers amounting to 100,000 yen are most likely control their earnings to approximately 134,000 yen.

Table 5 Total income dropping rate

	63%	65%	70%	75%	80%
¥80,000	82%	82%	79%	77%	75%
¥100,000	74%	73%	73%	72%	71%
¥150,000	81%	81%	80%	80%	79%

The original idea behind Employment Continuation Benefit for Elderly was to compensate for the loss of earnings after retirement and to encourage people to stay in the work force. An annual survey on retirement age was conducted by Ministry of Labor.¹⁰ In Japan, 90.2 % of enterprises set the mandatory retirement age in 1999. the majority of them set a single age. Within these enterprises, 91.2% also set the retirement age at 60 years in 1999. Due to the mandatory retirement age, the average wage of elderly between 60 and 64 is considerably lower than that of the age group between 55 and 59. (See Table 6)

Table 6 Basic Salary of male employees by age and company size (unit ¥1000)

	1000 and over	100--999	10--99	5--9
55--59	484.7	399.6	343.9	335.5
60--64	362.3	304.0	286.4	280.0

source : *Chingin kouzou kihontoukei chosa*, Ministry of Labour

Figure 7 shows the ratio to earnings before retirement. The smaller the difference in earnings is before and after the retirement, the larger is the compensating loss of earnings in lower remuneration classes. In the group with monthly remuneration between ¥170,000 and ¥300,000, 80% of before-retirement earnings are compensated. From Figure 7, it can be said that those employed at lower wages gain more than other group. In other words, current Japanese measures of both Employment Continuation Benefit for Elderly and Old-age Pension for Active Workers favor relatively advantaged elderly employees.

VIII. Current Status of Beneficiaries for Old-age Pension for Active Workers

Figure 8 shows the distribution of qualified beneficiaries for Old-age Pension for Active Workers in 1997. A total of 881,622 persons were qualified in 1997, however, 667,631 persons actually received Old-age Pension for Active Workers. This means

¹⁰ *Koyokanricyosa*, by Ministry of Labour

that equivalent to approximately 75% of qualified beneficiaries actually received the pension. Figure 9 shows the level of pensions for actual recipients. The maximum benefit in the lowest remuneration category is 105,000 yen in 1998 on average. The trend between 1995 and 1998 is the same. You can find that an individual who receives 100,000-yen in pension benefits belongs to the lowest, the second lowest, and the fourth lowest categories of remuneration. The peak at the fourth lowest category is an individual whose total income is approximately 220,000 yen. Regarding the third lowest category, the average benefit dropped considerably and the total income is 180,000 yen, which is lower than that of the fourth category. To summarize, the group of beneficiaries belonging to the fourth category is treated in favorably under the present system. Conversely to that, the group of beneficiaries belong to the third category are treated unfavorably under the present system. I was surprised to see so that many people who are paid well still receive pension benefits. For instance, an individual who earns some 300,000-yen a monthly still receives 40,000 yen as Old-age Pension for Active Workers.

IX. Current Status of Employment Continuation Benefit for the Elderly

The number of beneficiaries under Employment Continuation Benefit for Elderly and scale of expenditure are shown in Table 7.

Table 7 Employment continuation benefit for elderly

	beneficiaries (unit:person)	total benefits (unit:¥1000)	benefit per person (unit:¥1000)
1995	13,081	11,950,823	914
1996	45,782	37,023,366	809
1997	67,074	57,033,785	850
1998	87,614	77,406,071	883

sources: Annual statistics of Employment Insurance Accounts, Ministry of Labour

The average per capita benefit was approximately 883,000 yen in 1998. The change in per capita benefit is small, however, the number of beneficiaries has increased considerably in recent years.

X. Effects of the reform Schemes

--From replies to questionnaire given to employees and employers--

A total of 19.3% of elderly male employees answered **YES** to the question: "Do you take consideration of the pension benefit change in 1995?" In particular, approximately 30% of those aged 60 and 61 years old were affected by the reform. Many elderly people took a new job following the reform. (See Table 8)

Source: Survey on Elderly labor structure, Ministry of Labor, in 1998

Regarding questions for employers, more employers took consideration of the scheme of Old-age Pension for Active Workers. (See Table 9)

Table 8 Impact of change in benefit structure of Old-Age Pension for Active Workers by age and sex

