

It is certain that a wide variety of elements contributed to the maintenance of the financial situations of the health insurance and other employees' insurance systems. It can be said that an increase in the insured persons of the employees' insurance systems made it possible to cover the ever-growing health expenditures of elderly people and to prolong the life of these systems.

But this situation will not continue forever. As shown in Figure 2-3, the growth of full-time women employees hit ceiling around in 1995, thereby stopping an increase in the participants in the employees' insurance systems. On the other hand, the number of the elderly continues to rise. A greater part of elderly people belonged to the Residence base National Health Insurance system shown in Figure 2-4, and because they had no adequate ability to pay premiums, they had to rely on contributions from the employees' insurances and general tax revenues. This mechanism can be explained by Figure 2-4 as follows: Because the Residence base National Health Insurance system cannot cover health expenditures alone, it first turns to the employees' health insurance for financial aid (Fig. 2-4, (a), (b)). If the system's funds come to be insufficient even though this financial aid is provided, then subsidies are granted from general tax revenues to cover growing health expenditures of the elderly.

But around in 2000 and after, the government's budget deficit has accumulated enormously, making it difficult to pour tax revenues into health expenditures of elderly people. On the other hand, the increase in the earnings of works has come to be slower, too, which has made it very hard to secure revenue sources for health expenditures.

Needless to say, in order to solve financial problems concerning the health expenditures of the elderly, it is important to take cost containment policies. The health expenditures in Japan have been considerably low internationally and as compared with the country's GDP, and thus most people in Japan expect that the part of health expenditures unable to be covered by the health insurance system will be supplemented by general tax revenues. But because these general tax revenues, including those of consumption tax, have experienced a slower growth, the health insurance system has been faced with a very grave situation.

2. Public Pension Insurance — Vulnerability of Public Pension —

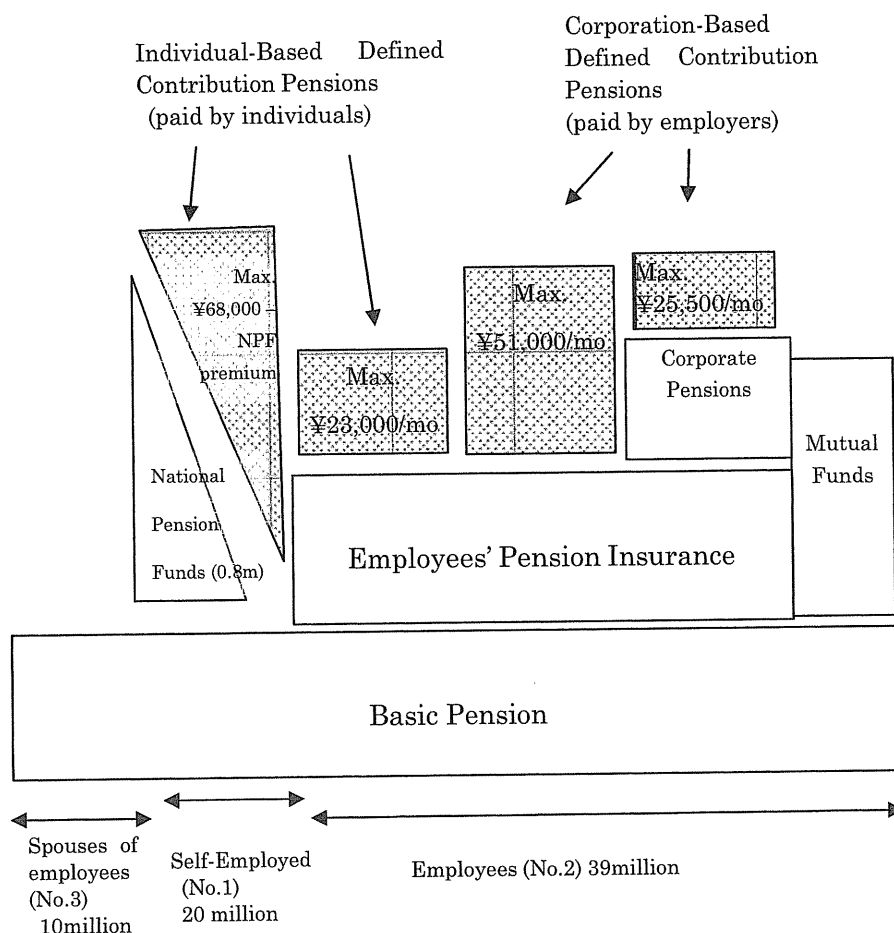
2.1 Structure of pension systems and the trend of insured persons

As shown in the figure below, pension systems in Japan are composed of three layers. The basis of public pension systems is the basic pension that covers all of the people in Japan of 20 years and over but younger than 60. The insured persons of the basic pension are self-employed people and those engaged in agriculture, forestry and fisheries (Class 1 insured persons), workers who join neither the Employees' Pension Insurance nor mutual aid pension (part-time workers, etc.) (Class 2 insured persons) and the non-working wives of the insured persons of the Employees' Pension Insurance (Class 3 insured persons). The payment of the basic pension is started when these insured persons reach the pensionable age (60 years at present; 65 years for males beginning in 2013 and for females beginning in 2018). Company employees and public service employees, who are employment income earners, are paid employees' pension and mutual aid pension benefits, which are earnings-related pension benefits, respectively, in addition to the basic pension. On the other hand, the basic pension that self-employed persons and those engaged in agriculture, forestry and fisheries receive is called the National Pension by distinguishing it from the pension for employment income earners.

In most industrial countries (such as the U.S., Canada and Sweden), both employment income earners and public service employees are covered by the same public pension system so that the income guarantee after retirement may not differ according to the type of occupation. Thus it is now one of the pension reform problems in Japan to integrate the mutual aid pension for public service employees into the Employees' Pension Insurance system.

The public pension insurance systems in Japan have been reviewed every five years on the basis of the actuarial revaluation of pension finances. In the pension reform in 2004, referring to the pension reform in Sweden in 2001, etc., it was determined that while the premium rate in the future would be fixed at a prescribed level (18.3% in 2025 and after for the Employees' Pension Insurance), the benefit level would be adjusted according to economic situations and aging (But it was also decided that the benefit level would not be lower than 50% of the income of the working generation). Then in the reform in 2009, the ratio of state contributions (government expenditure using tax revenues) to the basic pension benefits that covered all of the people was raised from one-third to a half.

