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Another very productive item of social spending is childcare, because it allows parents to work. There is not yet enough being made of this point. Besides, there are other benefits such as earned income tax credit and family tax credits in the Netherlands, which you can only get if you are in work, and you could start considering those as being very productive.

Mr. Atsuhiro Yamada, Researcher, National Institute of Population and Social Security Research: (Japanese)

For Ms. Katsumata, I think there was a comment from Professor Seike. Do you have any response?

Ms. Yukiko Katsumata, Senior Researcher, national Institute of Population and Social Security Research: No, rather than making comments, I wish to express my appreciation for their interesting perspectives. Studies have been conducted for countries such as Italy in areas where a high proportion of the population is aged and the area's fertility rate is reduced. As for international comparisons, perhaps we should expand the scope. We would like to study that further, so I will be able to report on that point later.

I really appreciate the comments made by Professor Seike. For instance, we have not started work with statistics on some of the hidden social expenditure you talked about, and the benefits that are provided by the Ministry of Health, Labor, and Welfare. Of course, we would like to look at like-net expenditure. For that reason, I have decided to go to the Ministry of Finance to expand our study in this area, which is under its jurisdiction. When it

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comes to public works, within the key expression social purpose, for instance, expenditure statistics cover a wide range of different items. Discussions with the Ministry of Finance and the Ministry of Health, Labor, and Welfare alone are insufficient to cover the scope.

We talked about net social expenditure, and in the course of my study I realized that the social scope is much greater. Perhaps this is out of my control and is too large of an area. We currently use different models. In society at large, what kind of social security system can be provided? What kinds of benefits can be provided? What kinds of effects are they likely to have on society? Therefore, in different administrative areas and categories, rather than limiting the scope to a certain category, we would like to cut across the different categories to look at the overall impact on society.

Now, when it comes to households, we announced that the Institute will investigate future estimated population. I think that announcement has attracted the attention of many people. For instance, my colleague told me that fertility behavior has been quite different amongst females in cohorts of the population born in the 1960s, compared to the fertility behavior of cohorts of the population born before that. We have some different longitudinal data, which we recently reviewed. Amongst females born in the 1960s, there seems to be different behavior with regard to having children or having a family. A colleague hypothesized that there seems to have been a major value system change amongst this generation compared to previous generations.

From this perspective, if you look at the current situation pertaining to households in Japan, what kinds of changes will they undergo? That is very difficult to predict now. Many

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discussions have been conducted in connection with the ageing society or the fertility rate decline. Since the 1970s, there has been much discussion on ageing society issues, but fertility rate decline should have been discussed more expansively. It has not. In the late 1980s, this topic was finally taken up. Reduced fertility rate has been closely related to household structure, therefore, based on that, we need to analyze expenditure. Rather than confining ourselves to this particular category, we should cut across different categories to look at the overall impact on society.

QUESTIONS AND ANSWERS

Mr. Atsuhiko Yamada, Researcher, National Institute of Population and Social Security Research: Next, I would like to entertain questions from the floor. Please raise your hand if you have a question and state your name and affiliation.

Ms. Aya Abe, National Institute of Population and Social Security Research: I have a question for Dr. Adema. I would like to ask about tax breaks for social purposes. It is fairly easy to understand including tax credits in the social expenditure, but when it comes to other kinds of tax breaks, I am increasingly confused. One of them is, for example, is the deduction on low-interest educational loans. How do you account for that? If you extend that, do you include low tuition fees for national universities as well? If you think about a progressive tax rate, as opposed to means-tested income support for the poor, they achieve the same things, and they are constructed for the same reason. How do you account for that? Are you thinking

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of using a flat rate as the base and then using that for the difference in progressivity included in the social net expenditure? Thank you.

Mr. Atsuhiko Yamada, Researcher, National Institute of Population and Social Security

Research: (Japanese) Do you have any related questions? If there are any follow-up questions or related questions, I would like to have them at the same time. If not, could you answer the question, please?