	%					
	total	60 yearl old	61years old	26years old	63years old	64years old
Male						
number of the beneficiaries	100.0	100.0	100.0	100.0	100.0	100.0
Impact for employment	19.3	30.5	29.7	16.0	7.0	11.3
Took new job	14.5	24.3	25.4	10.9	5.7	3.8
increased earnings	3.1	2.0	4.3	5.1		3.8
Moved to better paying company	1.8	4.3			1.4	3.6
No impact at all	79.6	69.5	70.3	84.0	93.0	83.0
Unkown	1.1					5.7
Female						
number of the beneficiaries	100.0	100.0	100.0	100.0	100.0	100.0
Impact for employment	3.3			4.7		19.0
Took new job	3.3			4.7		19.0
increased earnings						
Moved to better paying company						
No impact at all	95.4	100.0	100.0	95.3	92.0	81.0
Unkown	1.2				8.0	

Table 9 Question to employers "Did you take a consideration of the benefit changes when you decide the level of pay for your elderly employees?"

	%		
	total	Yes	No
Before 1995 reform	100.0	28.5	71.5
After 1995 reform	100.0	30.2	69.8

Regarding the Employment Continuation Benefit for Elderly, the ratio of the beneficiaries to total employees aged between 60 and 64 is 7.8%, however, this differs by size of company. In medium sized companies with more than 1,000 but less than 5,000 employees, the largest ratio (21.9%) of elderly employees receive the benefit. In small companies with less than 100 employees, there are fewer (5%) elderly receive the benefit. The smallest companies with less than 30 employees are exceptions. There are fairly constant numbers of elderly who receive benefits. (See Table 10)

Table 10 The beneficiaries of employment continuation benefit for the elderly by age and size of enterprises

	Ratio of 60-64 years old employees to the total employees	Unit %					
		total	60 years old	61 years old	62 years old	63 years old	64 years old
total	7.8	100.0	36.9	24.4	16.0	14.2	8.5
over 5,000 employees	8.0	100.0	32.7	27.7	21.6	10.9	7.2
1,000~4,999	21.9	100.0	47.1	17.8	21.1	9.9	4.1
300~999	10.3	100.0	32.1	34.5	14.6	10.6	8.3
100~299	8.7	100.0	47.1	27.4	9.0	8.2	8.3
30~99	5.9	100.0	36.1	24.6	9.4	16.0	13.9
5~29	5.3	100.0	24.3	21.7	22.4	23.2	8.2

Source: same as Table 8, 9, 10 above

Regarding questions to employers, more employers took consideration of the Old-age Pension for Active Workers. (See Table 9)

Regarding questions to employers, more employers took consideration of the new Employment Continuation Benefit for the Elderly. (See Table 11)

Table 11 Question to employers "Did you take an consideration of the introduction of employer continuation benefits for elderly?"

	total	unit %		
		Yes	No	unkown
Employment continuation benefit for elderly: same employment	100.0	35.3	62.9	1.8
Employment continuation benefit for elderly :new employment	100.0	29.4	61.7	8.9

XI. Problems with Current System

(1) Weakening the Functions of Employment Insurance

The Japanese Employment Insurance Scheme does not compensate only income for unemployed employees but also provides preventive measures to prevent unemployment. These are called services for stabilizing employment and are financed by Employment Insurance. In the 1980's and the beginning of the 1990's, the Employment Insurance Accounts were well funded. However, their financial condition has become very difficult in recent years. (See Table 12)

Table 12 Balance sheet of Employment Insurance Accounts

unit: ¥100 million		1993	1994	1995	1996	1997	1998 estimated	1999 estimated	2000 projection
Receipts		18,187	17,797	18,593	18,413	19,423	17,397	18,244	16,789
	Contributions	12,266	12,270	12,457	12,650	12,923	12,929	12,959	12,708
	state participation	2,810	2,672	3,374	3,273	4,388	3,078	4,012	3,354
Expenditure		16,126	17,996	20,221	21,358	23,203	27,018	30,077	31,617
	unemployment be	13,977	15,806	17,327	17,952	19,326	22,739	23,031	23,617
	others	2,149	2,190	2,894	3,406	3,877	4,279	7,046	8,000
Balance between receipts and exp		2,061	▲ 199	▲ 1,628	▲ 2,945	▲ 3,780	▲ 9,621	▲ 11,833	▲ 14,828
Fund status		47,527	47,328	45,700	42,755	38,975	29,354	17,521	2,693
Compared with previous year			1994	1995	1996	1997	1998 estimated	1999 estimated	2000 projection
Receipts			97.9%	104.5%	99.0%	105.5%	89.6%	104.9%	92.0%
	Contributions		100.0%	101.5%	101.5%	102.2%	100.0%	100.2%	98.1%
	state participation		95.1%	126.3%	97.0%	134.1%	70.1%	130.3%	83.6%
Expenditure			111.6%	112.4%	105.6%	108.6%	116.4%	111.3%	105.1%
	unemployment benefits		113.1%	109.6%	103.6%	107.7%	117.7%	101.3%	102.5%
	others		101.9%	132.1%	117.7%	113.8%	110.4%	164.7%	113.5%
Fund status			99.6%	96.6%	93.6%	91.2%	75.3%	59.7%	15.4%

