

FPCJ Press Briefing

**Social Security Reform for a Super-Aged Society**  
– Preventing Senior Poverty

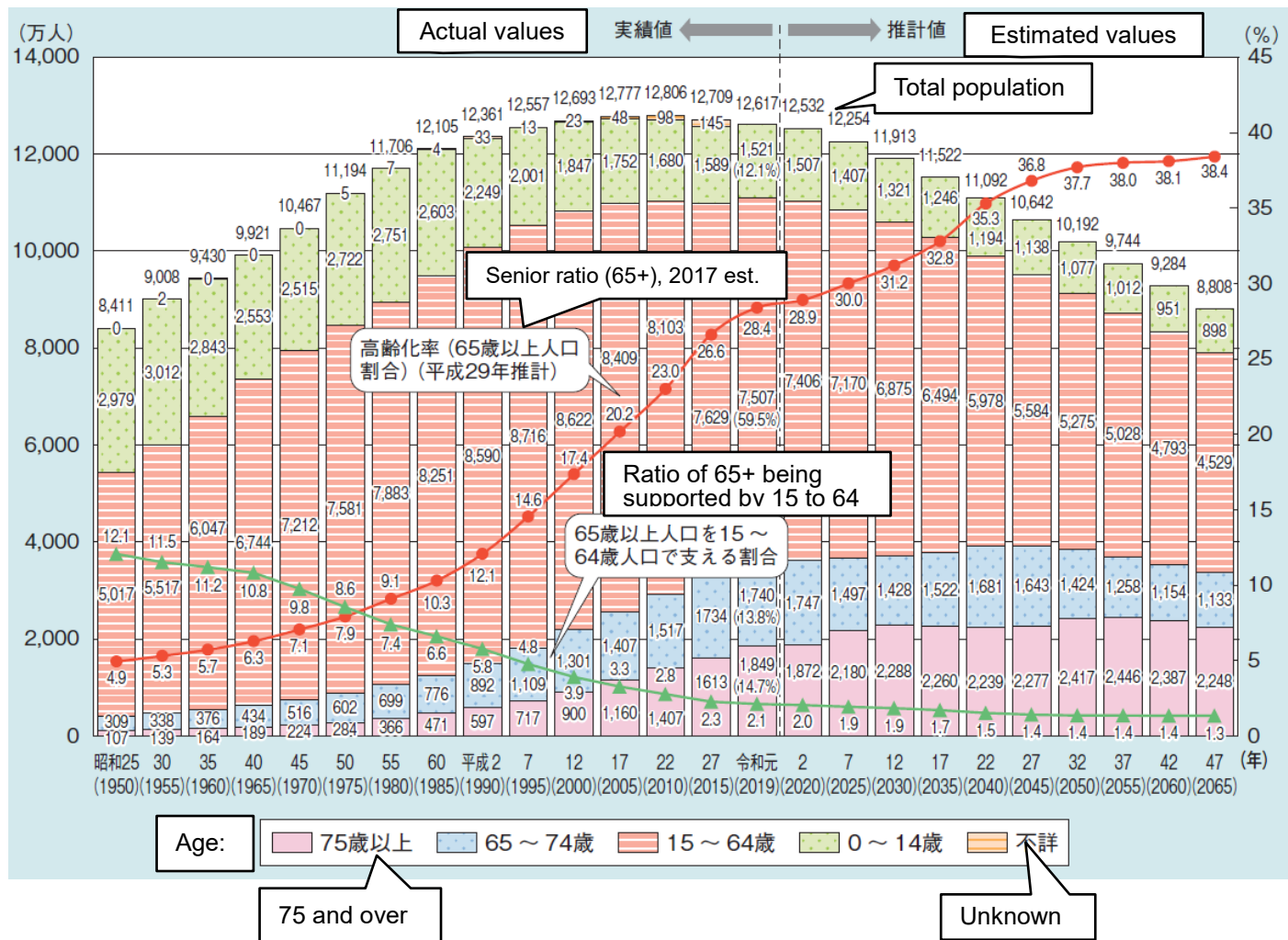
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## Briefing Outline

- 1 . How Severe an Issue Has Poverty Become?
- 2 . What Is Wrong with the Current System?
- 3 . An Issue Which Will Worsen: Senior Poverty
- 4 . Ideal Policy Response: Preparing for Growing Senior Poverty
- 5 . Conclusion: Responding to Senior Poverty

# 0. The Arrival of a Super-Aged Society



Source: Cabinet Office Annual Report on the Ageing Society (2020)

