Demographic change and social security policy responses
- the case of Japan -

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Population by broad age group and aging rate, 1920-2060 (in million)

### Very quick ageing in Japan

#### Years required for aging rate to rise from 7% to 14%

<table>
<thead>
<tr>
<th>Country</th>
<th>Year (7%)</th>
<th>Year (14%)</th>
<th>Years Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>1864</td>
<td>1979</td>
<td>115</td>
</tr>
<tr>
<td>Sweden</td>
<td>1887</td>
<td>1972</td>
<td>85</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1929</td>
<td>1975</td>
<td>46</td>
</tr>
<tr>
<td>Australia</td>
<td>1939</td>
<td>2012</td>
<td>73</td>
</tr>
<tr>
<td>Hungary</td>
<td>1941</td>
<td>1994</td>
<td>53</td>
</tr>
<tr>
<td>United States</td>
<td>1942</td>
<td>2014</td>
<td>72</td>
</tr>
<tr>
<td>Canada</td>
<td>1945</td>
<td>2010</td>
<td>65</td>
</tr>
<tr>
<td>Spain</td>
<td>1947</td>
<td>1992</td>
<td>45</td>
</tr>
<tr>
<td>Japan</td>
<td>1970</td>
<td>1994</td>
<td>24</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>1994</td>
<td>2054</td>
<td>60</td>
</tr>
<tr>
<td>South Korea</td>
<td>1999</td>
<td>2017</td>
<td>18</td>
</tr>
<tr>
<td>Singapore</td>
<td>1999</td>
<td>2019</td>
<td>20</td>
</tr>
<tr>
<td>Thailand</td>
<td>2002</td>
<td>2022</td>
<td>20</td>
</tr>
<tr>
<td>China</td>
<td>2002</td>
<td>2025</td>
<td>23</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2007</td>
<td>2027</td>
<td>20</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2016</td>
<td>2034</td>
<td>18</td>
</tr>
<tr>
<td>India</td>
<td>2023</td>
<td>2051</td>
<td>28</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2025</td>
<td>2050</td>
<td>25</td>
</tr>
</tbody>
</table>

**Note:** The year to the left of the bar designates the year in which the percentage of the population aged 65 and above (aging rate) reached 7%; the number to the right of the bar designates the year when the aging rate attained 14%. The number on the bar designates the years required for that increase.

**Source:** Hungary by Kinsella and Wan He (2009); Kazakhstan, Vietnam, India, and Indonesia calculated using UN (2015) and others by IPSS (2016)
Dependency ratio

Dependency ratio = \( \frac{\text{Pop Aged 0-14+65}}{\text{Pop Aged 15-64}} \)

Social Security in Japan

- Health Insurance
  - Long term care insurance
- Welfare
  - Public assistance
  - Disability
- Pension
- Labour insurance
- Policy to mitigate low fertility
Universal Pension Coverage (1961) and expansion

Number of contributors (insured, members and dependents) by pension schemes

Proportion of people receiving public pension by age category


Reserve Funds of Public Pensions

Source: National Institute of Population and Social Security Research “Japanese Social Security Statistics DB” Table 24, 26
http://www.ipss.go.jp/ssj-db/e/ssj-db-top-e.asp
Maximization of demographic dividend

Fiscal loan fund

By financial sources

By purposes

Source: Ministry of Finance “Budgetary Statistics”, fiscal year edition
Pension fund operation

Until 2000

- MHLW Pension special account
- MOF Trust Fund Bureau
- Fiscal Loan Fund Operation (Public works etc.)

From 2001

- MHLW Pension special account
- Government Pension Investment Fund (GPIF)

MHLW: Ministry of Health, Labour and Welfare
MOF: Ministry of Finance

Source: Ministry of Health, Labour and Welfare
Reforms

- 1985: Introduction of Basic Pension
  - From household to individual
- 2001: Defined Contribution Plan
- 2001: Pension reserve funds operation from MOF to GPIF
- 2010: Abolition of Social Insurance Agency in 2010
  - Replaced by Japan Pension Service
- 2015: “Macro Economic Slide”: fixing premium and sliding benefit
- Transparency: Information available through internet
  (Obscurity by complexity)
Universal Health Coverage in 1961

- Medical Care System for Elderly in the Latter Stage of Life
- Seamens' Insurance Mutual Aid Association
- National Health Insurance
- Health Insurance for Day Labourers
- Health Insurance - Managed by Government
- Health Insurance - Managed by Association

Free medical care for the elderly from 1973 by the Partial Revision of the Act for the Social Welfare for the Elderly

Note: Number of patient is the sum of out-patient and in-patient during one day of the survey
Source: Patient Survey, Ministry of Health, Labour and Welfare
Health and Medical Services Act for the Aged in 1983

Financing of elderly medical expenses before and after the Elderly Health System

Before

- Owed by Insurers: 82%
- National Health Insurance
- Employer-based Health Insurance

After

- Owed by Insurers: 70%
- National Health Insurance
- Employer-based Health Insurance

By the number of insured elderly: 50%

Adjusted by the national average rate of elderly: 50%

Government: 30%

National Govt.

Local Govt.

Launch of long-term care insurance system in 2000

<table>
<thead>
<tr>
<th>Source of Financing</th>
<th>Premium</th>
<th>Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurer and Operator</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipalities (Shi-Ku-Cho-Son 市区町村)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>Subsidy</td>
<td></td>
</tr>
<tr>
<td>Primary insured Aged 65+</td>
<td>National</td>
<td></td>
</tr>
<tr>
<td>Secondary insured Aged 40-64</td>
<td>Prefectural</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Municipal</td>
<td></td>
</tr>
</tbody>
</table>

Care-needs assessment and Care-Plan elaboration by Care-manager

- In-home services
- Facility services
- Community-based care services
- Nursing care prevention services
- Community-based nursing care prevention services

Co-payment
Increasing expenditure medical, long-term care, welfare for the elderly

http://www.unescap.org/resources/long-term-care-older-persons-japan
Future prospects

Active ageing – elderly NOT dependent
Revision of Act on Stabilization of Employment of Elderly Persons in 2012

Population by labour status 2010

Elderly (65+) labour force participation rate

Source: Statistics Bureau, Population census
Source: Statistics Bureau, Labour Force Survey
Increasing healthy life expectancy along with life expectancy, 2001 to 2013

Further reforms

Elderly income security and redistribution

- Tax financed Basic pension?
- Raising pensionable age along with life expectancy or healthy life expectancy?
- Increasing irregular employment > “flex-security” and link with employment insurance

Proportion of people receiving public assistance

Source: National Institute of Population and Social Security Research