Mr. Willem Adema, Economist, Organization for Economic Co-operation and Development

(OECD): On your first question about tax measures, there are different types. There are tax measures that are so similar to cash benefits that it would be stupid not to include them. They are the family benefits we have already discussed or tax credits to low-income people, such as the Earned Income Tax Credit (EITC). But, there are other examples around the world, because low-income people obviously have low tax liabilities. They do not necessarily pay enough tax to offset the tax credit. Often, to make sure that low-income people do not lose out, these credits are made non-wastable, as they say. If you do not pay enough tax, you get the rest in cash. There is no issue about including such tax credits. It also shows how closely related, and how more closely related they get, social welfare and tax departments are—they do the same thing. There is a line of thought that the tax departments do this because they want to be nice to people. They do not want to go and talk to the social welfare department about this. Believe me. That is one set of issues.

Then there are tax expenditures that are designed to alter people's behavior. We talk about pensions, or health, or childcare credits for employers, or reductions in social security

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contributions, so that employers take on, for example, long-term unemployed people. There is a wide variety of such tax expenditure. The problem in making international comparisons is that there is no one tax base or model tax system to which you compare. Obviously, tax expenditures are much likelier to be higher in a country with high tax rates than tax expenditures in a country with low tax rates. For instance, if I speculate on transposing the U.S. model on the Danish tax system, tax expenditure would increase immediately by 3% of GDP. The problem is that there is no internationally agreed upon benchmark, and that makes it difficult to account for progressivity across countries.

Now, that is what we are thinking of doing, although we are very much in the initial phases. We need to have some good micro data on the effects of social programs. As I said, I can guarantee you now that that the effect would be much larger in Australia than in the Netherlands. Then you would have to consider, for the same group of people, the impact of the tax system. Alternatively, we might use micro simulation models. That is another way of doing it. Whether that is a reliable way of doing it, I do not know. Here we return to the tax issue, but you will find that fiscal experts from around the world have not been able to agree on an international benchmark. I can understand—and I am sure that you can as well—why the Japanese government would not like to agree to that, or why the American government would not like to agree to that. And, despite all the talk about the European Union, there is no European tax system. There is no benchmark. For these reasons, it is very difficult to compare, but you could envision looking at the overall distribution and then sifting through it. Although you would then have the problem that, particularly in European countries, the coverage of private programs may not be very large in terms of the numbers of recipients. You would need a very large dataset to get reliable results. I know the problem and we will

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try, in the OECD, to take this a step further.

Mr. Atsuhiro Yamada, Researcher, National Institute of Population and Social Security

Research: Thank you very much. I wonder if there are any other questions.

Mr. Kaneko, National Institute of Population and Social Security Research: I would like to

comment on what Ms. Katsumata said. On why net social expenditure is so low in Japan, you said that there was still a larger number of members of a families, and people would be able to work into their 70s—and that there was low unemployment; you talked about the labor market and about three-generation families living as extended families. But, what about transfers to childcare? Maybe that was so low, but that could have been one of the reasons.

I have heard from my colleagues that, according to an analysis of the new population estimate, women born after the 1960s are behaving in a different way. Why is that? Before, women wanted to have at least two or three children; women born after the 1960s have wanted fewer children. It is not going to be the famous replacement rate of 2.2—it is going to be a rate of 1.5, for the ideal number as well as for the expected number of children per family. If you look at the data from the past 10 years, you could definitely say that the behavior of women has changed: there is a difference in the number of children they are bearing.

Now, it is not yet possible to demonstrate cause and effect in a direct manner. However, even if we look at Scandinavian countries with low fertility rates, they have replacement ratios of 1.8 or 1.7; that is, rates around 0.5 percentage points higher than that of Japan; and, in the United States, the replacement ratio is 2.1, which is related to the different ethnic groups in

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the United States. So, you cannot make simplistic comparisons. For example, in a more or less monoethnic country the replacement ratio is 1.8 or 1.7, as in Scandinavia, whereas the replacement ratio is 1.34 in Japan, which is very low. If we look at this historically, has the state provided child-rearing support? No, not necessarily in Japan. That could be one reason why we have net social expenditure in Japan, because the state does not support child-rearing.