Figure. Outline of pension systems in Japan



Source: “Social Security in Japan 2011”, National Institute of Population and Social Security Research

The premium rate for the basic pension of self-employed persons, etc. is a fixed amount (¥15,020 a month in 2011). On the other hand, the premiums of employment income earners and public service employees are equally paid by employers and employees and the rate was 16% of the total of salaries and bonuses in 2011. The survivors of the members and beneficiaries of public pension insurance are paid survivors' pension, and the members are provided with disability pension when they suffer from disabilities on the prescribed conditions. The trends of the number of pension beneficiaries and the amount of pensions are as shown in Table 3. As of 2011, the amount of the basic pension was ¥792,000 a year while that of the old-age employees' pension was ¥279,000 when the basic pension of the husband and wife and the earnings-related pension benefits of the husband are added up.

The corporate pension systems for supplementing these public pensions are

mainly the defined benefit and defined contribution corporate pension systems established in 2001 to protect beneficiaries and to make reserves portable, and the Employees' Pension Fund system introduced before 2001. Self-employed persons and professionals have the National Pension Fund system as the system for supplementing the basic pension. In 2001 when the corporate pension system was established, it was determined that the Employees' Pension Funds would be gradually changed into defined benefit corporate pensions, and as a result, the number of defined benefit corporate pension plans and their members increased as shown in Table 3. In addition, the companies that had been unable to have an Employees' Pension Fund because their size was too small came to be able to provide defined contribution corporate pension on a contract with a plan administrator, and the number of contracts and members of corporate pension plans of this type has been increasing (Table 3). However, the asset management yield of corporate pensions was positive before the Lehman shock but became negative in 2010 after that, and the concern of companies and members for the uncertainty of management of corporate pension assets has been growing.

Table. Trends of defined benefit and defined contribution corporate pensions

Sources: Pension Fund Association, Statistics of Financial Situations: "Trends of the Number by Type and the Number of Members of Defined Benefit Corporate Pension Plans" and "Trends of the Number by Type and the Number of Members of Defined Contribution Corporate Pension Plans (Corporate Pension Type)."

2.2 Vulnerability of public pension insurance: measures to cope with non-participation in and lowering premium payment ratios of the National Pension

In the second half of the 1990s and after, against a background of mainly intensified international competitiveness and higher social insurance premiums and also due to an economic incentive for businesses (employers), i.e., reduction in labor costs, irregular workers have been increasing, which has in turn led to a decrease in the number of insured persons of the Employees' Pension Insurance and health insurance (although the number of employees has been growing) and has also caused the problem of non-payment of National Pension premiums. This situation has been posing a serious problem in considering the way that the universal pension and health insurance system, the important principle of the social insurance system in Japan, should be.

The sustainability of public pension insurance depends on the state of pension finances. In Japan, pension finances have been examined every five years in

consideration of the future population estimates revised based on the result of the census. In February 2009, the outcome of a new examination of pension finances was published (Pension Section, Social Security Council, "Results of Pension Finance Examination for 2009"). This report said that on the economic assumptions in 2009, the standard income replacement ratio for the Employees' Pension Insurance was lower than in the past to 50.1% for the basic case but as to the entire public pension insurance system, the system could be maintained in the future, too, if the ratio of state contributions to the basic pension is raised to one-half. But considering that the average life expectancy has continued rising recently, raising the pensionable age has become one of the alternatives of pension reform in the future in addition to increases in pension premiums, in order to ensure the long-term stability of pension finances.

For the insured persons who join public pension insurance, it is expected that while the future pension benefits will not increase greatly as compared with the income of the working generation, the burden of premium payment will become heavier in the future. Because of this, people's trust in public pension insurance has been shaken. According to the questionnaire given to university students who were obligated to participate in the National Pension (Sasaki (2005)), they answered (figures in parentheses are the ratios to all of the subjects (multiple answers allowed)) that they looked upon public pension insurance with distrust because it was difficult to understand relations between benefits and burdens (90.3%), that they feared that the finances of public pension insurance might fail (86.6%) and that they distrusted public pension insurance because they would lose money even if they paid premiums (because the ratio of benefits to contributions would lower more for more future generations) (61.7%). Young people not only have a sense of distrust and anxieties about public pension insurance as described above but also their non-participation ratio in the National Pension (ratio of the insured persons of the National Pension who pay no premium) is high because the number of young people who work part-time and whose income is low is small. This tendency can be observed not only among young people at present but also among all the other cohorts (Abe (2003) and Suzuki and Shu (2006) pointed out that no cohort effect could be observed in the non-participation ratio in the National Pension, and the factors raising the non-participation ratio were young age and liquidity constraints).

As stated above, the causes for non-participation in the National Pension include the low income and liquidity constraints of the people concerned. Because of this, the number of non-participants was considerably reduced by extending the scope of exemption from premium payment for the people to be covered by the National Pension whose income was low. As a result, the non-participation ratio was 31.5% in

1997 when the economic shock hit Asia but declined to as low as 2.7% in 2010 after the Lehman shock. On the other hand, as a result of expansion in the scope of insured persons exempt from premium payment, the premium payment ratio (= Number of months when payment is made/number of months when payment should be made (in %)), which shows the ratio of the number of months when premiums are paid to the total amount of premiums for a year for all of the insured persons in the year) decreased from 79.6% in 1997 to only 59.7% in 2010.