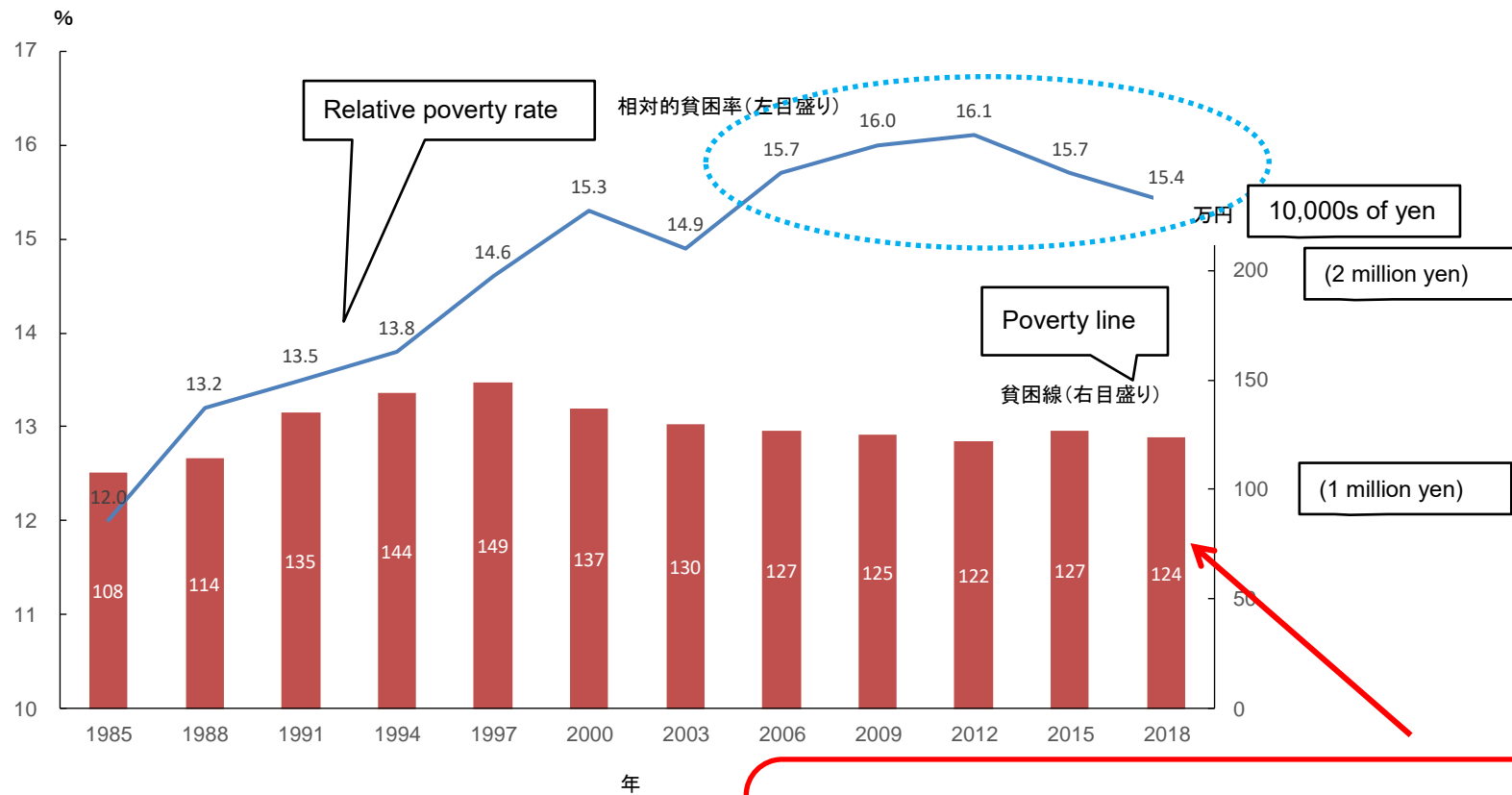
# 1 . How Severe an Issue Has Poverty Become?

- Focus on the **relative poverty rate**

The rate of people with income below the poverty line (adjusted for household size)

\*Poverty line=50% of the median income  
(As of 2015, 1.22 million yen a year)

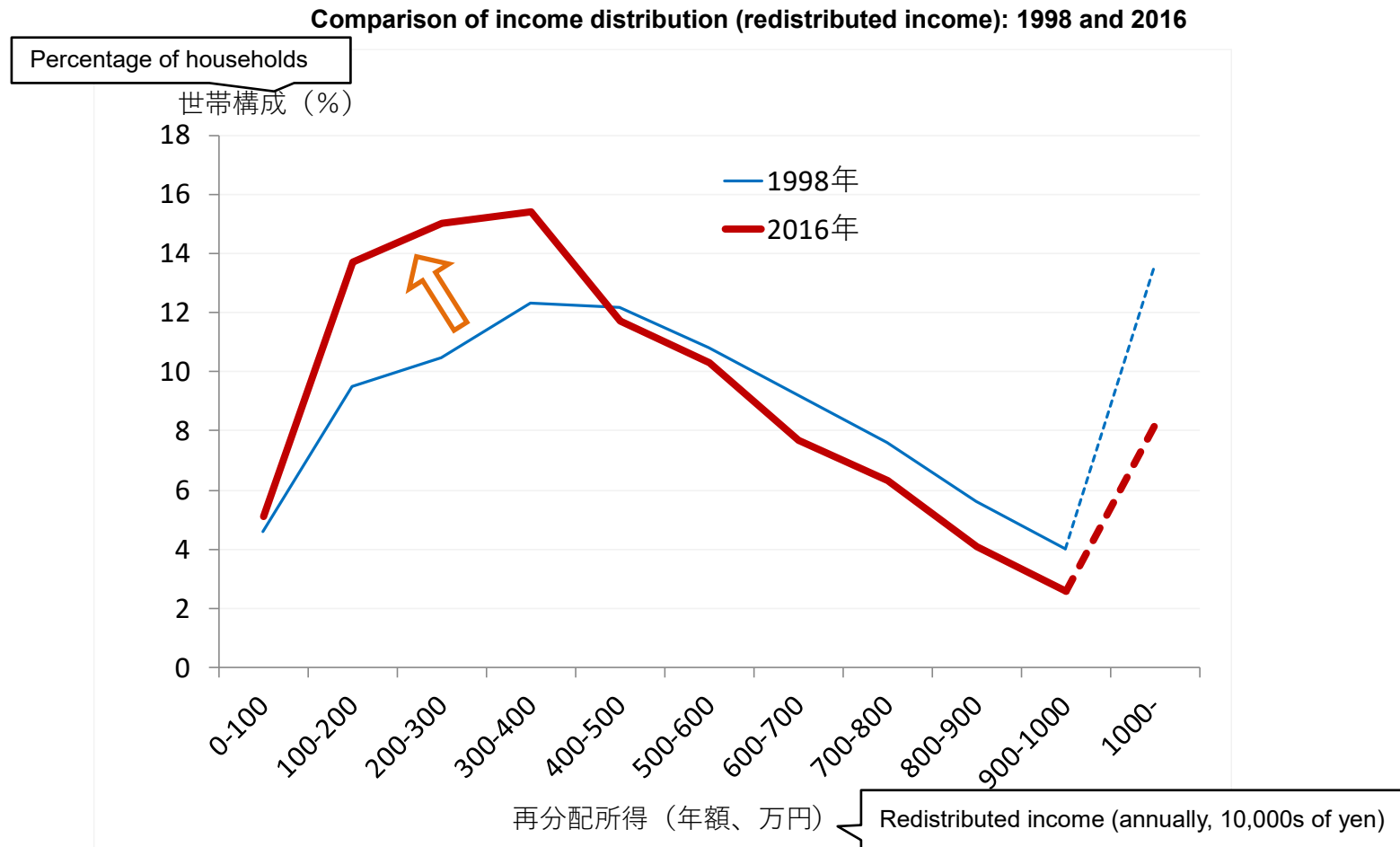
# The relative poverty rate seems to have peaked recently, but...