As we look to the twenty-first century, we need to look at the equity between and among generations, and this is pointed out in the reports. Thus, if these points are considered, whether it is unemployment or whether it is care for the elderly, there are problems concerning the elderly. Ms. Katsumata talked about such problems. At the same time, you have to talk about harmonizing interests between and among the generations, and the equity between and among generations. I am sure your research will be expanded further in the future. Thank you.

Ms. Yukiko Katsumata, Senior Researcher, National Institute of Population and Social Security Research: That is exactly what is on my mind, too. As I said when citing the reason for low net social expenditure in Japan, I focused on the unemployed. However, we have to look at the functions of the family because the family is where children are raised. There are many dual-income families, but various services and benefits have to be provided to sustain a dual-income family. What about the situation in Japan? How much money is spent to support the functions of the family? Is it enough just to increase the amount? Not necessarily. Here in Japan, so far, perhaps because of families' unrealized assets, it was more or less said that a single breadwinner would be enough to support a family. That has been the basis upon which the social welfare program in Japan has been formulated. Thus, if you look at the family

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benefits provided by a company, if your spouse is not working, then there are some benefits paid to the non-working spouse. It is true that this was not considered to be part of the social cost. That is true not only of Japan, but also of ROK, as well. Thank you for pointing out a very, very important point. I appreciate your comment.

Mr. Atsuhiko Yamada, Researcher, National Institute of Population and Social Security

Research: Are there any comments or questions? Yes, please.

Mr. Matsuda, Ministry of Health, Welfare and Labor: After listening to the presentation, I must say that I have learned a lot. I have also learned a lot from the two commentators. I would like to share with you my impressions, having listened to Ms. Katsumata. You talked about social benefits, and you expand on that by including what has been deducted through taxes. I think such an approach is very effective, but coming to your conclusion, I think there is not enough demonstration. Maybe it is more or less conceptually appealing, but it does not have enough empirical support. I hope that your institute will further study the functions of the family, but unrealized assets is something we talked about in a White Paper back in 1978, so the situation may be quite different today. As Professor Miyajima said, we need to look at expenditure in line with burdens. The reason why expenditure is low is because there is lower burden for social contribution and taxes. You need to analyze why government revenue has been reduced. VAT was introduced and increased from 3% to its current level of 5%. It became a big issue, and it is no longer possible to increase VAT.

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There is focus on expenditures, but at the same time, you need to look at revenues. Unless you can change revenues, you will not be able to touch expenditures. So, I think further analysis is necessary of revenues.

Now, social programs represent a safety net or redistribution. Are they to be provided to an individual? Are they to be provided to a family unit? Are they to be provided on a community basis? Well, in Japan, an individual holds quite a few assets, so perhaps there could be efforts on the part of individuals to provide their own safety net. I wonder how you view the relationship between the fact that individuals have their own safety net and the fact that we need a social safety net for others.

Mr. Atsuhiko Yamada, Researcher, National Institute of Population and Social Security Research: Are there any other questions or comments before we ask the speakers to respond?

Ms. Goto, National Institute of Population and Social Security Research: Thank you very much.

(Japanese)

Anytime you say *social*, as Professor Miyajima pointed out, redistribution is important. You need to consider to what extent this is because of redistribution. To what extent would the individual benefit from his or her contribution? Professor Miyajima said that these two points should be differentiated, but there is another issue: universality. Anytime you say *social*, what is the coverage going to be? Even if you say *social*, it could be for certain professions or

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certain groups of people, and you may be covering just a part. Any time you talk about *social*, are you going to expand the recipients? I think it would be more interesting if you made a distinction between the two. Thank you.

