

Section 2

Realization of social security system that allows all the people to live safely *1

1 The role of social security

(1) Basic concept of social security

Daily lives of the people are basically managed by personal responsibility or efforts (“self supporting efforts”). Nevertheless, sickness, injury, aging, disabilities, unemployment, etc. often make them unable to solve the problems by self-help and to maintain independent lives. “Mutual assistance” refers to guaranteeing a life with a sense of security by coping with risks that cannot be managed only by personal responsibility or self supporting efforts through mutual cooperation and mutual support of people. Social security that includes pensions, health insurance, long-term care insurance and employment insurance is a system to realize mutual assistance. In addition, the people are often put into situation that cannot be solved by self-help or mutual assistance. “Public assistance” that consists of public aid (livelihood protection) and social welfare provides a necessary guarantee of livelihood for people in such a situation after specifying the conditions such as income level, living standard, family situation, etc.

Accordingly, social security in our country is designed to guarantee a life with a sense of security by coping with risks that cannot be managed only by personal responsibility, or self supporting efforts through mutual cooperation and mutual support of people, and to provide a necessary guarantee of livelihood for the people in a situation that cannot be solved by self-help or mutual assistance. Social security aims to create and sustain a society where the Japanese people can live healthily and safely by exerting their own abilities throughout their lives at home, workplace, local community, etc. , supporting each other and trying to fulfill their wishes.

(2) The functions of social security

How does social security carry out functions and what kind of effects does it have on the daily lives of the people? Major functions of social security are: (i) stabilizing and improving people’s lives; (ii) redistributing income; and (iii) ensuring economic stability. These functions often overlap each other.

1) Stabilizing and improving people’s lives

First, this function stabilizes people’s lives and brings them a sense of security.

For example, health care insurance allows people who suffer illness or injury to receive necessary medical care with a certain amount of burden on patients. Old-age pension system helps the older people to lead stable lives. In the field of employment and labor policies, unemployed workers can receive employment insurance to stabilize their lives; and workers' accident compensation insurance enables workers who suffer work-related injuries and diseases to receive medical treatment without any payment. In addition, the measures to support good work-life balance serves people to continue to work and guarantee their lives with a sense of security.

This function of social security allow people to live actively without being afraid of risks and to pursue various challenges in life, which will consequently vitalize the entire society. Conversely, unstable social security may have negative impacts on the economy, for instance through making the people to save money more than necessary and to reduce consumption due to the anxiety about future, and eventually saps the vigor of society.

*1 Based on the analysis in Part 1 Chapter 1 Section 1 of the "Annual Health, Labour and Welfare Report 2007-2008."

2) Redistributing income

Second, this function stabilizes people's lives by transferring income between individuals and households.

Specifically, income can be redistributed among different income brackets by collecting income from the high-income and distributing it to the low-income brackets, or from the people with high income-earning ability to those without the ability. For example, the public assistance system, financed by taxes, redistributes income from the "higher-income bracket" to the "lower-income bracket." In addition, the public pension system, financed by insurance premiums, can be considered as a system to redistribute income among different generations from working individuals to the elderly.