Source: Annual Statistics of Employment Insurance Accounts, Ministry of labour

Table 12 shows the unbalanced status of Employment Insurance Accounts. From 1994, deficits became apparent due mainly to Japan's long economic recession. The funding status deteriorated in a short time. The unemployment benefit is the main expenditure item of Employment Insurance, however, the share of other benefits including services for stabilizing employment are increasing. Especially for the estimated of fiscal 1999, benefits other than unemployment increased sharply.

To prevent a deterioration of Employment Insurance Accounts, new reforms were implemented in 2000. The key term is Targeted benefits;

- (1) Employees targeted for unemployment benefits are the elderly and those who lost their jobs due to a restructured labor market and recessions. The duration of the benefits for those who became unemployed by choice was shortened.
- (2) Improvement of benefits for occupational trainings
- (3) Extension of coverage of employment insurance to part-time and short time workers by abolishing weekly 30 working hour principle
- (4) Targeted at family support services for working mothers in an aging society with a declining fertility rate

It is effective to set targets. On the other hand, the benefits may become too rigid. Elderly, laid-off employees, full time permanent workers, and eligible insured persons, are targeted and can receive good benefits. However, those who do not belong to any of these categories have no way to improve employment security.

Most recently there are two groups of people are attracting attention. They are "homeless" and "furita". In 1999, the Ministry of Health and Welfare conducted a survey on the homeless for the first time. The number of homeless was estimated to be 100,000 persons nationwide.

The White Paper on Labor 2000 devoted one chapter to discussing youth

unemployment and new trends in youth employment such as the so-called "*furita*" in Japanese. Generally, "*furita*" are young people who neither go on to higher education nor become full-time employees. They are most likely to work as part-time employees under short or temporary employment contracts. According to estimates of the Ministry of Labor, approximately 1,510,000 persons(610,000 male, 910,000 female) between the ages of 15 and 34 were considered to be "*furita*" in 1997, approximately 4.3% of the total population of the same age group.

Both homeless and "*furita*" are not eligible under statutory measures. Without appropriate social assistance measures or family support, they have no means to survive. There is a common phenomenon behind both the issues of homeless and "*furita*". This comprises structural changes in industry and society. If Japanese Employment Insurance mainly targeted the elderly, it cannot be helpful for responding to the contemporary issues such as homeless and "*furita*".

(2) Distorted Equity between generations

Japanese public pension system is financed by a pay-as-you-go system in reality. Many academics and critics speak of the issue of equity younger and older generations. A number of empirical studies note the wealthy elderly households compared to young households. However, social security benefits are still given to elderly without asking for appropriate cost sharing. Unemployment benefits are not taxable income. Income from a public pension is treated very favorably compared to earnings. Therefore, if measures for elderly are taken without fundamental structural reforms of social security, then excessive benefits may be transferred only to elderly. Consequently, this leads to a large distortion in equity between generations.

Unemployment among the elderly is a problem in terms of public pension financing. Unemployment among young people is also a problem when attempting to maintain balanced social accounts. Figure 10 indicates the trends of unemployment rate by age group between 1980 and 1998. The unemployment rate among young people has always been as high as among the elderly. In recent years, it has even exceeded that of the elderly. There are a number of young people unemployed by choice. The "*furita*" is a choice of lifestyle. At the same time, they are counted as non-regular employees and have no right to receive social benefits such as unemployment benefits or services for stabilizing employment. Of course, they do not contribute to social security accounts either. If such young people increase and some day find themselves being outsiders in terms of "solidarity", then the social security system itself will become less attractive.

XII. Conclusions

Issues of employment and public pension represent not only the financing social security but also cause various social problems. One cannot ignore the fact that we are facing a very difficult situation as a result of the aging society and a declining fertility rate.

There are always conflicts among nationals in different positions. Conventional reform measures, taking the example of public pension reform, encourage people to first protect their own interests and ask others to start to make changes. The elderly as a group has relatively strong bargaining power compared to younger generations. Employees in a stable and protected working environment are the same position as elderly. Young people and woman are groups who need to be better protected and promoted, however, they have only weak bargaining power.