Mr. Atsuhiro Yamada, Researcher, National Institute of Population and Social Security

Research: Thank you. Are there any other points? Anybody else? Yes, please.

Mr. Harold Conrad, German Institute for Japanese Studies: I found this remark about public works in Japan by Professor Seike to be very important. As far as I know, since the bubble economy burst, let us say in the construction sector, we have had an increase in employment of one million employees, and you would expect just the opposite to occur. What has been happening in public works is basically an active labor market policy, which is not included in these numbers. If you tried somehow to add up these numbers, how high would the additional net public expenditure be?

Mr. Atsuhiro Yamada, Researcher, National Institute of Population and Social Security

Research: Yes, Professor Seike, you have the microphone.

Professor Atsushi Seike, Faculty of Business and Commerce, Keio University: You are right, since the bubble economy burst it is true that, although it dropped a little, recently employment by the construction industry has been constantly increasing while employment in other industries has declined. As was said before, public spending is undertaken so that rather than having public spending maintaining income through unemployment benefits, public works serve to employ the people.

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It is not true that all the public spending is carried out to support employment. After the bubble economy burst, if public workers were created only as an employment measure, you could add those people to net social expenditure. You need to scrutinize the extent to which public expenditure was carried out purely to maintain the workforce, in a purist manner.

Some time ago, I spoke with people who were analyzing employment in the construction industry. At present, the number of people working in the construction industry is approximately seven million, or a little below that in recent times. However, in the future, as you know, the size of the working population in Japan will shrink. At that time, I wonder to what extent we might have foreigners working in the construction industry, or to what extent we might need to bring in people from overseas to work in our construction industry? The conclusion was that there was no need to do so, because only four million people would be needed by the construction industry in the future—I am talking about both public works and private works—as there will be fewer projects. At the same time, productivity will increase due to the introduction of new technology. As a result, there will be reduced headcounts needed in the future construction industry.

That considered, without a doubt, if you look at the number of people employed in the construction industry at the moment—for employment is demand derived from production—you could say that construction demand to start with is excessive. How should we consider this? Well, if I were asked the same question, I would also have to concede that it is very difficult to count. I think I should ask of Ms. Katsumata to analyze it too. Thank you very much.

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Mr. Atsuhiro Yamada, Researcher, National Institute of Population and Social Security

Research: We are getting close to, or we have surpassed, the allotted time. Do you have any further questions?

Professor Satoko Maekawa, Faculty of economics, Osaka University of Economics: I know

we have gone beyond our time, but I have one question and one comment for Ms. Katsumata. It is about tax effects. There is a list of tax benefits and tax advantages, is this all-inclusive, is this all there is? If you look at income tax deductions for social security, public pension contributions and medical payments are all deducted from taxable income. Did you take all of these into account?

To follow up on this, again on this list of tax advantages or tax benefits, I tend to think that these are macroeconomic statistics, so it may be that it cannot be helped. This is some homework for the future, but perhaps you should look at this in a micro way. I think that a microeconomic analysis is needed. If you think about tax measures, for example, pension benefits, then the elderly enjoy benefits and the family allowance is enjoyed by the current younger generation. So, macro expenditures are important, but if you include the tax aspect, you have to look at the question of those who are contributing and those who are benefiting. There is a generational gap—a difference in terms of who pays and who receives. I think that has to be part of your analysis.

Ms. Yukiko Katsumata, Senior Researcher, National Institute of Population and Social

Security Research: With regard to your first point, we did include social security deductions,

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although I did not include them in that particular list to which you are referring. As for healthcare and medical budgets, not all deductions are counted because of the data problem. We do not have enough data. And, as you pointed out, we are using macroeconomic data from the Ministry of Finance. This is an annual report. For instance, we find it in a report that comes from the Tax Research Council, but this is the extent of the data available now. Tax and wages data are very scarce or very constrained in Japan, but as you said, a microscopic analysis has to be made. The Labor and Welfare Ministry does conduct a redistribution study looking at the social security contributions and benefits. Within our institute, there are several groups that conduct microscopic analysis using these data announced by the Ministry of Health, Welfare and Labor concerning redistribution analysis.