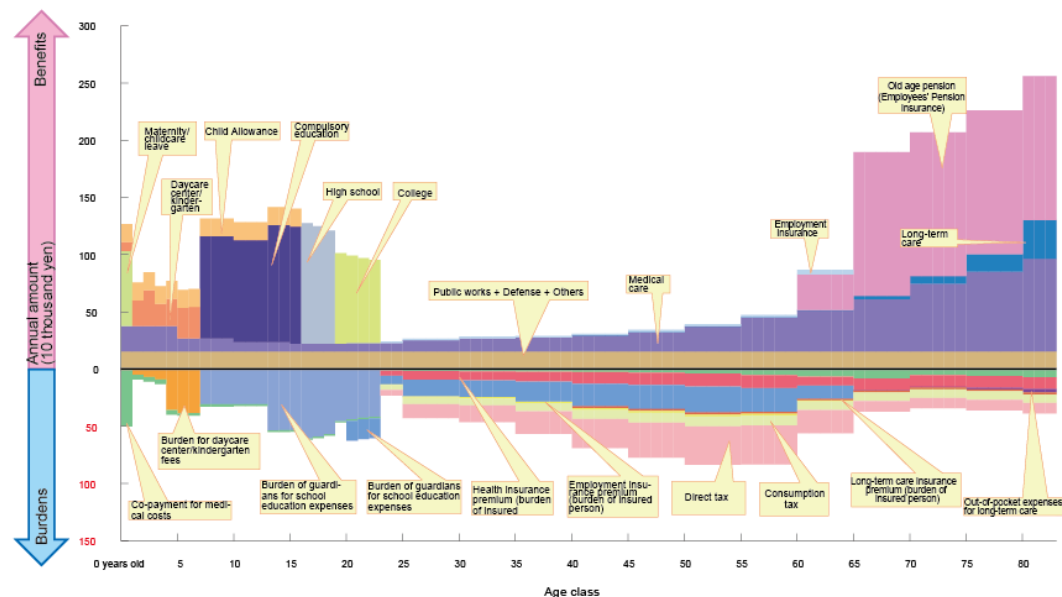
Furthermore, income is redistributed by cash benefits as well as service benefits including medical service and daycare service. Redistribution through service benefits asks people to share burdens according to their ability (e.g., insurance premiums defined in proportion to the person's compensation) and providing benefits as needed. This gives people equal access to basic social services to support their living.

3) Ensuring economic stability

Third, this function mitigates economic fluctuations and supports economic growth. For

example, the employment insurance system helps shore up family income during times of unemployment and scale down an economic slump from reduced consumption (stabilizer function) . In addition, the systems, such as the public pension system, which continue to pay a certain amount of pensions even during the economic slump, stabilize the lives of the elderly and also serve to stabilize the economy and society through supporting consumption. Moreover, the employment and labour policies as a whole, including the employment insurance system, have the previously mentioned function of 1) stabilizing and improving people's live and also contribute to stabilize the economy through supporting consumption by offering a sense of security to the people.

Chart 2-2-1 Image of Benefits and Burdens of the Social Insurance and Services including childcare/educations in Lifecycle



- 1) The amounts per person are calculated based on the results for FY 2009 (or the latest ones available). 'Public works, defense and others' is based on the FY 2010 budget.
- 2) Direct tax and consumption tax represent the total of national tax and local tax.
- 3) Regarding burdens, attention needs to be paid on the government bond issues (about 44 trillion yen and about 350,000 yen per capita based on the FY 2010 budget) as burdens for the future generations.

4) Benefits and burdens of social security at different stages of the life cycle

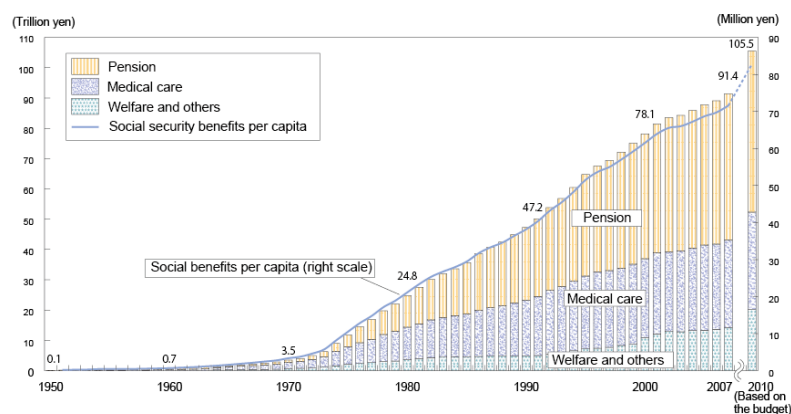
Looking at the benefits such as social security and burdens including taxes and social insurance premiums by age group, a larger portion of benefits is received by the young age group that receives the benefits for daycare and education as well as children's allowance, etc. and by the old age group that receives pensions and the benefits for medical care and nursing care, while the burdens such as taxes and social insurance premiums are mainly shared by the middle age group (Chart2-2-1) .

2 Benefits and burdens of social security

(1) Status of social security benefits

Regarding the current status and the shift of social security benefit, the benefit rapidly increased with the progress of aging society. Social security benefits paid in FY 2007 were ¥91.4 trillion and the benefits as a percentage of national income was 24.4% (“The Cost of Social Security in Japan 2005” by the National Institute of Population and Social Security Research) (Figure2-2-2) . Concerning the breakdown of social security benefit, pensions account for ¥48.3 trillion (52.8%), and health care accounts for ¥28.9 trillion (31.7%) .