In this paper I do not discuss gender issues, however, these are very important issues in Japan. Unfortunately, the situation of women is far behind that of the European welfare states. Not many Japanese are conscious about this. We should remember that there are a lot of common issues besides employment and pensions among industrialized nations.

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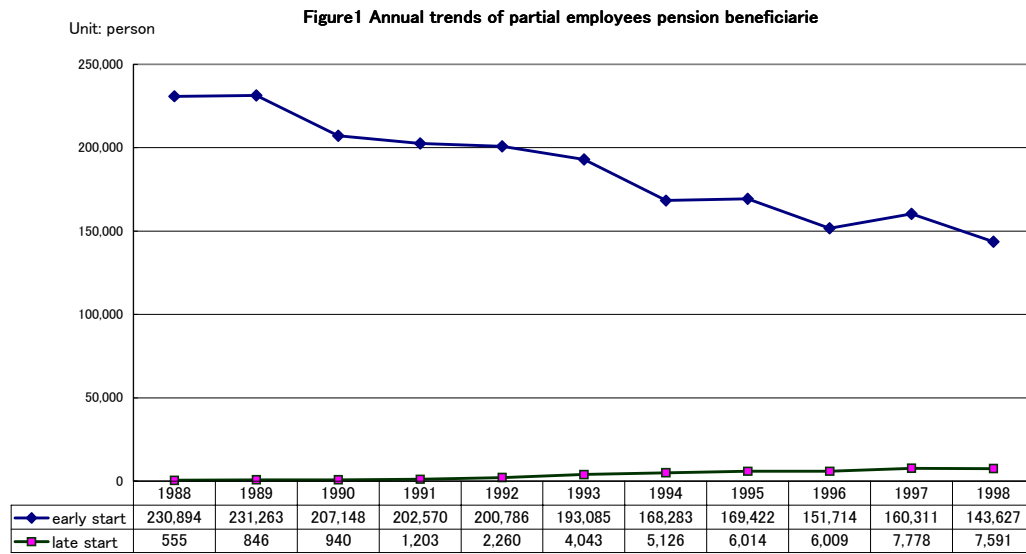
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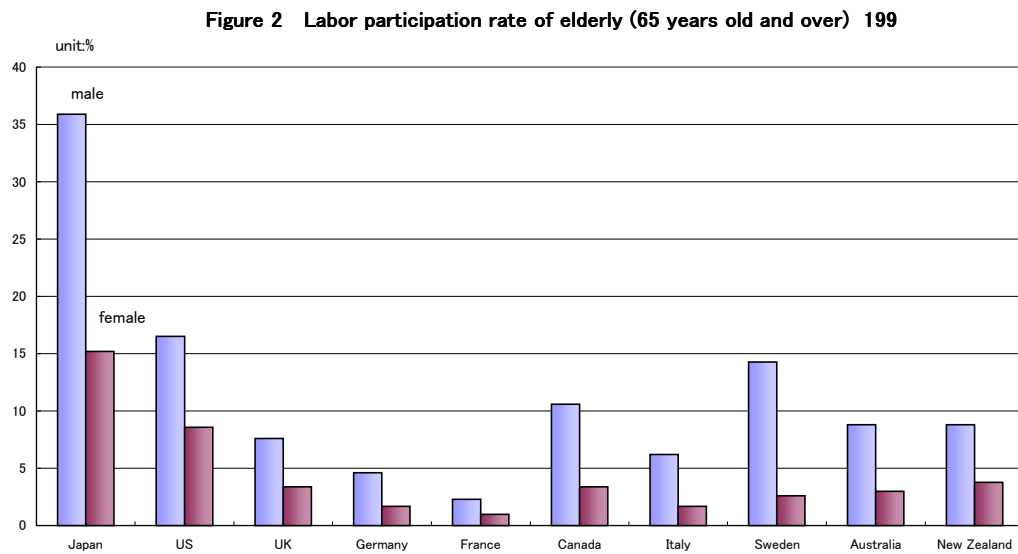
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Source: Annual statistics of Social Insurance, Social Security Agency, Ministry of Health and Welfare



Source: OECD Labour Force Statistics 1999

unit:monthly income ¥

Figure 3 Employment Continuation Benefit for Elderly according to earning income class