Ms. Atsuhiko Yamada, Researcher, National Institute of Population and Social Security Research: We have already passed the scheduled time for us to conclude this forum, so Professor Miyajima, I know that you have some detailed questions for Ms. Katsumata, but for now, perhaps you can share comments instead of asking her detailed questions?

Professor Hiroshi Miyajima, Faculty of Economics, University of Tokyo: Well, when we talk about this kind of issue, we have to address the scope of the definitions, such as the expenditures that need to be included, tax systems, low-interest services that are provided—this is in some respects a subsidy—tax credits, or regulations. First, it is very difficult to incorporate all of these because of data limitations, but these all affect net social expenditure. How do we eliminate the overlapping effects of tax benefits and tax credits? Even if such a system is eliminated, the assumption is that taxpayers' behavior will not change, therefore,

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the government forecasts a reduction of tax revenue. But, if one of the tax aspects is eliminated, the behavior of the taxpayer is actually affected.

Also, on a more detailed level, it is not easy to handle the deduction with regard to retirement allowance, or retirement allowance reserves put up by companies. In Mr. Adema's definition, remuneration for labor is not included. But, are reserves for retirement allowance definable as compensation for labor? Is they also taxable for social purposes? It is difficult to make that distinction. However, if you eliminated this altogether, then the contribution of employers to private health and pension systems should not be included. There is this definitional problem. In Japan, although this does not really mean anything because interest rates are so low today, the tax exemption on interest earned by the elderly, the tax break for deposits made by the elderly, has to be counted.

I was talking about consumption tax in Japan. It differs from VAT of Europe. First, in terms of European VAT, pharmaceutical products are tax-exempt, but in the case of Japan, nursing care and health services all provided in-kind are tax- exempt. If you have to think about direct or indirect taxation effects, I think the fact that supplies of services or in-kind benefits are not taxed in Japan has to be considered. If these things are included, then the net SOX will be higher than the gross SOX, although not really to the level of that in European countries.

Unfortunately, Ms. Katsumata's conclusion did not indicate that Japan's net SOX would be higher, but I would have thought that the net SOX would actually be higher because of these various effects. The tax burden is actually low in Japan, and expenditure is also low. But, in terms of an international comparison, the local subsidy tax to equalize regional differences

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and agricultural and small-firm subsidies are also factors that buttress employment or maintain family welfare. I am struggling to incorporate all these ideas into your calculation.

Mr. Atsuhiko Yamada, Researcher, National Institute of Population and Social Security

Research: Well, we have gone beyond the scheduled time, and I know that there are more questions you would have wanted to ask from the floor, but I would like to conclude this workshop. I would like to thank the panelists for their very valuable contributions, and I would like to express our appreciation with a big round of applause. Thank you.

4. 研究成果の刊行に関する一覧表

5. 研究成果の別刷

平成14年度活動報告

研究会

7月15日(月) 13:30～15:00

報告者: 加藤淳子助教授

(東京大学大学院総合文化研究科国際社会科学専攻)

*講師該当論文をPDFで配布

報告題目: 「福祉国家の税収構造の比較研究—OECD18カ国を中心として—」

場 所: 国立社会保障・人口問題研究所 第4会議室

研究成果の刊行に関する一覧表

書籍

未定

雑誌

「社会保障支出の国際比較—OECDの新しい視点に学ぶ—」(共) 石井太 (上)
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学会

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・「社会保障支出の規模再考」(共) 船津潤 第10回地方財政学会 中央大学
(2002. 6. 2)

金明中

・「ネットワーク 2000 研究会」発表 (2002. 12. 7)
・日本労務学会発表予定 (2003. 7)

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