Chart 2-2-2 Change in Social Security Benefits



Source: “The Cost of Social Security in Japan FY 2007,” National Institute of Population and Social Security Research

Figures for FY 2010 (based on the budget) are based on the projections made by the Ministry of Health, Labour and Welfare, and the national income for FY 2010 is based on the “FY 2010 Economic Outlooks and Basic Attitude toward Economic and Fiscal Management” (adopted by the Cabinet on January 22, 2010).

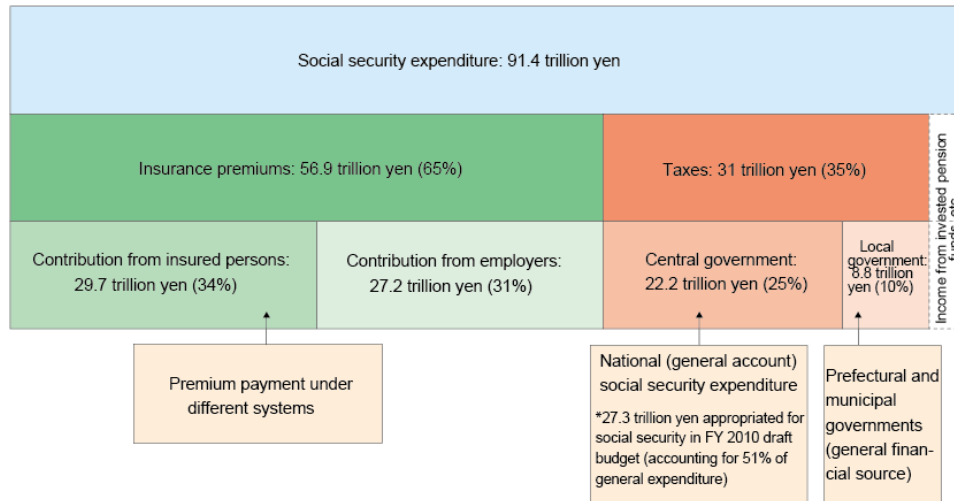
(Note) Numeric values in this Figure represent social security benefits (trillion yen) for FY 1950, FY 1960, FY 1970, FY 1980, FY 1990, FY 2000, FY 2007 and FY 2010 (based on the budget)

(Reference) Social security benefit per capita was 716,000 yen in FY 2007 and 828,000 yen in FY 2010 (based on the budget).

	1970	1980	1990	2000	2010 (based on the budget)
National income (trillion yen) A	61.0	203.9	346.9	371.8	336.4
Total of Benefit (trillion yen) B	3.5(100.0%)	24.8(100.0%)	47.2(100.0%)	78.1(100.0%)	105.5(100.0%)
(Breakdown) Pension	0.9(24.3%)	10.5(42.2%)	24.0(50.9%)	41.2(52.7%)	53.2(50.4%)
Medical care	2.1(58.9%)	10.7(43.3%)	18.4(38.9%)	26.0(33.3%)	32.1(30.4%)
Welfare and others	0.6(16.8%)	3.6(14.5%)	4.8(10.2%)	10.9(14.0%)	20.2(19.1%)
B/A	5.77%	12.15%	13.61%	21.01%	31.36%