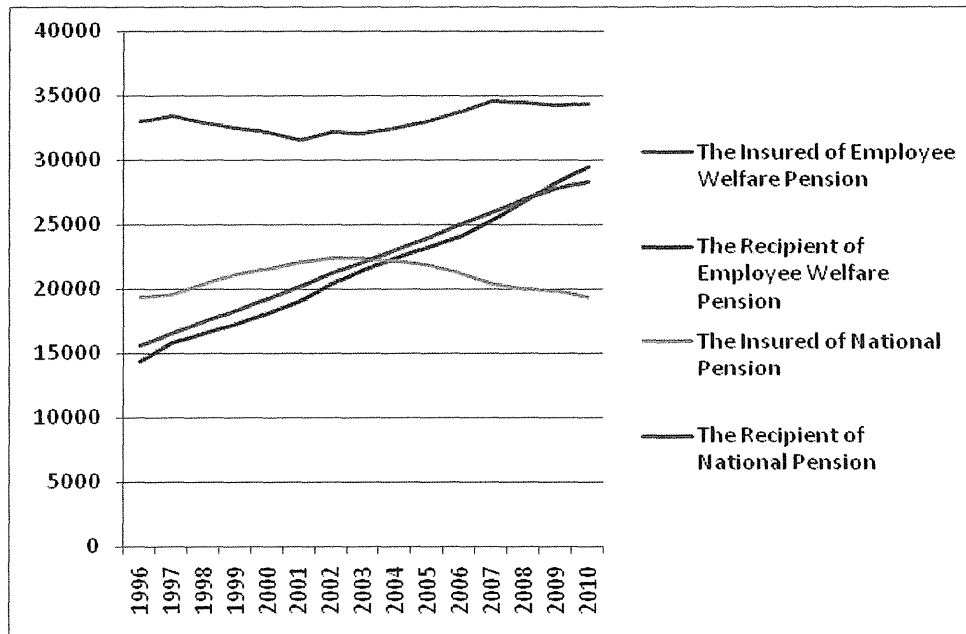
2.3 Effects of economic situations and changes in employment structure on pension finances

Figure 1 shows the number of insured persons and beneficiaries of the Employees' Pension Insurance and the National Pension for the period from 1977 when an economic shock attacked Asia to 2010 after the Lehman shock. Because declining birth rates and population aging retarded growth in productive-age population, the increase in the number of insured persons of the Employees' Pension Insurance was small, too, while the insured persons of the National Pension have been declining since 2002.

On the other hand, the number of beneficiaries had been increasing both for the Employees' Pension Insurance and the National Pension. As a result, the revenue and expenditure of the Employees' Pension Insurance have tended to deteriorate, and those of the National Pension got worse until 2009 (The situation of revenue and expenditure of the National Pension was improved in 2010 because the ratio of state contributions was raised).

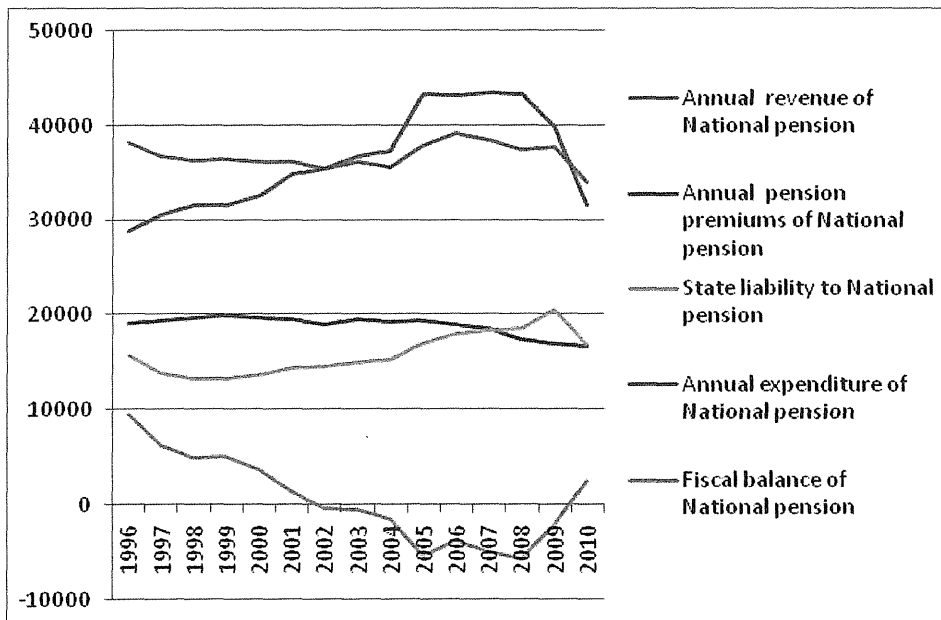
According to the following figures which show the relations between all the employed workers and the insured persons of the Employees' Pension Insurance and the National Pension, the ratio of the insured persons of the Employees' Pension Insurance and other employees' pension (the Employees' Pension Insurance and mutual aid pension for public service employees) remained on the 60%- and 70%-mark, respectively, in the 1997-2010 period, which was generally on a considerably high level. On the other hand, the ratio of part-timers to the entire employed workers tended to rise, and the increasing trend of the ratio roughly corresponds to the growing tendency of the percentage of part-timers to all of employed workers.

Figure. Trends of the number of the insured persons and beneficiaries of public pension insurance



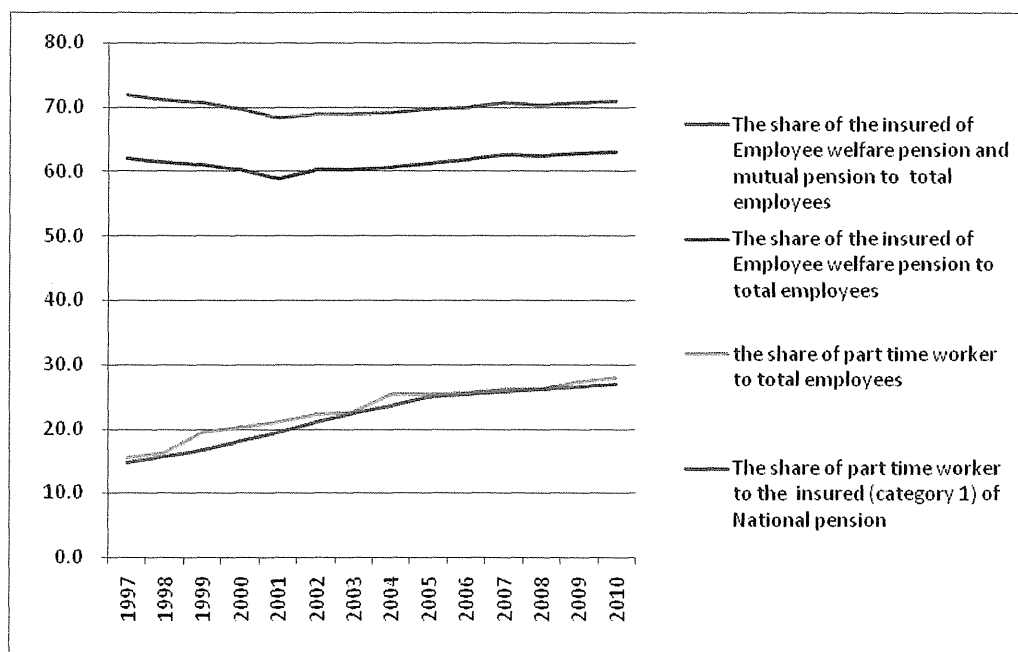
Source: Prepared by the author based on the yearly editions of the Pension Bureau, Ministry of Health, Labour and Welfare, "Outline of Employees' Pension Insurance and National Pension Projects."