Based on the MHLW Comprehensive Survey of Living Conditions

Stagnation of the poverty line is hiding the increasing severity of poverty

# The median of Japanese income distribution is shifting to the left



Based on the MHLW Survey on the Redistribution of Income (2016)

## International comparison with poverty in Japan...

<Ranking among the 35 OECD countries (higher=more poverty)>

\*2015 (2014 for some countries)

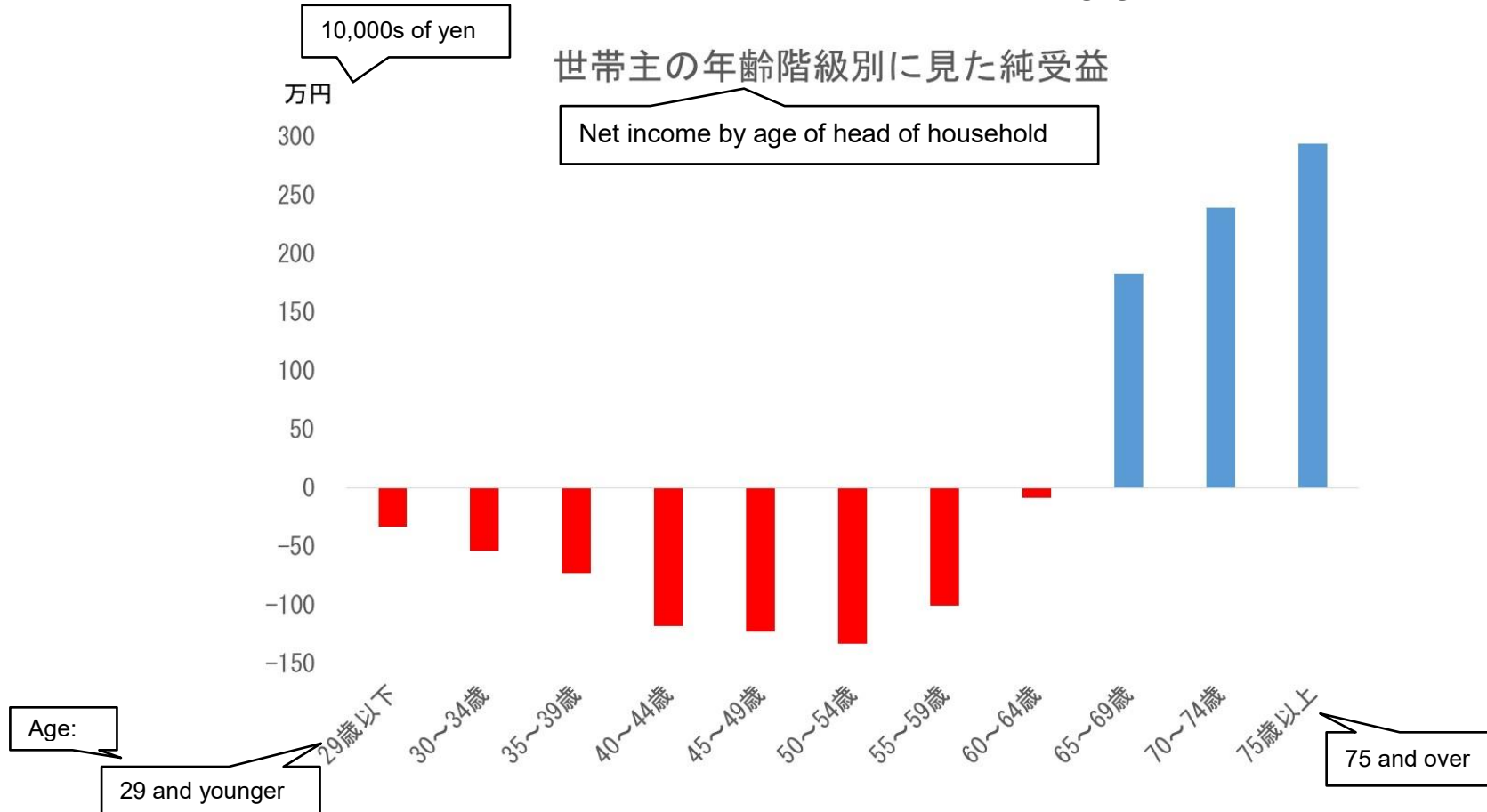
Redistribution via taxes and social welfare:

	Before		After
Overall	11	→	10
18~64	24	→	10
65 and over	23	→	9

Ranking is actually worse after redistribution

## 2. What Is Wrong with the Current System?

Most policies redistribute income from the working generation to seniors

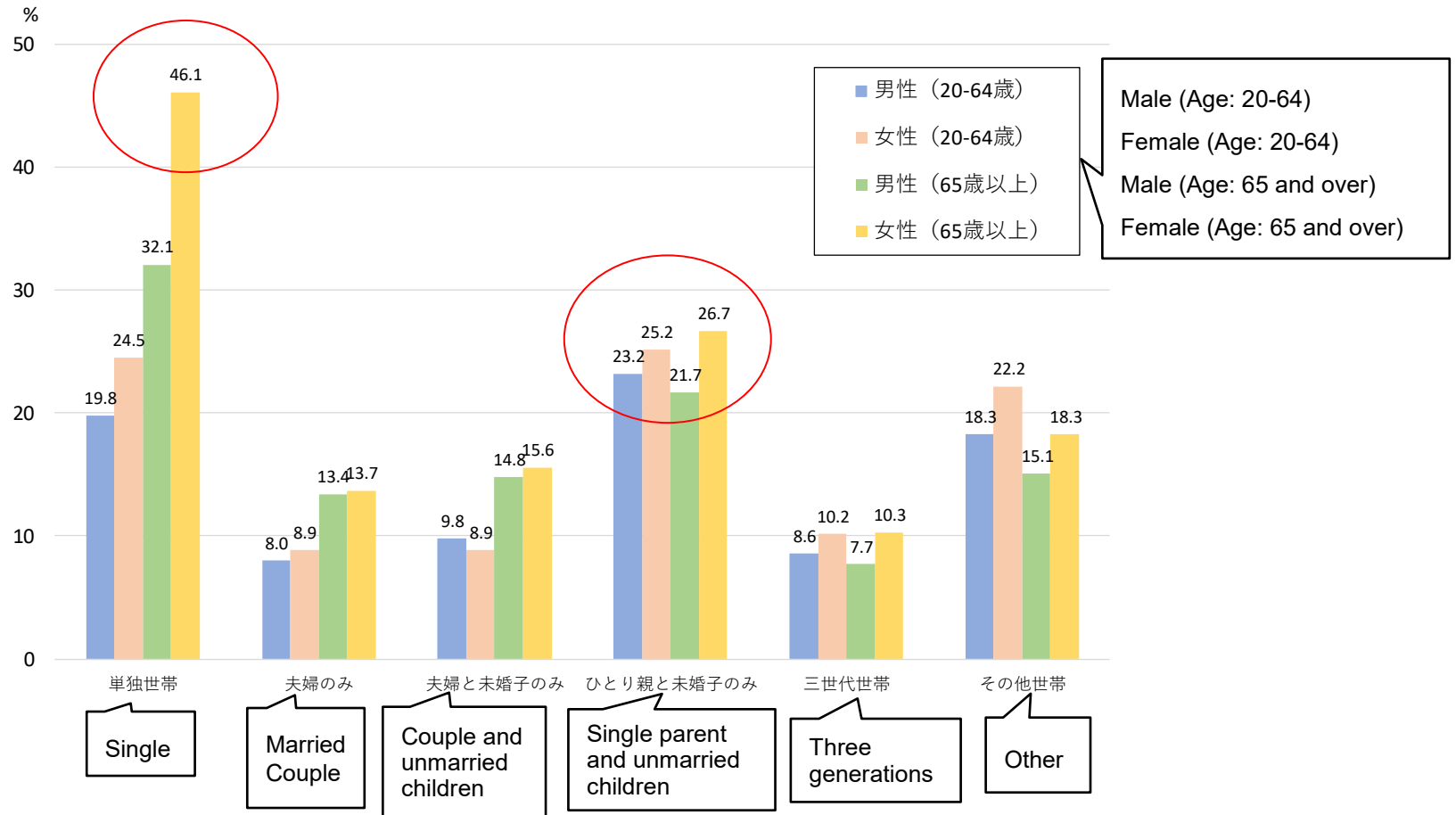


Based on the MHLW Survey on the Redistribution of Income (2016)



# Resulting in insufficient support for those who need it

## <Major differences in poverty by household type>



Source: Changes in Relative Poverty Rate in Japan (Aya Abe, 2021)