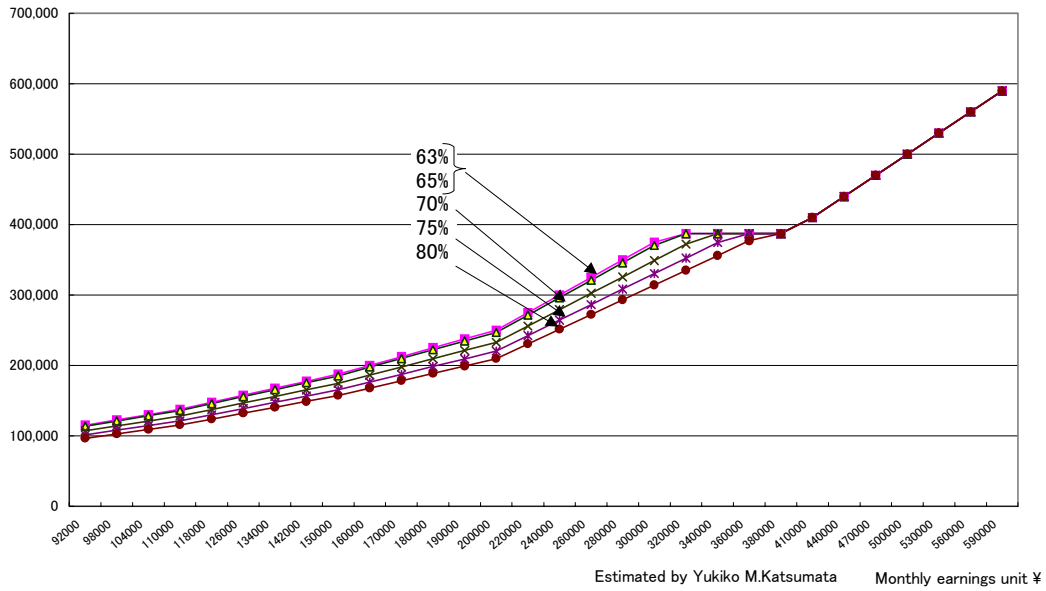


Figure 4 Old-Age Pension for Active Workers (¥100,000 per month and Employment Continuation Benefit for the Elderly

monthly income unit ¥

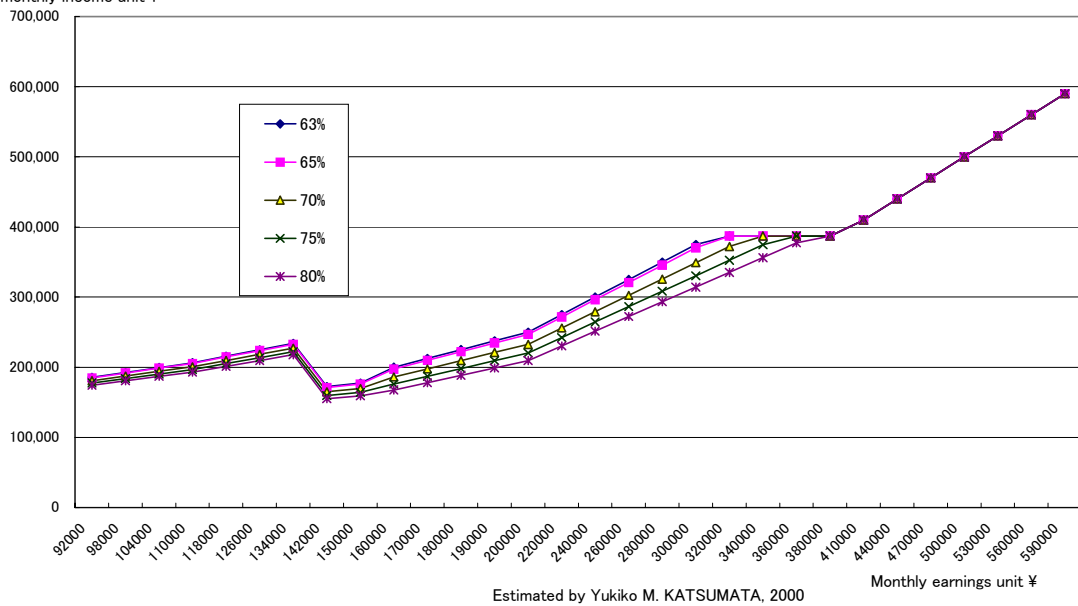


Figure 5 Old-age Pension for Active Workers (¥80,000 per month and Employment Continuation Benefit for the Elderly