Figure. Changes in the revenue sources and revenue and expenditure of the National Pension



Source: Prepared by the author based on the yearly editions of the Pension Bureau, Ministry of Health, Labour and Welfare, "Outline of Employees' Pension Insurance and National Pension Projects."

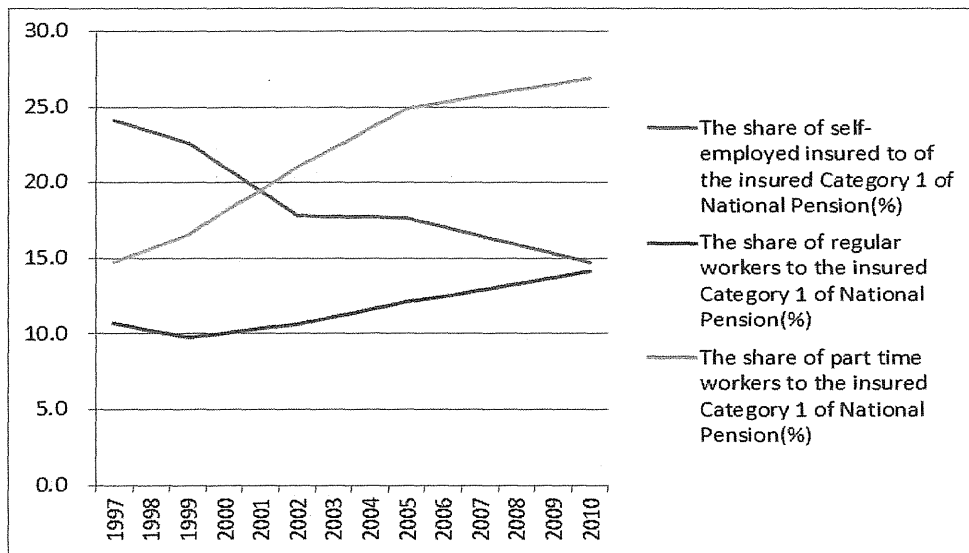
Figure. Changes in the insured persons of the Employees' Pension Insurance and the National Pension resulting from growth in part-time workers



Source: Prepared by the author based on the yearly editions of the Ministry of Health, Labour and Welfare, "General Situations of Employees' Pension Insurance and National Pension Projects" and "Survey on the Situation of the Insured Persons of the National Pension."

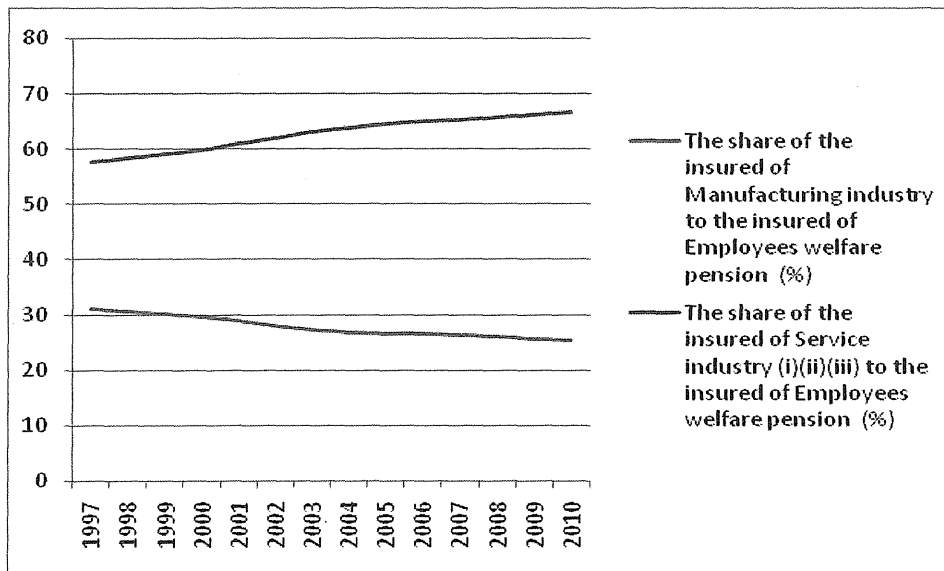
The observation of the insured persons of the National Pension by employment pattern indicates that while the ratio of self-employed persons has decreased, that of part-time workers has grown as a result of the increasing trend of part-timers described above. As for the insured persons of the Employees' Pension Insurance, too, the ratio of insured persons from manufacturing industries lowered from 30% to 25% or less but that of insured persons from all service industries rose from 58% to 67%.

Figure. Changes in the insured persons of the National Pension by occupation and employment structure



Source: Prepared by the author based on the yearly editions of the Ministry of Health, Labour and Welfare, "General Situations of Employees' Pension Insurance and National Pension Projects" and "Survey on the Situation of the Insured Persons of the National Pension."