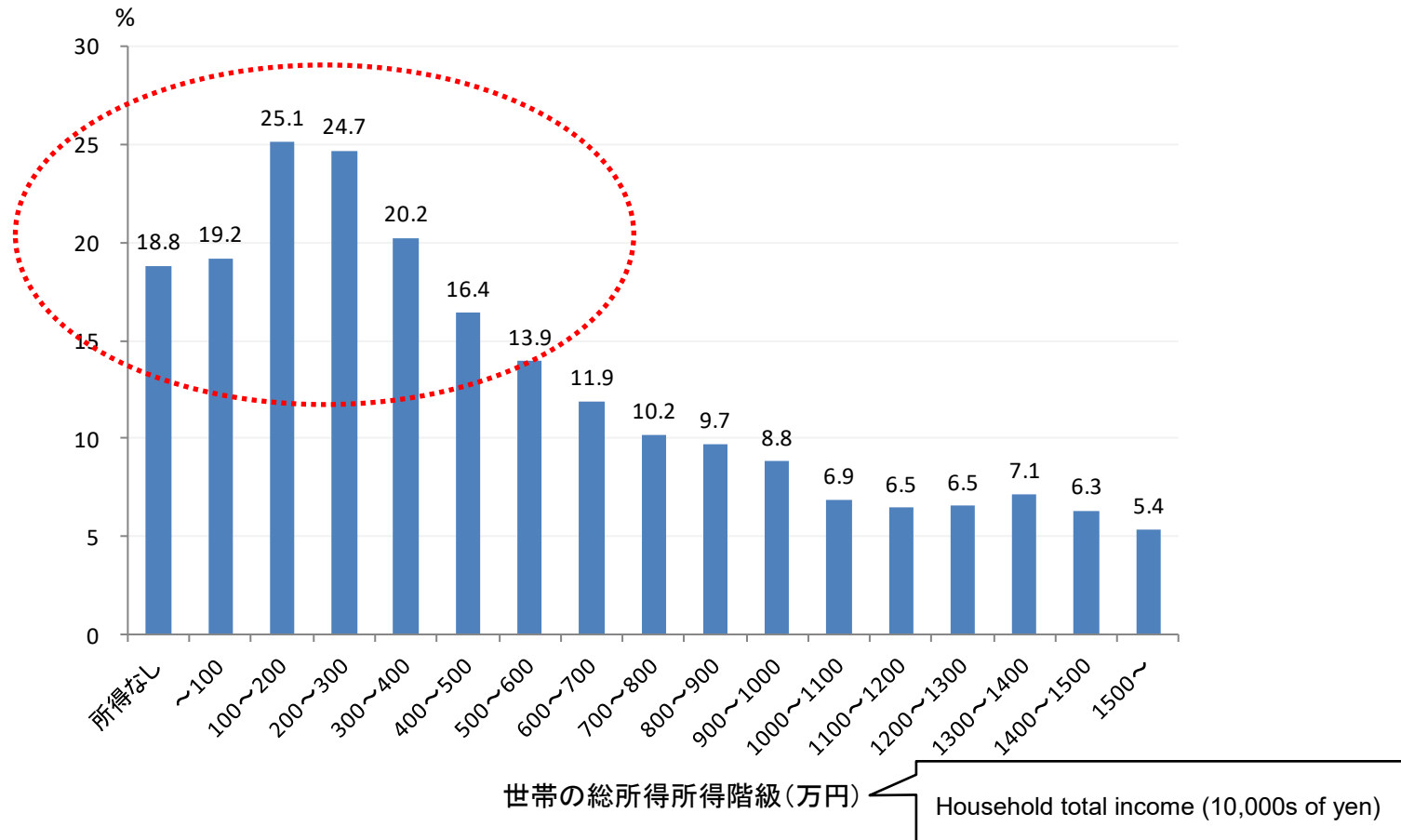
# Lower income: heavier burden from National Health Insurance

premiums



Source: MHLW Survey on National Health Insurance (FY 2019)