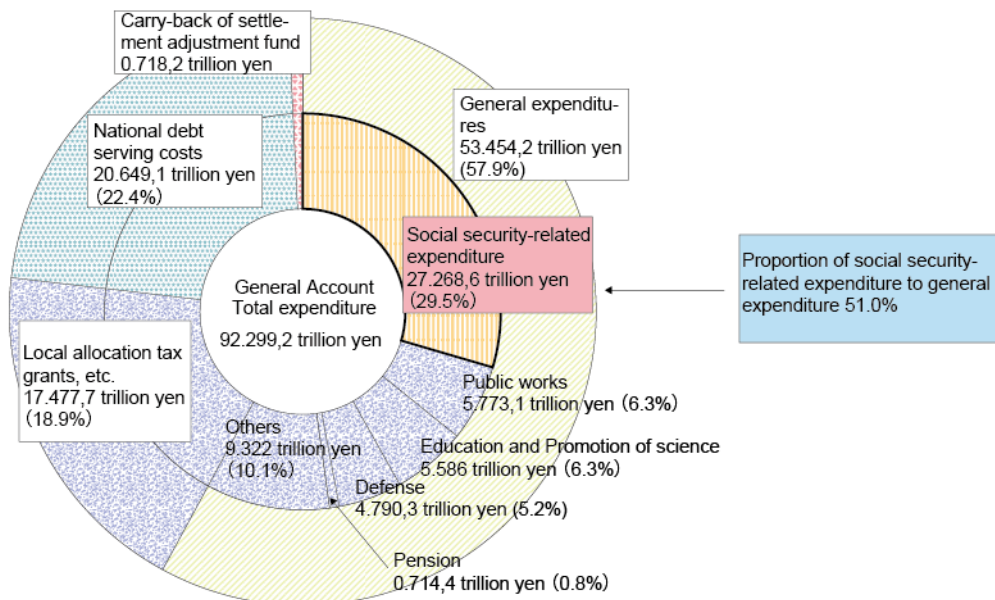
Chart 2-2-3 People' s contribution and payment to support social security benefits

People' s contribution and payment to support social security benefits in FY 2007 (results): 91.4 trillion yen
 *Other financial sources for social security expenditure include income from assets.



Source: Prepared by the Counselors for Policy Evaluation working under the Director-General for Policy Planning and Evaluation, MHLW, based on "The Cost of Social Security in Japan 2007," National Institute of Population and Social Security Research.
 (Note) Social security expenditure does not include general and administrative expenses.

Chart 2-2-4 General Expenditure and Social Security-related Expenditure in FY 2010

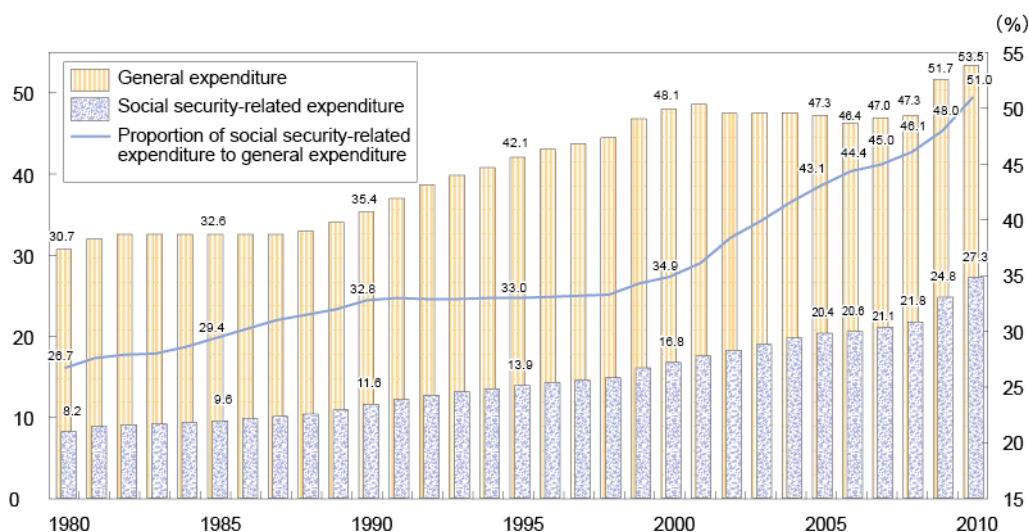


Source: Prepared by the Counselors for Social Security working under the Director-General for Policy Planning and Evaluation, MHLW, based on the "Points of FY 2010 Budget" released by the Ministry of Finance Japan

(2) Composition of revenue source for social security benefits expenditure, etc.

Concerning the revenue source for social security benefits expenditure, etc. (including general and administrative expenses), people's contribution and payment excluding income from managed pension funds, etc. were ¥87.9 trillion in FY 2007, among which insurance premiums accounted for 65% (consisting of contribution from insured persons 34% and contribution from employers 31%), and taxes occupied 35% (comprising central government 25% and local governments 10%) (Chart 2-2-3).