Figure. Changes in the insured persons of the Employees' Pension Insurance by industry

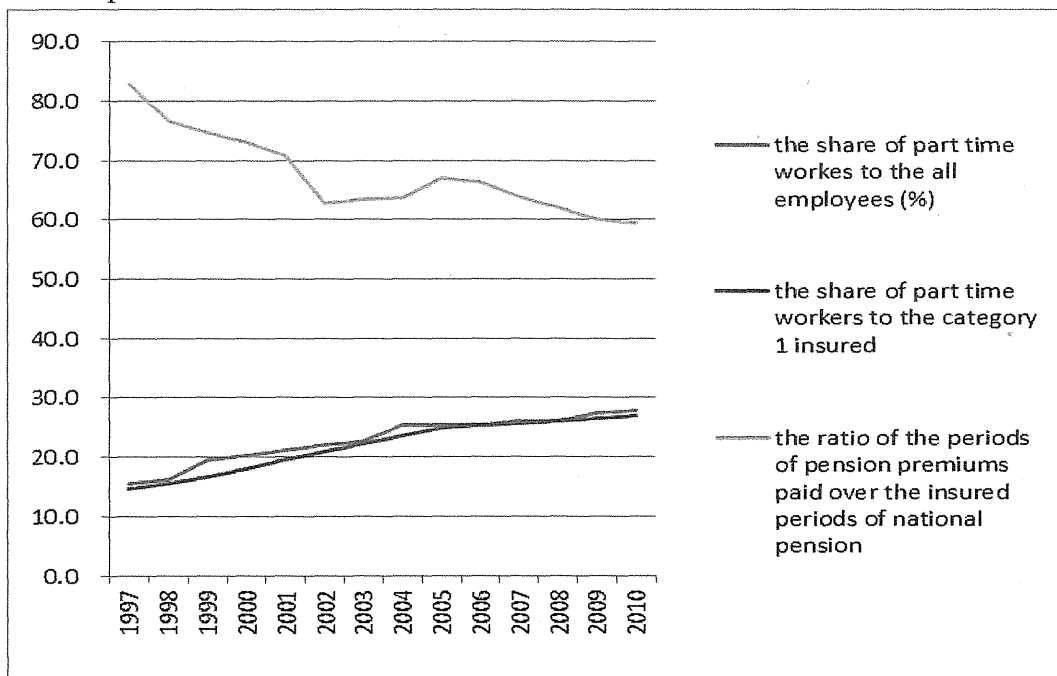


Source: Prepared by the author based on the yearly editions of the Ministry of Health, Labour and Welfare, "General Situations of Employees' Pension Insurance and National Pension Projects" and "Survey on the Situation of the Insured Persons of the National Pension."

2.4 Measures for part-time workers and the reinforcement of income guarantee and income redistribution functions: aiming at reducing the vulnerability of and recovering trust in public pension insurance

The reason for increasing ratios of part-time workers to the insured persons of the National Pension is an increase in people working in the service sector. As for the insured persons of the National Pension, the rising tendency of the ratio of employees in the service sector to employed workers and resulting increase in part-timers, combined with the fact that the wage of part-timers is lower than that of regular workers, have led to a rise in the non-payers of premiums for the National Pension recently. Consequently, the premium income of the National Pension has declined in recent years, which has been one of the reasons for deteriorating the income and expenditure situation of National Pension finances as shown in Figure __.

Figure. Changes in the ratio of part-time workers on the labor market and to the insured persons of the National Pension



Source: Prepared by the author based on the yearly editions of the Ministry of Internal Affairs and Communications, "Labor Force Statistics" and the Ministry of Health, Labour and Welfare, "Survey on the Situation of the Insured Persons of the National Pension."

In many cases, the part-timers who have joined the National Pension are exempted from the payment of premiums because their income (annual income) is too

low, and even when they are not exempted from premiums, they often find it difficult to continue paying premiums from their low income because the premiums are at a fixed amount. These facts are the reasons why the amount of their pension benefits when they become beneficiaries turns lower than the full amount, which makes income guarantee after retirement for them insufficient.

As stated above, an increase in the ratio of service industries in general in the industrial structure and a growth in the percentage of part-time workers to all employees have weakened the income guarantee function of public pension insurance and have made its financial basis unstable. To eliminate these adverse effects and recover people's trust in public pension insurance, it has become an important problem to speed up the reform of public pension insurance further. The present main proposals for reform of the government and the Ministry of Health, Labour and Welfare to address this problem are as follows:

- * Reduce the minimum required period for receiving pensions: reduce the minimum required period for receiving the old-age basic pensions to ten years.

- * Pay an additional amount of pensions to low-income earners: pay an additional amount of pensions to low-income beneficiaries of the old-age basic pension:

Fixed amount: ¥6,000; addition for the exemption period (1/6 of the amount of the basic pension added to make up for the decrease in the amount of benefits caused by the exemption period in the past).

- * Adjust (reduce a part of) the amount of pensions for high-income earners: reduce a part of the amount of the basic pension for those earning ¥5.5 million or more a year and cut the amount of the basic pension to a half for those earning ¥9.5 million or more a year (adjustment of the amount of benefits similar to the claw-back system in Canada).

- * Extend the application of the Employees' Pension Insurance to part-time workers: make the part-time workers who work 20 hours or more a week, earn ¥78,000 or more a month, have worked for one year or more and work for companies having 501 employees or more the insured persons of the Employees' Pension Insurance (those who work 30 hours or more at present).

- * Permanently fix state contributions to the basic pension at a half of the total amount of benefits: in the past, one-third of the basic pension benefits was paid by tax revenues and the balance between one-third and a half of the benefits was covered by extraordinary revenues. It was determined that in 2010 and after, this balance would be paid by permanent revenue sources (tax revenues or government bonds with a short maturity period) and that a half of the amount of the basic pension benefits would be supplied by state contributions.

* Unify employees' pension systems: unify the Employees' Pension Insurance and the mutual aid pensions of government and local government public service employees and school personnel into the Employees' Pension Insurance.

3. Vulnerability of Unemployment Insurance in Japan

Unlike in the case of the finances of public health insurance and public pension, those of unemployment insurance (UI)^{††} are hard to be directly affected by population aging. This is because reserves for unemployment insurance are increased at the time of a business boom when there are not many unemployed persons and are used at the time of a slump when unemployed people increase; that is, the UI finances are basically provided with a mechanism by which they are automatically stabilized. In fact, the balance of UI reserves recovered to ¥5,600 billion in 2010 from ¥400 billion in 2002 when the economy reached its bottom (Table 1). While the ratio of the state contribution to the expenditure for unemployment benefits is originally one-fourth of the expenditure, this figure has been reduced to 13.75% since 2008 because the government finances have been in a difficult condition. As far as we look at the situations mentioned above only, it seems that the UI finances have no factor for apprehension. However, in some aspects, the future of unemployment insurance has uncertain elements. In this paper, the author will describe an outline of the UI systems in Japan and examine the situations of the unemployment benefits received by unemployed people in detail.