# Lower income: more likely to fall behind on National Pension contributions

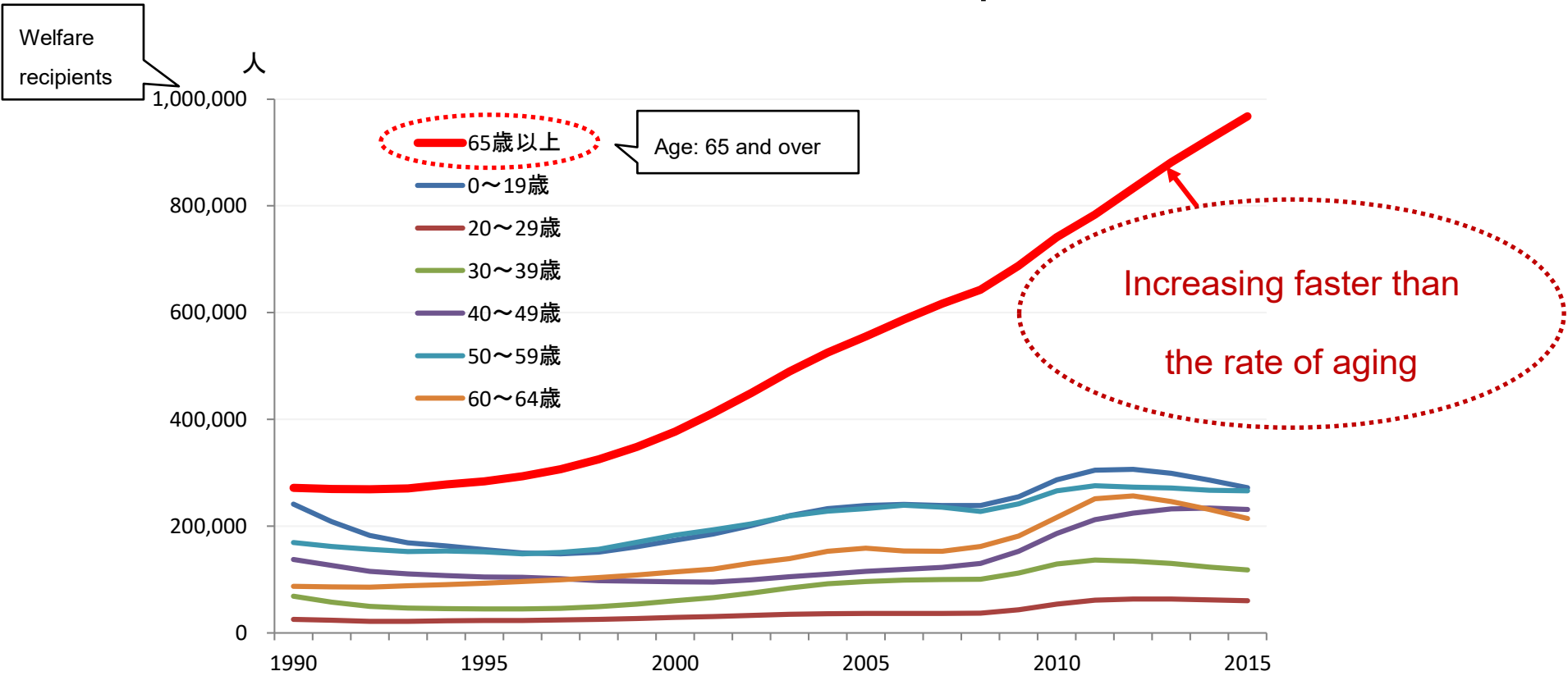


Note: People who have not made pension payments for even one month over a two-year period

Source: MHLW Survey on the Insured of National Pension (2017)

# 3. An Issue Which Will Worsen: Senior Poverty

## <Trends in social welfare recipients>



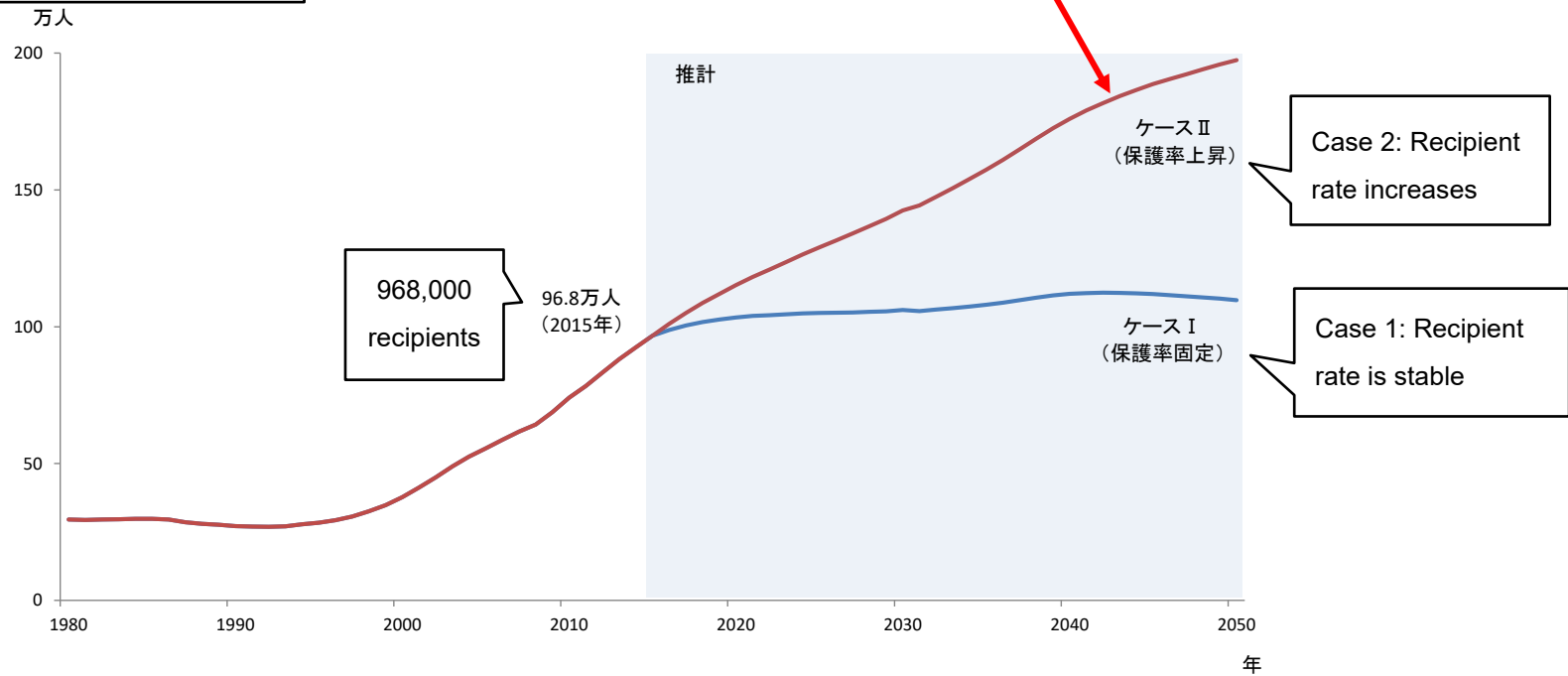
Source: Based on the MHLW National Survey on Public Assistance Recipients