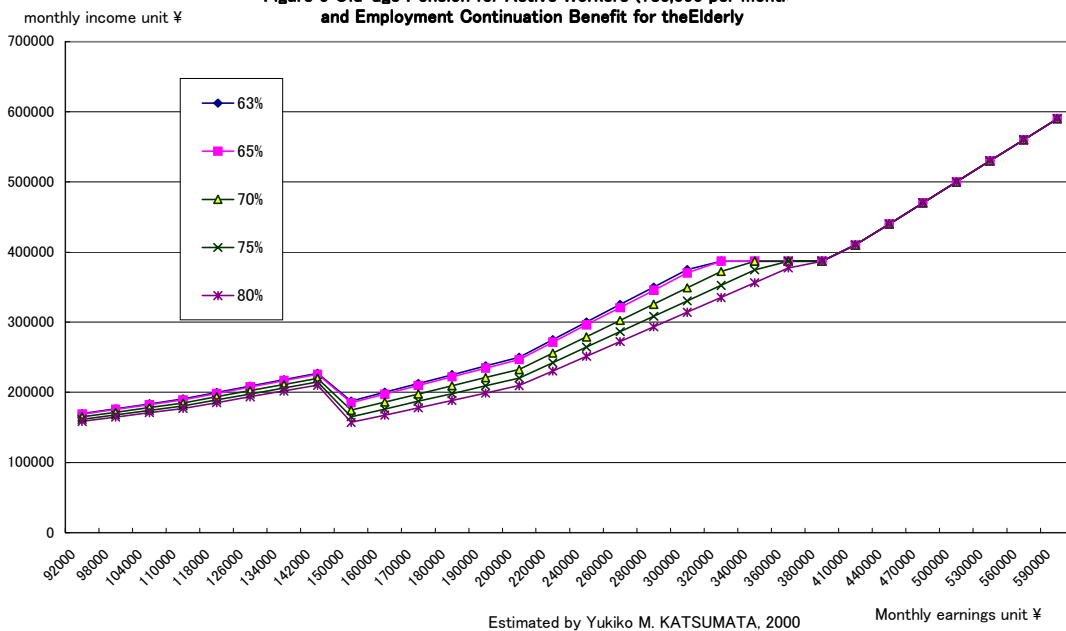


Figure 6 Old-age Pension for Active Workers (¥150,000 per month and Employment Continuation Benefit for the Elderly

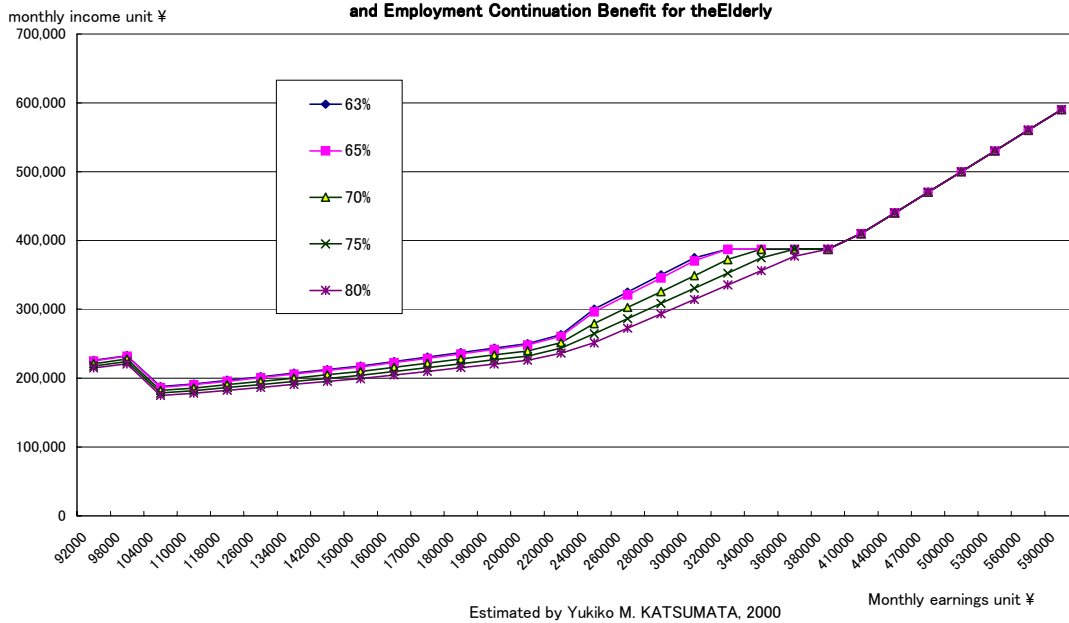


Figure 7 Ratio to the income compared to the income at the age of 60 before retirement earnings + Employment Continuation Benefit for the Elderly + Old-age Pension for Active Work