Chart 2-2-5 Changes in general expenditure and social security-related expenditure



Source: Prepared by Counselors for Social Security working under the Director-General for Policy Planning and Evaluation, MHLW based on the materials released by the Budget Bureau, the Ministry of Finance "Financial Structure Reform

Sub-committee of Finance System Subdivision, Finance System Council", and "Points of FY 2010 Budget" by the Ministry of Finance

(3) Social security and national finance

Social security expenditure is ¥27.3 trillion (FY 2010 budget) and accounts for 29.5% of the general-account budget appropriation. It also accounts for over half, or 51.0%, of the general expenditure, which represents a portion of the general-account budget appropriation that excludes national debt servicing costs and local allocation tax grants. Social security expenditure is the largest expenditure item in the general expenditure, and securing stable revenue source is an important issue (Chart 2-2-4).

Concerning the movement of the share of social security expenditure in the general expenditure, it grew from 26.7% in FY 1980 to 32.8% in FY 1990; since then until 1998, the share had been leveled off. In FY 1999, it started to surge again, and the upward trend has been continuing. As previously mentioned, it reached 51% in the FY 2010 budget(Chart 2-2-5).

Column

Founding a company in the field of long-term care ~ Advancing from other kind of business:
Example of “Eternal Advance” in Sapporo-city Hokkaido~

Even in “New Growth Strategy: Towards a Radiant Japan policy outline” decided in the government on June 18, 2010, nursing care business is positioned as one of fields which leads growth.

Long-term care business is service industry of community-based business and supports for economic and domestic demand while expected of great growth and to create employment.

Therefore, placing clearly long-term care business as a leading growing industry, it is essential to establish a system which can offer various services of user-orientated while promoting new service-orientated like private business operators striving to improve secureness of security.

“Eternal Advance” 1 in Sapporo-city Hokkaido opened in April 2005.

Since public investment is assumed to be scaled down, Miyanaga Construction Co. which was running construction industry in Tobetsu-chou next to Sapporo-city competed in nursing care business because “long-term care business would be best choice in the future as a new field which we should advance to and since we own idle estates”.

In the beginning, although opinions in the company were like “we will compete in long-term care business since our boss says”, two employees were transferred to one head of facility and one vice head of facility as internal transfer when to open it.

Executive officer who had been transferred to the head of facility had no qualification at that time and this officer drove for acquisition of qualification while working. Other officers like care officers were employed including new hiring when opening the facility.

It seems it affected their main occupation at that time, construction business. They told me that they were in trouble keeping bid ranking since capital investment was required to open the office 2.

He, who is the head of the facility now, is elder and he was assigned to that post after working at fields of civil engineering for 30 years. Like the man mentioned above, he also received a written appointment and he went to a school after he got that post and acquired qualification for nursing care. According to his talk, he was in difficulty to communicate because most of students were female besides all male students were young in the school. Moreover, although he completed that school and took care of patients for bath and excretion with other stuffs, he was in tough time because there were many first

experiences.

As of now, there are 20 employees and four of them who were recruited after graduation from a university have worked since then. The system in the office is composed of “the head of home”-“Unit leader”-“Sub-leader”-“officer”, and how to place who to which position is decided according to “What qualification do they have?” and “Annual personal evaluation (achievement of their work and communication skill, etc.)”. Also in order to improve their motivation, if acquiring qualification for care worker, qualification bonus is added to their salary. Moreover, users’ voices of appreciation like “It’s just “Rousyun” for me and look forward to going to the day service” encourage them.

(Conclusion)

While it is expectable for private business operators to compete in long-term care business, it is important to offer as great service as users are satisfied. It leads officers to satisfaction like challenge.

(Reference)

- New Growth Strategy (the Website of National Policy Unit)

<http://www.kantei.go.jp/jp/singi/kokkasenryaku/>

- Eternal Advance

<http://www.miyanaga-net.co.jp/advance.html>

1 “Eternal Advance” is business offering “Communal Daily Long-Term Care for a Dementia Patient (group home)” and “Commuting Long-Term Care (day service)”.

2 In order construction business to take part in a bid, evaluation into management in which management conditions are represented with points is required. Generally, bid ranking is decided by adding unique criterion of each administration/municipality to the represented points.



Eternal Advance



Inside Eternal Advance