Table 4.—Beneficiaries with special minimum PIA, at end of specified month, 1973–78

Specified month	Number of beneficiaries	Average		
		Special minimum PIA	Regular PIA	Monthly amount
December 1973	204 392	$162 61	$154 78	$139 61
May 1974	217 475	170 37	165 73	148 10
June 1974	117 120	175 42	167 04	148 43
May 1975	125 175	175 52	167 21	146 16
June 1975	27 803	176 91	170 94	147 21
May 1976	29 444	176 88	170 76	146 85
June 1976	4 296	178 20	173 58	147 02
May 1977	4 090	178 17	173 51	152 53
June 1977	309	178 34	172 70	154 76
May 1978	378	178 36	173 48	155 25
June 1978	19	(1)	(1)	(1)

[1] Data not available

in covered employment at low earnings Unlike the regular PIA, the special minimum PIA is not related to the worker's AME but to the number of years of earnings in covered employment

While the regular PIA registered a cumulative increase of 43 9 percent from January 1973 through June 1978, the special minimum PIA rose only from a range of $85–$170 in January 1973 to $90–$180 in March 1974 and, not being subject to automatic cost-of-living increases, remained in that range throughout the rest of the period As a consequence, the special minimum PIA, which is used only when it is greater than an individual's regular PIA, gradually lost its advantage for long-term, low-paid workers Special minimum benefits were converted to regular benefits and the number of beneficiaries with the special minimum PIA dropped sharply with each benefit increase—from 217,475 in May 1974 to 117,120 in June 1974, to 27,803 in June 1975, to 4,296 in June 1976, and to 309 in June 1977 (table 4) After the June 1978 increase, only 19 persons with the special minimum PIA remained on the rolls

The 1977 amendments introduced two relevant changes First, the special minimum PIA will be increased, effective January 1979, to a maximum of $230 a month Second, it will be affected in the future by the same automatic cost-of-living increases as are applied to regular benefits

Social Security Abroad

Recent Social Security Developments in Japan*

Social security programs in Japan, like those in other developed countries, have been caught in a conflict between (1) the desire to improve benefits and create a more equitable system and (2) the impact of the recent recession and inflation Unforeseen demographic factors have played a role as well These forces have affected the solvency of various programs They have also contributed to the mixture of contractions and expansions reflected in recent developments Later retirement age, accelerated benefit increases, larger deficits in many programs, changing trends in voluntary contributions, extending unemployment benefits, and health insurance retrenchments

*Prepared by Angus Simmons, Comparative Studies Staff, Office of Research and Statistics Social Security Administration

Background

Japan was the first Asian country to establish a comprehensive social insurance system Health insurance for employees of large corporations was adopted in 1922, followed by national health insurance in 1938, seamen's insurance in 1939, and employees' pension insurance in 1941 In 1959, with a view to establishing universal medical care and a pension for the whole nation, the national health insurance program was amended and a national pension program was introduced to include those not covered by existing health or pension programs

Japan has two major national programs for old-age, survivor, and disability insurance The employees' pension covers regular wage and salary workers (the equivalent of general social security programs in other countries) The national pension is a catchall program for all other economically active Japanese who have never participated in the employees' pension system [1] Farmers were added in 1970

Under the national pension program, in addition to the compulsory contributory pension, a means-tested pension covers the following groups Widowed mothers and guardians, public assistance recipients, disability beneficiaries, victims of natural disasters, transitional beneficiaries who had made no contributions or who did not meet the qualifying conditions in 1959 when the system was instituted, and those permanently exempted because of low income

A number of pension programs, separate from the employees' pension and the national pension, exist for special groups such as civil servants, agriculture workers, seamen, and private schoolteachers The accompanying table gives, for 1977, an indication of the number of persons covered under the various programs and the number of persons receiving benefits in each of the programs

Although every Japanese citizen is now covered by some type of social insurance or welfare program, contribution rates and benefit levels vary widely for the

[1] See **Social Security Programs Throughout the World, 1977** (Research Report No 50), Office of Research and Statistics, Social Security Administration, 1978

Pension programs in Japan Number covered and number of beneficiaries, by type of benefit

Type of pension	Number covered	Number of beneficiaries			
		Total	Old age	Disability	Survivor
Total	56,231 242	12 774 742	10 698 709	862 011	1 214 022
National pension	26,469 081	8 812,727	7 932 309	704 451	175,967
Contributory	(1)	3 876 727	3 550 944	154 353	171 430
Noncontributory	(1)	4,936 000	4 381 365	550,098	4 537
Employees pension	23 846 918	2,803 183	1 880 028	135,930	787 225
Mutual aid associations					
Public employees					
Local	3 003 872	468 924	383 694	5,908	79 322
National	1 162 463	257,033	202 212	3 573	51 248
Public industry	797 013	300 247	211 886	6 149	82 212
Agriculture forestry and fisheries	444 587	54 159	43 743	1 239	9 186
Private school employees	270 239	18,429	15 127	255	3 047
Seaman s pension	237 069	60,040	29 719	4 506	25 815