# Danger of further increase in welfare recipients 65 and over

If it increases at the current pace, will be two million by 2050

Trend and future projection of welfare recipients 65 and over

図 65歳以上の生活保護受給者数の推移と将来推計



(注) ケース I : 65 歳以上の保護率(生活保護受給者数/人口)を2015年の水準で固定。  
ケース II : 保護率を1995~2015年の上昇トレンドで延伸。  
(出所) 2015年までの生活保護受給者数は厚生労働省「被保護者調査」。

Note: Case 1: Ratio of recipients 65+ stays at 2015 levels.  
Case 2: Ratio of recipients increases at same rate as 1995 to 2015.  
Source: Numbers up to 2015 from MHLW National Survey on Public Assistance Recipients

Does the current framework have contingencies for increased senior poverty?

Government's basic policy for the national pension system:

- “Macroeconomic indexation” to limit benefit payments  
Pension finances last longer, but limits level of pension provided
- Political elimination of minimum guaranteed pension

⇒ Plan to respond to senior poverty with social welfare systems

- However, social welfare is financed by taxes, making it financially fragile

## 4 . Ideal Policy Response: Preparing for Growing Senior Poverty

- ( 1 ) Increase the number of people supporting society
- ( 2 ) Include low-income bracket in the safety net framework
- ( 3 ) Increased focus on the ability-to-pay principle for social welfare and tax burdens

# (1) Increase the number of people supporting society

<Expand eligibility for employee health insurance/pension>

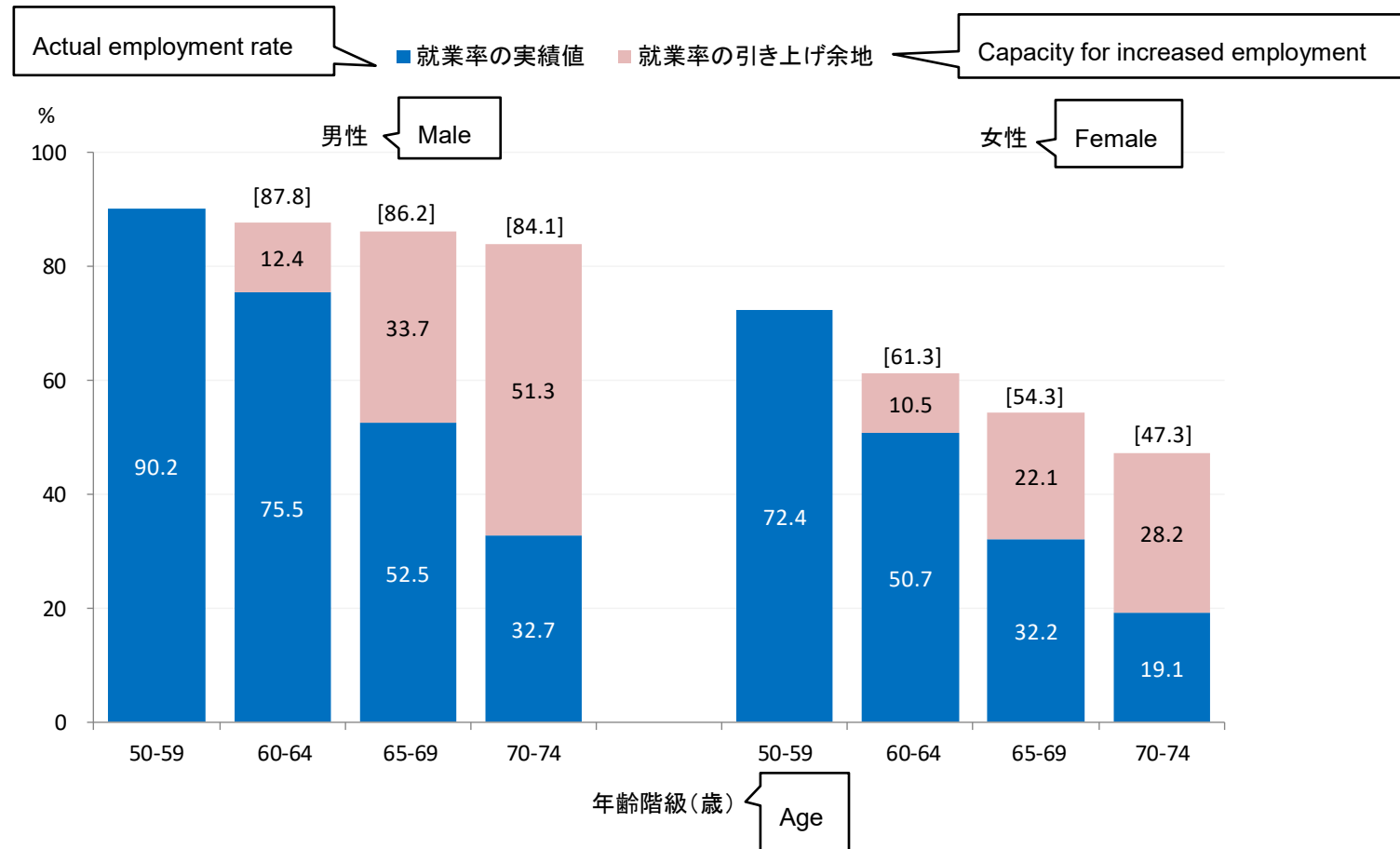
Include part-time workers

October 2016	October 2022	October 2024
20+ work hours/week	No change	No change
Monthly wages 88,000+ (1.06 million+/year)	No change	No change
Not a student	No change	No change
Expected to be employed for 1 year+	Expected <b>2 months+</b>	No change
Company with 501 or more staff	<b>101 or more</b> staff	<b>51 or more</b> staff