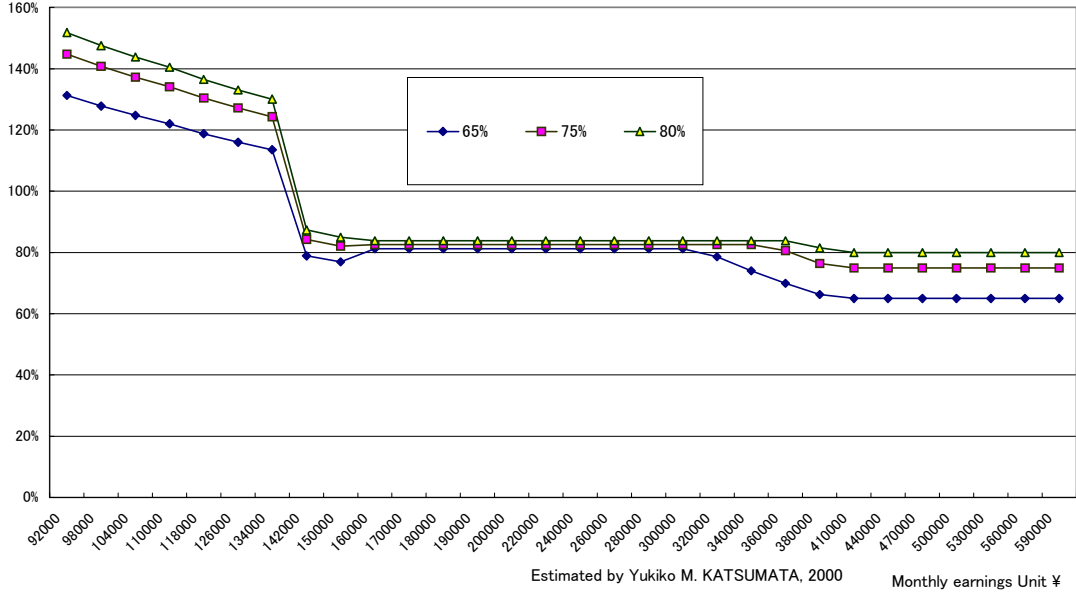


Figure 8 Distribution of qualified beneficiaries for Old-age Pension for Active Workers in 19