[1] Data not available

Source Japan Office of the Prime Minister **Report on Social Security Statistics, 1977**

same type of risk Initially, coverage was extended to those who had not contributed to the system Their benefits, however, were lower than those of persons retiring after 10 or 20 years of contributions This inclusion created a large welfare component in these programs The noncontributory portion has declined, but, as the table shows, that portion is still at a significant level

None of the Government-established programs will be fully matured until 1985 or later Consistent political pressure has been exerted to raise the benefits for both the welfare and insurance portions of these systems The need has increased partly because of inflation and the rising cost of living and partly because the traditional Japanese multigenerational family structure (in which retirees live with their children) has been breaking down

Problems of Low Retirement Age

Under the Japanese social security system, retirement age is 60 for men under the employees' pension, under the national pension it is 65 Permanent employees, however, may be retired by their companies as early as age 55 For 47 percent of these enterprises the retirement age is 55, 32 percent used age 60 Thus a period of as long as 10 years may exist in which the average retiree cannot collect a social security pension

Persons insured with mutual aid associations are eligible for full retirement benefits at age 55 Relatively few Japanese are covered by these associations, however Even those insured under the employees' pension program have to wait until age 60 (55 for women) In the past, when retirees lived with their children, the income loss had less impact

Another source of income during this interim period is the lump-sum retirement bonus (averaging about 31 months' wages) paid by 67 percent of industrial firms Nevertheless, even retirees who receive the bonus would, under the employees' pension program, experience a 29-month period without coverage According to a recent public opinion poll, 80 percent of the respondents want to raise the retirement age, and 8 percent would like to see it abolished altogether

As mentioned above, the traditional family structure has been giving way at an accelerating rate to a two-generation pattern In 1975, for example, the number of households consisting of persons aged 60 and over accounted for 6 percent of Japan's 34,275,000 households This proportion represented a 15-percent increase over 1974 In half these aged households, the elderly lived alone Three out of 4 were women

The aged population is growing and a choice must soon be made among the ways of assuring them an adequate livelihood Either they may be allowed to work longer or social benefits must be expanded Official figures indicate that between 1978 and 1985 the Japanese population aged 55 and over will increase by an estimated one-third, or 6 5 million persons Unless the retirement age can be lifted, the cost of financing adequate benefits from the initial date of retirement would be prohibitive Yet, in 1975, there were 5 applicants for each job opening in the group aged 55–59, for the group aged 60–64 the ratio was 10 to 1 These ratios have undoubtedly declined further in the past few years, since unemployment has now risen to a postwar high of about 2 percent Moreover, most planners agree that the unemployment level could rise to 6 percent if firms were able to reduce their work forces

Although signs of official support for retirement at age 60 (when the employees' pension becomes payable) have been seen, progress toward this goal has been very slow In October 1976, the Diet (Parliament) passed a resolution recommending that, in both the public and the private sectors, at least 6 percent of a firm's work force be over age 55 The resolution contained no legal sanctions, however, and it is estimated that slightly more than 10 percent of Japanese firms have complied In addition, the resolution recommended that subsidies be made available to enterprises that grant educational paid leave for job retraining to workers nearing retirement age

The resolution may have brought about only a mild improvement in the status of older workers An official survey of 4,400 retired persons indicated that 76 percent of retirement-age workers in companies with more than 100 employees had been reemployed or had their employment extended In 1973, 70 percent of the reemployed workers were in companies smaller than their original place of employment In 1975, the Japanese census indicated that 8 percent of the population were in the age 55–64 bracket This proportion corresponds closely to the 6-percent target of the Diet resolution, if indeed 76 percent of the retirees find reemployment or extension of employment beyond age 55

In February 1977, the duration of unemployment benefits for elderly and middle-aged persons was extended to 360 days Previously a limit of 300 days was imposed for persons aged 55–64 and 240 days for those aged 45–54 This change provides added income security during the period between retirement and eligibility for pension Nonetheless, high financial costs have kept the Government from finding more than an interim solution to the problems caused by a low retirement age

The Tokyo municipal government in February 1975 set up an innovative program to help older workers that has attracted attention throughout Japan A "work corporation" was established to provide job opportunities as well as social contacts for the elderly The corporation accepts from private industry jobs considered suitable for elderly workers Corporate membership is divided into skill groups such as clerical, technical, maintenance, and semiprofessional Money paid to the corporation is divided among workers according to the number of hours worked All members are covered by workmen's compensation and are given annual health checkups Tokyo now has five work corporations, with more in the planning stage, and the program has stimulated considerable interest among other municipalities in Japan