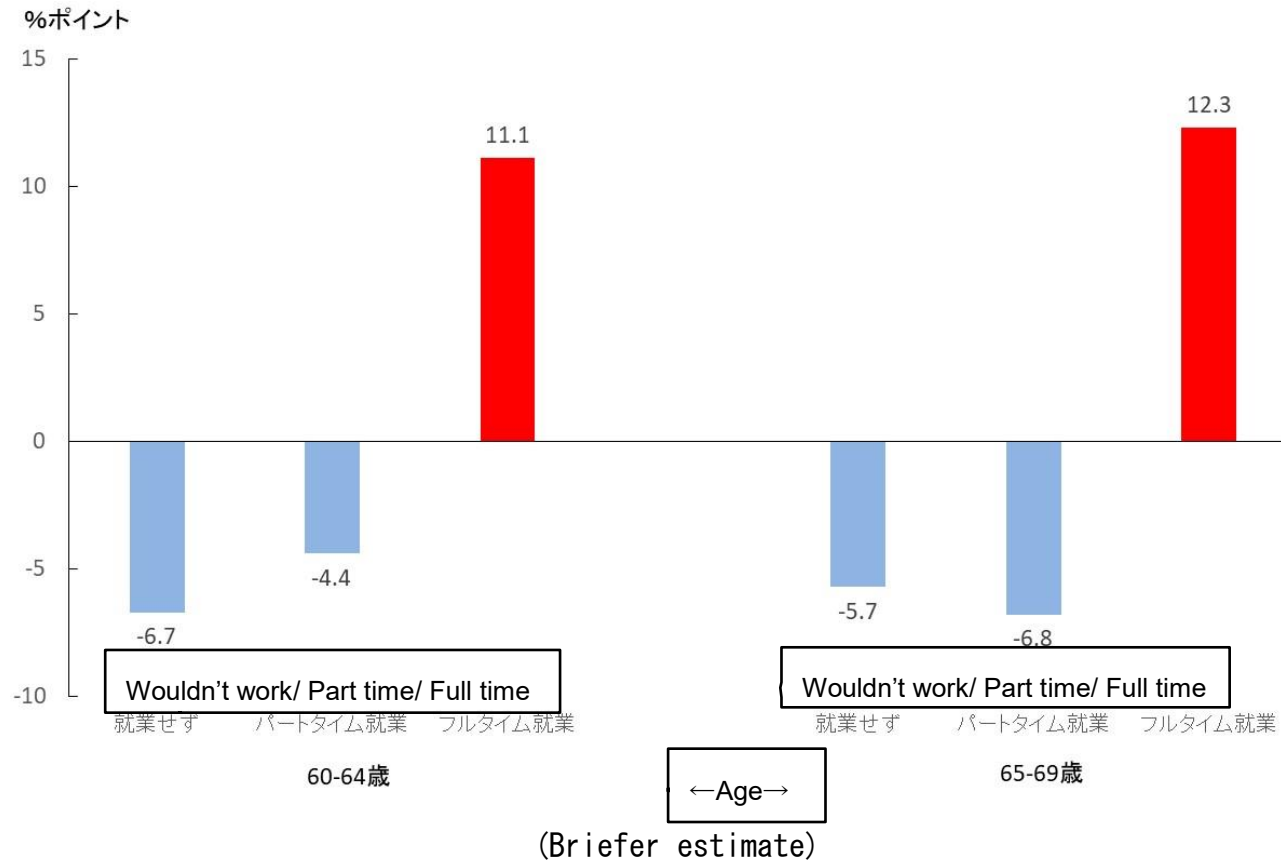
## <Increased rate of senior employment>

There is a sufficient health capacity to work to allow more senior workers



# If public pension payouts started at 70...

## <Effect on senior employment rate>



## (2) Include low-income bracket in the safety net framework

What to do with people ineligible for employee insurance/pension, even if eligibility is expanded (self-employed, etc.)

- Implement **tax credits**

- Give a tax break equal to the burden of social insurance premiums

- Ensure contributions are made, preventing falling through the safety net

- Implement **social insurance premiums linked to income** instead of wages

- Ex. *Contribution sociale généralisée* (CSG) in France

(3) Increased focus on the ability-to-pay principle for social welfare and tax burdens

- **Revise copayment burden for senior healthcare**

Implement 20% bracket in current system of either 10% or 30% (from late 2022)

Approximately 20% of those 75 or older are eligible

- **Compress deductions for public pension, etc.**

Current tax system gives more benefits to pension income than to employment income

Make tax burden based on level of income, not income source

## 5 . Conclusion: Responding to Senior Poverty

- The social welfare system should be carefully preserved as a last resort to guarantee a minimum of livelihood protection
- Social welfare reforms should be carried out before senior poverty increases too much and becomes out of control.

Thank you for listening.