3-1. Schemes of Japanese Unemployment Insurance

While the benefits of unemployment insurance in Japan have several types, the most common unemployment benefits are "basic allowance." The employees of businesses can receive this "basic allowance" if they have the prescribed insured period and have lost their job.^{‡‡} (The "basic allowance" is hereinafter referred simply to as "UI benefit.") The amount of the UI benefit is about 50-80% of the income before workers lost their work, and this rate has been set at higher levels for those with lower pre-unemployment income. For example, in the case of those of 30 years and over but younger than 45, if their daily wage before losing their job is ¥2,330 to ¥4,650, the rate of 80% is applied to their UI benefit, and thus their daily amount of UI benefit is ¥1,864 to ¥3,720. But the amount of UI benefit per day has an upper limit,

^{††} In Japan, unemployment insurance is commonly called "employment insurance" but in this paper, the author uses the term "unemployment insurance" as used in other countries.

^{‡‡} In Japan, self-employed persons are paid no unemployment benefit even when they have lost their job.

which is 7,170 for those of 30 years and over but younger than 45. To receive UI benefit when losing their employment, employees must be employed for at least 12 months (during the two years before losing their job).^{§§} Those employed at business establishments can become the insured persons of unemployment insurance in principle, but those whose scheduled working hours are less than 20 hours a week cannot.^{***} The premiums for unemployment insurance are equally paid by the employer and the employee and are 1.0% of the amount of salaries (0.5% for employees and 0.5% for employers).

In addition, the time when the payment of unemployment benefits is started and the payment period differ according to the reasons for losing employment. While the employees who have lost their job involuntarily, including as the result of bankruptcy, dismissal and discontinuance of employment, they can receive the UI benefit at once, those losing their work due to their own reasons have to wait for three months after they lost their job for receiving unemployment benefits. It is designed that the payment period becomes longer on average for the case of unemployment as a result of bankruptcy, dismissal, discontinuance of employment, etc. than for the case of unemployment due to other reasons. The benefit payment period is also set at longer for those having a longer insured period and of higher ages (Table 2).

Table. Benefit payment period of unemployment benefits (basic allowance)

		Maximum Periods of UI Benefit (Basic Allowance)					(days)
The reason for becoming unemployed	Age	Years of being insured					
		Less than one year	1 - 5 years	5 - 10 years	10 - 20 years	More than 20 years	
Bankruptcy or layoff	Under 30 years old	90	90	120	180	-	
	30 - 34 years old			180	210	-	
	35 - 44 years old			240	270	270	
	45 - 59 years old			180	240	270	330
	60 - 64 years old			150	180	210	240
Other than those reasons above			90		120	150	

Source: The author's tabulation based on The annual report of unemployment insurance, MHLW.

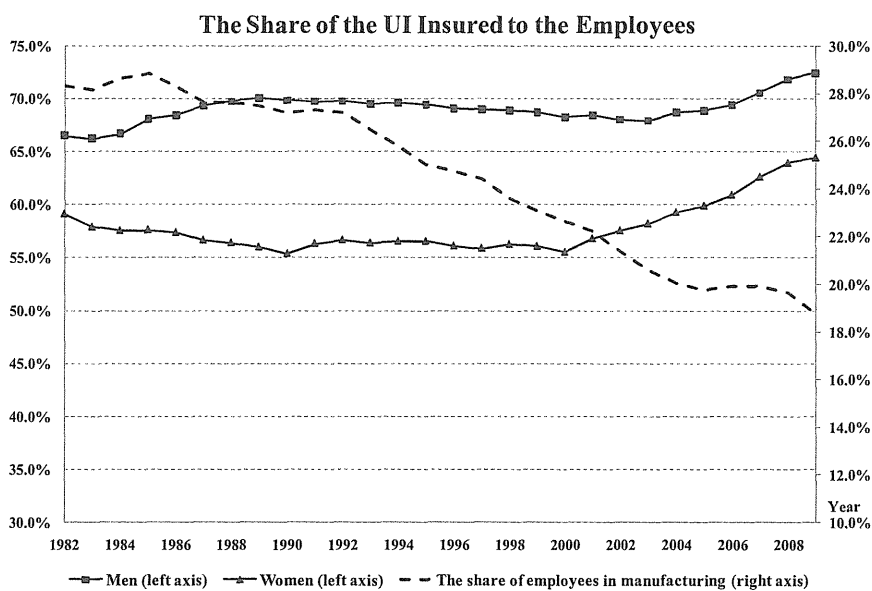
^{§§} Six months for "specified eligible persons," that is, those who have lost their job as a result of bankruptcy, dismissal, discontinuance of employment at the expiration of the employment contract, etc.

^{***} Public service employees and those newly employed at 65 years or over cannot become the insured persons of unemployment insurance, either.

3-2. Trend of the Number of Insured Persons

According to Figure 1 that shows the ratio of the insured persons of unemployment insurance to all of employees (hereinafter referred to as the "ratio of insured persons"), it can be observed that the ratio is high among employees of the manufacturing industry and low among those of service industries and the like. This is because service industries hire many non-regular employees working on contracts for short-hour and short-term work schedules.