Problems of an Aging Population

Japan, like other advanced countries, is faced with the serious demographic problems of an aging population Census data show that the relationship of the groups aged 20–54 and 55 and over will change from 3⅓ to 1 in 1975 to a little more than 2 to 1 by 1990 The aging of the population is the result of a decline in both the birth rate (since 1950) and the mortality rate This situation will result in financing difficulties for the social security system in the long run, especially in the national pension program, as increasingly smaller numbers of active participants will have to support an increasing number of retirees

Employees' Pension Program

Although the employees' pension program is in a better position than the national pension program, it too is expected to encounter financing problems in the future This expectation is based on two elements Improvements in the benefit formula and a sharp increase in the proportion of beneficiaries In the early 1970's, Japanese planners set up a series of social indicators to compare their country's social status with that of other developed countries The indicators showed that social expenditures in general and benefits in particular were considerably below the level in Europe

This picture, together with the continued income needs of the elderly, led to the scheduling of ongoing improvements in the benefit formula The benefit formula consists of a flat amount multiplied by the number of years of coverage plus 1 percent of average earnings The flat-rate component has risen more rapidly than wages or prices In 1975, for example, the flat rate was 1,000 yen,[2] it rose to 1,650 yen in 1977 Thus the total cost of benefits will go up more rapidly than total income from contributions, unless the latter are raised proportionately

In addition, the demographic imbalance is expected to be more acute in Japan than in most other countries Because of the rapid aging of the population, according to official estimates, the number of contributors per beneficiary is expected to fall from 25 to 1 in 1977 to less than 4 to 1 after the year 2000

The employee's pensions program is financed by a payroll tax of 9 1 percent for men workers in 1977 The worker and employer pay equal shares It is expected that the rate will continue to increase and reach 15 percent because of these conditions

National Pension Program

The national pension program has a contributory as well as a noncontributory segment The contributory part of the program, in turn, has a compulsory and a voluntary part The national pension program was set up in 1959 for all adult citizens not covered under the employees' pension program (In 1961 the contributory portion was established) As noted earlier, the program is already facing serious financing problems because the number of insured persons is expected to remain relatively stable during the next four decades At the same time, a drastic increase is anticipated in the number of recipients

The compulsory contributory program first paid benefits in 1971 By 1975, the number of beneficiaries had already reached 2 7 million With the maturing of the system, the number is expected to rise from the present 3 8 million to 6 4 million by the year 2010

[2]One Japanese yen equaled 0 36 U S cent as of June 30, 1977

Under a 1973 law, the benefit level has been tied to the consumer price index (CPI) For each increase of 5 percentage points in the CPI, the benefit is automatically adjusted, contributions are subject to ad hoc adjustments Because of the oil crisis, however, benefits were increased by 16 1 percent and 21 8 percent in September 1974 and September 1975 and were again increased in October 1976

The program is financed by a flat-rate contribution, and a general revenue subsidy equal to one-third of benefit costs The rapid rise in benefits due to inflation forced the Diet to quadruple flat-rate contributions in the period 1972–77 Nevertheless, these contributions do not nearly cover the cost of the program In 1977, one-third came from general revenues, and, for the first time, reserve funds had to be used as expenditures exceeded revenue

As in the employees' pension program, the ratio of participating workers to pensioners will decline—from the current 8½ 1 to 4 1 by the year 2010 This unfavorable demographic outlook, coupled with rising benefit levels and a reluctance to raise the contribution rate sufficiently to cover costs, have combined to threaten the long-term stability of the national pension program

The voluntary contributory segment of the program has two parts The first was instituted because benefits under the national pension program are lower than those under the employees' pension program and voluntary contributions would enable the national pension participants to receive a higher benefit Under this segment, the participant may elect to contribute 400 yen a month and receive in retirement, in addition to the regular benefit under the system, 200 yen multiplied by the number of months of paid voluntary contribution

The second part of the voluntary segment of the program is aimed at dependent spouses covered by the employees' pension and under age 50 on April 1, 1961 Of the approximately 26 5 million persons insured under the national pension program, more than 17 million are women—including 6 million dependents of wage earners covered under the employees' pension program who are voluntary contributors in their own right The plan for voluntary contributors has expanded rapidly because benefit levels have been steadily improving and because of the Japanese wives' increasing awareness that they are not fully covered under the employees' pension program in the event of divorce