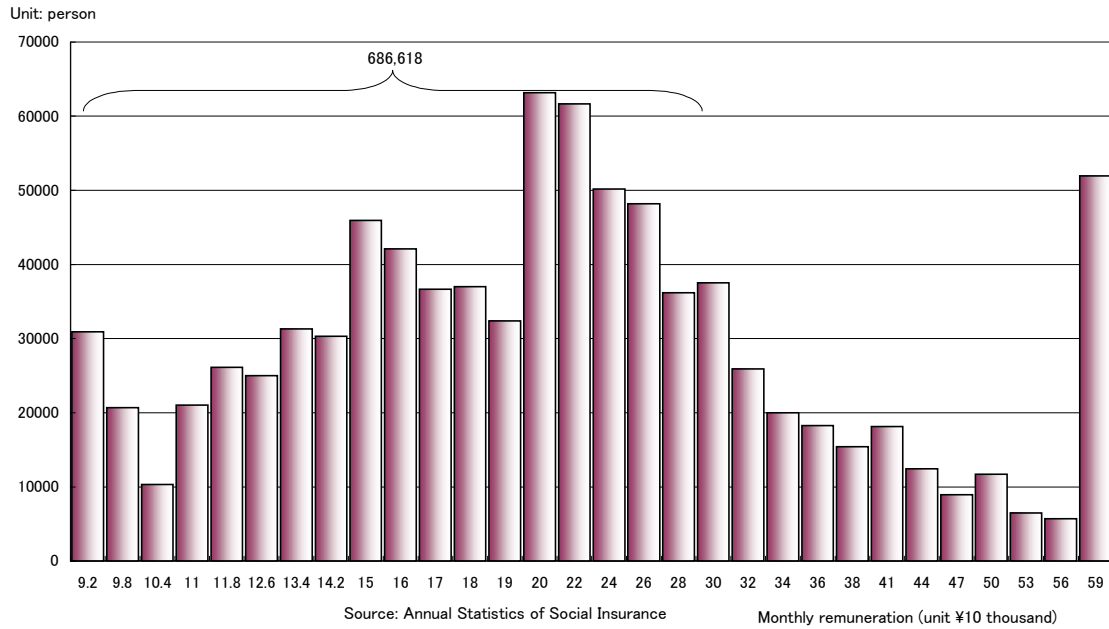
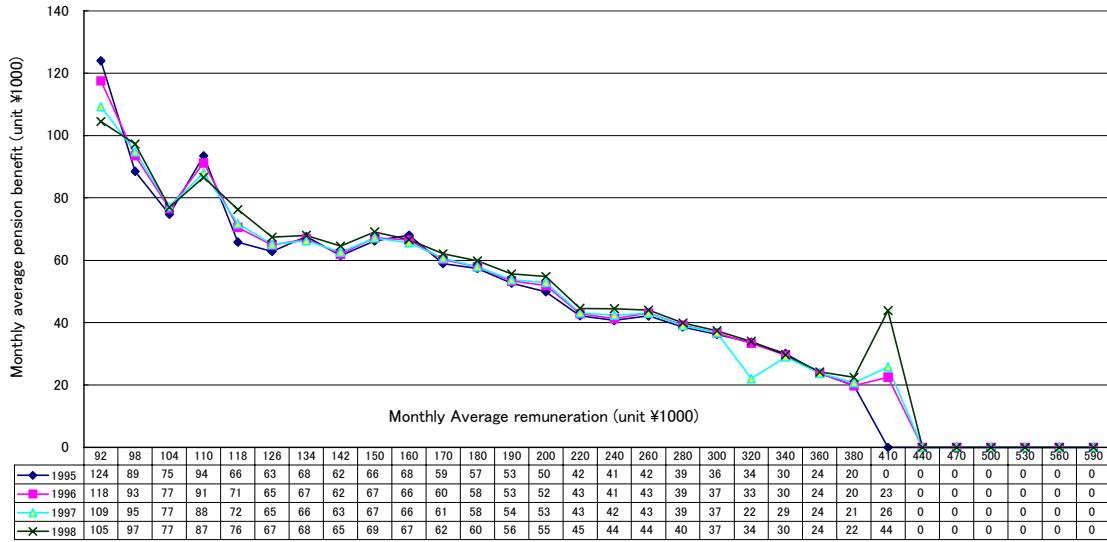
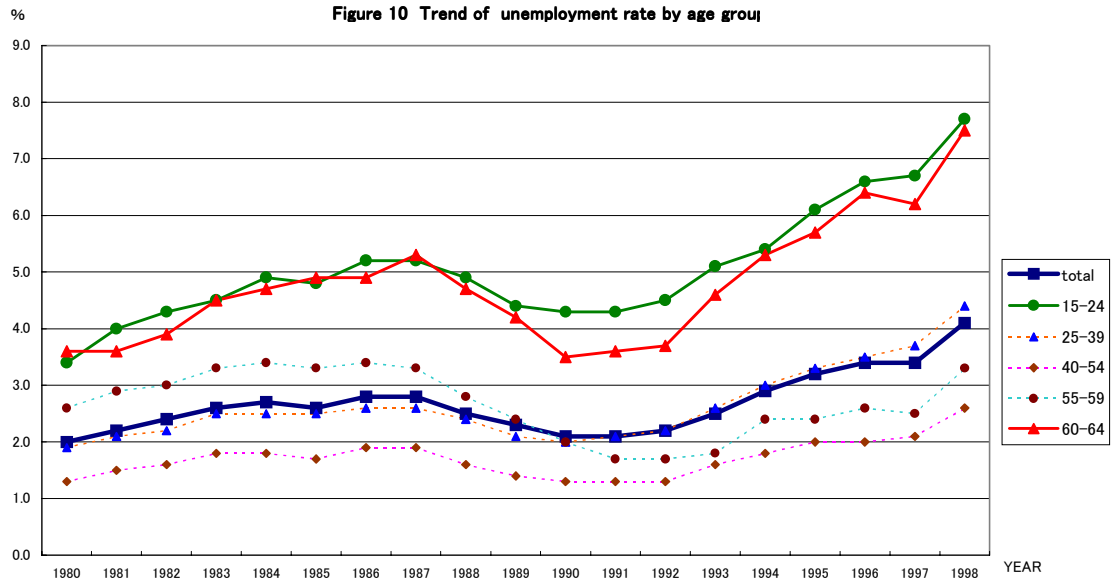


Figure 9 Average benefits for Old-Age Pension for Active Worker



Source : Annual Statistics of Social Insurance, Social Insurance Agency

Figure 10 Trend of unemployment rate by age group



Source : Annual Statistics of Labor Force Survey, Statistical Bureau of Management and Coordination Agency