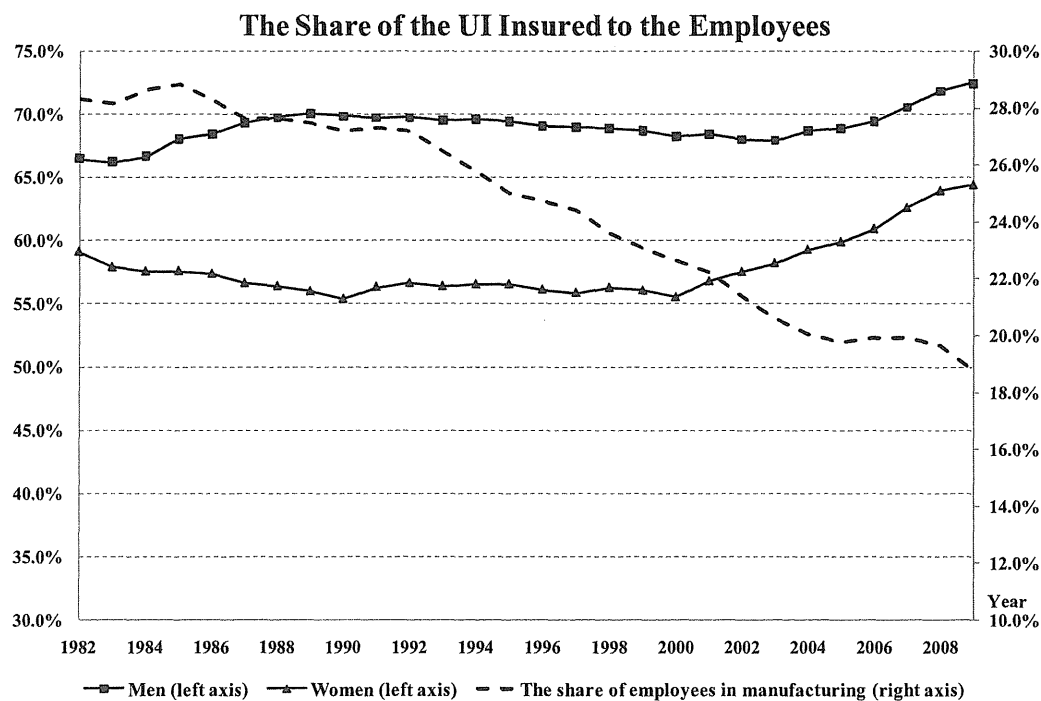
Figure. Trend of the ratio of insured persons by industry



Source: The author's tabulation based on The annual report of unemployment insurance, MHLW.

With changing industrial structures, the ratio of workers in manufacturing industries has consistently been decreasing in Japan, too. Therefore, the ratio of the insured persons of unemployment insurance must have lowered. However, despite those changes in industrial structures, the ratio of the insured has not been decreasing (Figure 2). This is probably because unemployment insurance has repeatedly expanded the scope of application to short-hour workers and other non-regular employees. When we look at Figure 1 again here, we find that the ratio of insured persons has substantially risen in service industries, which has made up for the decline in the ratio of insured persons resulting from changing industrial structures.

Figure. Ratio of the insured persons of unemployment insurance to all of employees



Source: The author's tabulation based on The annual report of unemployment insurance, MHLW.

Formerly, many women workers retired when they got married and received unemployment benefits as if these were a "retirement allowance" although they had no plan to get a new job soon. In those days, this was considered to be one of the important matters for anxiety for policymakers (Hamaguchi, 2010). The history of amendments to the UI system tells us that in the early days, while amendments aiming at controlling wasteful payments of unemployment benefits, such as those just mentioned, were made, the scope of benefit payment was extended, as the type of working was diversified, to short-hour workers and employees whose expected employment period was short. It was in 1975 that unemployment insurance was applied to all of full-time employees, and then in 1984, the period when those losing their job as a result of retirement for their own reasons had to wait before receiving unemployment benefits was extended from one month to three months. As for the application of unemployment insurance to part-time workers, some people insisted that there was no need to pay unemployment benefits to part-timers because these workers were mostly women working to "help family finances" for whom losing jobs was not a very serious problem. But as a result of the amendment in 1989, unemployment insurance came to be applied to the part-timers whose working hours were less than three-fourths but a half or more of the scheduled working hours of

general workers as the "insured persons of short-hour workers." By 2007, the concept of the insured persons of short-hour workers was abolished, and unemployment insurance now began to newly cover the employees who had a half or more of the scheduled working hours of full-time workers if they were expected to be hired for one year or more.^{†††} At the same time, the insured period required for receiving benefits was extended from six months in the past to 12 months (one year), but the period remained six months for specified eligible persons.

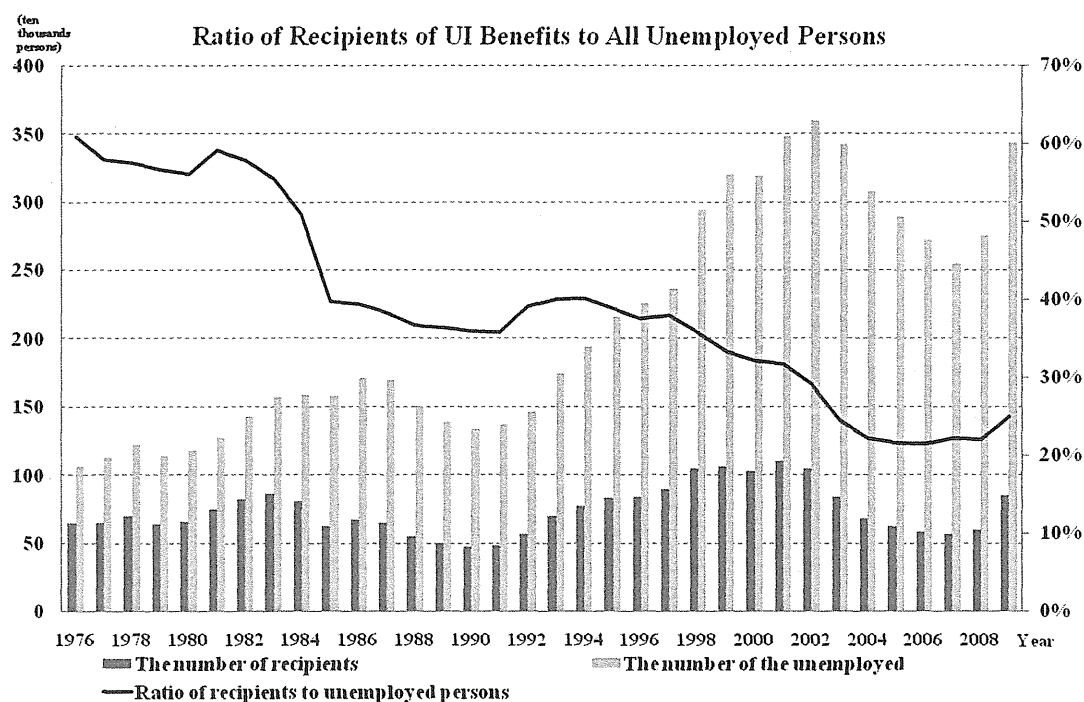
The amendment in 2009 made it possible to deal with part-time workers in the same way as specified eligible persons in the case where they were obliged to lose their job due to the discontinuance of employment, etc. and to pay these persons unemployment benefits supposing that they had an insured period of six months or more. In addition, the expected employment period of one year or more, the requirement for application of unemployment insurance, was reduced to "six months or more." Behind this was the fact that to cope with the occurrence of a large number of jobless people who lost their temporary work or other non-regular employment as a result of the Lehman shock in 2008, there arose the need to reinforce safety nets for part-timers. In 2010, the expected period of employment required for application of unemployment insurance was further shortened to "one month or more."