The noncontributory old-age pension, payable to those aged 70 and over and not receiving any other pension, is a flat-rate benefit that has also been increased steadily It is financed entirely by the National Treasury This pension originally was not intended to be sufficient to live on As its Japanese nickname—the "candy" pension—suggests, it was conceived of as a way of providing spending money to elderly Japanese living with their children Because increasing numbers of the elderly live alone, the demand for liberalized benefits has been growing In the decade from 1959 to 1969, the benefit rose from 1,000 yen per month to 1,800 yen More recently, however, the benefit has gone up at an accelerated pace—to 5,000 yen per month in 1973, and 13,500 yen per month as of October 1976 (about 88 percent of the average monthly wage)

This recent increase in benefits has been funded from general revenues With the large Japanese budget deficit, however, doubts have been expressed about whether the Diet will be willing to vote further increases in the near future

Health Insurance

The two main health insurance programs are the compulsory employees' health insurance plan for workers employed in manufacturing, mining, and retail establishments with five or more employees (this system can be joined voluntarily by workers in smaller businesses), and a national health insurance plan that covers residents not insured as a result of their employment In 1976, these two plans covered 28 million and 44 million persons (including dependents), respectively In addition, civil servants, private school employees, and workers in public corporations are covered by mutual aid associations, seamen and day laborers come under a government-administered system

During the past decade health care expenditures have increased almost fivefold, and persons aged 65 and over (about 8 percent of the population) account for more than 25 percent of total expenditures In 1975, the Japanese devoted about 3 9 percent of the gross national product to health care Both health insurance plans pay providers of health care services according to the same fee schedule, but the plans are funded by different contribution rates Thus for each health association the cost per insured person is the same whatever its resources or financial soundness Depending on the insuring medical society, a contributor may spend between 3 8 percent and 4 7 percent of his monthly wage on health insurance The employer pays a similar or slightly higher amount (up to 5 percent of payroll, according to the bylaws of the insuring society)

Adverse economic conditions have affected the health insurance plans as they have the pension programs Administrative expenses for the employees' health insurance plan previously had been borne by the National Treasury As of October 1, 1976, the Government also assumed responsibility, through subsidies, for 15 percent of the expenses for medical care benefits, sickness, and injury allowances In that year, 447 of the 1,658 member societies had a deficit

Because the national health insurance plan is designed to cover the oldest, poorest, and sickest segments of Japanese society, it is the most exposed financially At present, general revenue financing covers about 40 percent of expenditures

Health insurance plans for public employees and workers in certain nonpublic industries are operated by mutual aid associations For public employees, these associations are operated by the ministries for which they work. They cover about 10 percent of the Japanese population and are generally perceived to be fairly sound financially

In a recent effort to improve the financial condition of the health insurance systems, the Japanese Government introduced a bill that would enable the Government to collect premiums from summer and yearend bonuses, which can amount to as much as 33-50 percent of a worker's annual wage The premium would equal 1 percent of the bonus For the employee program, each society would handle its own collection The bill also calls for raising (from 200 yen to 600 yen) the fee charged for the first visit to a hospital by a policyholder and increasing the patient share of hospital expenses

Unemployment Insurance

Japan has had unemployment insurance since 1947 The law was amended in 1975 so that coverage is compulsory for all industrial and commercial firms with more than five employees Voluntary coverage is available for employees of smaller firms and agricultural workers The Government pays 25 percent of the benefit costs and the entire administrative cost Employees pay 0 5 percent of earnings, employers pay 0 8 percent of payroll

Although Japan's unemployment rate of 2 percent is low compared with that of other advanced nations, the number of unemployed persons—more than 1 million as of April 1978—had remained at the same level for 13 months, a postwar unemployment record In Japan, as in other advanced countries, this situation has created serious financing difficulties The deficit increased from 2 1 billion yen in fiscal year 1975 to 12 0 billion yen in fiscal year 1977 The revenues, like those of other programs, have increased slowly because wages have gone up only a small amount in the present economic climate The Diet has been unwilling to raise the contribution rate under these circumstances Thus far the deficit has been covered by past surpluses, but, unless unemployment drops drastically in the near future, the system will soon be in financial difficulty

Conclusion

Some of the recent developments in social security programs in Japan can be seen as a response to changing economic and social conditions Others reflect the desire of the Japanese to develop a more modern and equitable social security system

The first step in the latter direction was an effort to improve the situation of the elderly The problem was that workers were retired by their companies as early as age 55 but received no benefits for as many as 10 years Under the impetus of modernization, the traditional pattern of family caring for parents had begun to weaken In an effort to do something about this problem, the Government began to raise benefits and to promote programs that encourage continued employment of older workers Generally, greater emphasis was placed on raising the level of expenditures for social programs Such improvements were, of course, costly

Just as the improvements began to take effect, the world recession-inflation of 1974 brought serious inflation and increased unemployment Since benefits are indexed but contributions are not, additional sources of revenue had to be introduced Thus, contribution rates and the general revenue supplement have continued to be raised The declining ratio of contributors to beneficiaries is regarded as a serious stumbling block to improvement in the near future