3-3. Decline of the Ratio of People Receiving UI Benefit

Has the broadening of the application of unemployment insurance mentioned above increased the possibility that people may receive UI benefit when they lost their job, then? Figure 3 shows the trend of the ratio of the recipients of UI benefit to all of unemployed persons (hereinafter referred to as the "ratio of recipients"). According to this figure, the ratio of recipients has been declining as a long-term trend and has been less than 30% in recent years.

^{†††} The payment period of unemployment benefits for non-regular workers had already been unified with that of general insured persons in 2003.

Figure. Ratio of the Recipients of UI Benefits to All of Unemployed Persons



Source: The author's tabulation based on The annual report of unemployment insurance, MHLW.

The fact considered to be one of the reasons for decreasing ratios of recipients is that even if the application of unemployment insurance has been broadened to short-hour workers, including part-timers, these workers cannot receive UI benefit in many cases because the requirements for receiving this benefit are too rigid for them. In addition, in the days of the system of insured persons of short-hour workers, the workers who lost their part-time job were eligible to receive UI benefit but in many cases, they were actually unable to have this benefit because the benefit payment period was so short that it expired before they could find a new job. In fact, the amendment in 1989 that created the system of insured persons of short-hour workers established severe requirements for receiving UI benefit and low-level benefit in exchange for broadening the scope of application of unemployment insurance to short-hour workers (Kanai, 2010).

According to the analysis of Sakai (2012), the ratios of recipients have lowered mainly because (1) the non-regular workers who lost their job have increased and (2) the period of unemployment has become longer. However, as for the substantial decline in the ratio of recipients in the 1980s, it may be better to regard it as the outcome of the amendment aiming at controlling easygoing receipt of UI benefit.

As discussed thus far, the ratio of insured persons has not declined in spite of

changes in industrial structures because the scope of insured persons has been enlarged. On the other hand, the ratio of UI benefit recipients to unemployed persons has fallen because the requirements for receiving UI benefit are rigid for non-regular employees and the benefit payment period tends to be shorter for these employees. In other words, there is some doubt whether the UI system in Japan has adequately guaranteed workers' life during their unemployed period.

3-4. Unemployment Insurance in Japan Showing Signs of Departure from the Contributory Principle

The UI systems in Japan began to broaden the scope of insured persons from an early period. A considerably large part of employees have already been included in the insured persons of unemployment insurance and it is now no easy task to expand the scope of application of this insurance further. To make the coverage of UI benefit broader, there is no alternative but to relax the requirements for making contributions, such as reducing the contribution period. Or there may be the need to give up the contributory principle itself. The job seeker support system introduced in October 2011 is not concerned with unemployment benefits but is the mechanism for giving occupational training and job seeking support to the unemployed people unable to receive any UI benefit regardless of the contribution they have made and may be regarded as a new attempt to save those not covered by unemployment insurance. But it is uncertain whether the finances of unemployment insurance will be able to keep their health as they have done in the past if the contributory principle is abandoned further in the years ahead.

Concluding remarks

Social insurance has played an important part in the social security system in Japan. But as a result of mainly the progress of population aging, changes in the employment structure (increase in non-regular workers) and rising unemployment rates caused by repeated international economic crises, the health insurance, pension insurance and unemployment insurance, the three systems composing Japan's social insurance, have encountered new problems respectively.

As indicated by the discussions of this paper, in the health insurance, public cost bearing was started in an attempt to maintain the National Health Insurance system that protected mainly self-employed people and those engaged in agriculture, forestry and fisheries. Then with the advance of population aging, the purpose of public funding became the control of increases in contributions to the health care system for the elderly from the health insurance systems of businesses. The global

economic crises in recent years checked growth in corporate earnings and hikes in wages, causing increases in non-regular workers and rises in jobless rates and making unstable the finances of both the National Health Insurance and the health insurance of companies, where the participation of non-regular workers increased. Consequently, the need to increase public cost bearing further has become greater. In the pension insurance system, too, a slower growth in wage levels and an increase in regular workers not only retarded rises in premium income but also brought about an increase in the non-payers of National Pension premiums. In an effort to stabilize pension finances in such a situation, the rate of public contributions to the basic pension benefits, which were common to the Employees' Pension Insurance and the National Pension, was raised. In addition, because the need to cope with the unemployment of young people who were soon after joining the labor market became greater with rising unemployment rates, the unemployment insurance system introduced a mechanism for partly relaxing the rules about the payment of benefits in proportion to contributions.

As noted above, the social insurance in Japan has reformed its system so as to serve as social insurance helpful to all the people by partly revising the mechanism and reinforcing the role of public cost bearing to cope with the realities facing industrialized nations in common (population aging, changes in employment structures and destabilized economy). In Japan, too, people took a careful stance toward tax increases for addressing growing ratios of public funding for social insurance and thus lived with budget deficits for dealing with rises in public contribution rates. But after the financial crises in Europe, they began to realize the need to stabilize the finances of social security, including social insurance, and to reform tax systems in a united way (the need for the integral reform of social security and tax systems), and this need became a policy theme and has been debated by the Diet to draft and enact necessary legislation. It is inevitable that an attempt to keep the universality of social insurance in a changing socioeconomic situation leads to the revelation of the weak points of social insurance. However, it is without doubt that social insurance plays a vital role in the social security system in Japan, and efforts to increase the sustainability of the social security systems while being well aware of the weakness of social insurance will be continued without a break in the years ahead.

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