

IAP Workshop

Science for Poverty Eradication and Sustainable Development: a Call for Action

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Population aging & Poverty in Japan: Learning mistakes from the front-runner among non-Western nations

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Topic of Presentation

How Japan built the social security system against risks of poverty (old age, injury, sickness, loss of main earner, children) and are now deadlocked because of wrong assumptions about the population and family.

Four Pillars of the Social Security System :

- Public Health “Insurance”
- Public Pension (Old Age, Disability, Widower) “Insurance”
- Public Long-term Care “Insurance”
- Social Assistance (Income Support for the Poor)

Social security will become the major part of government

Social security expenditure as % of GDP;

Japan 23.67% (2011)

US 20.25% (2009)

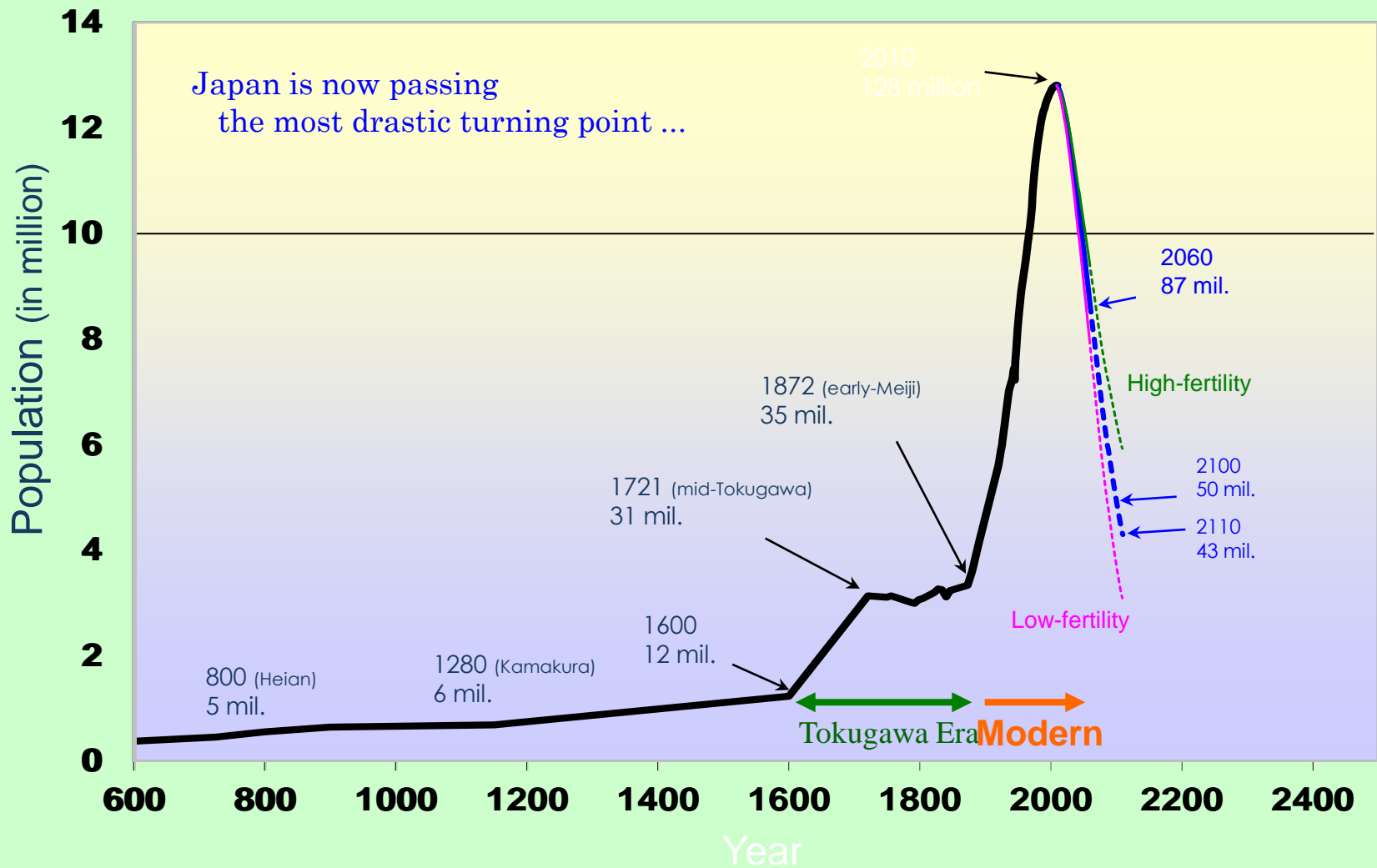
UK 24.91% (2009)

Germany 28.10% (2010)

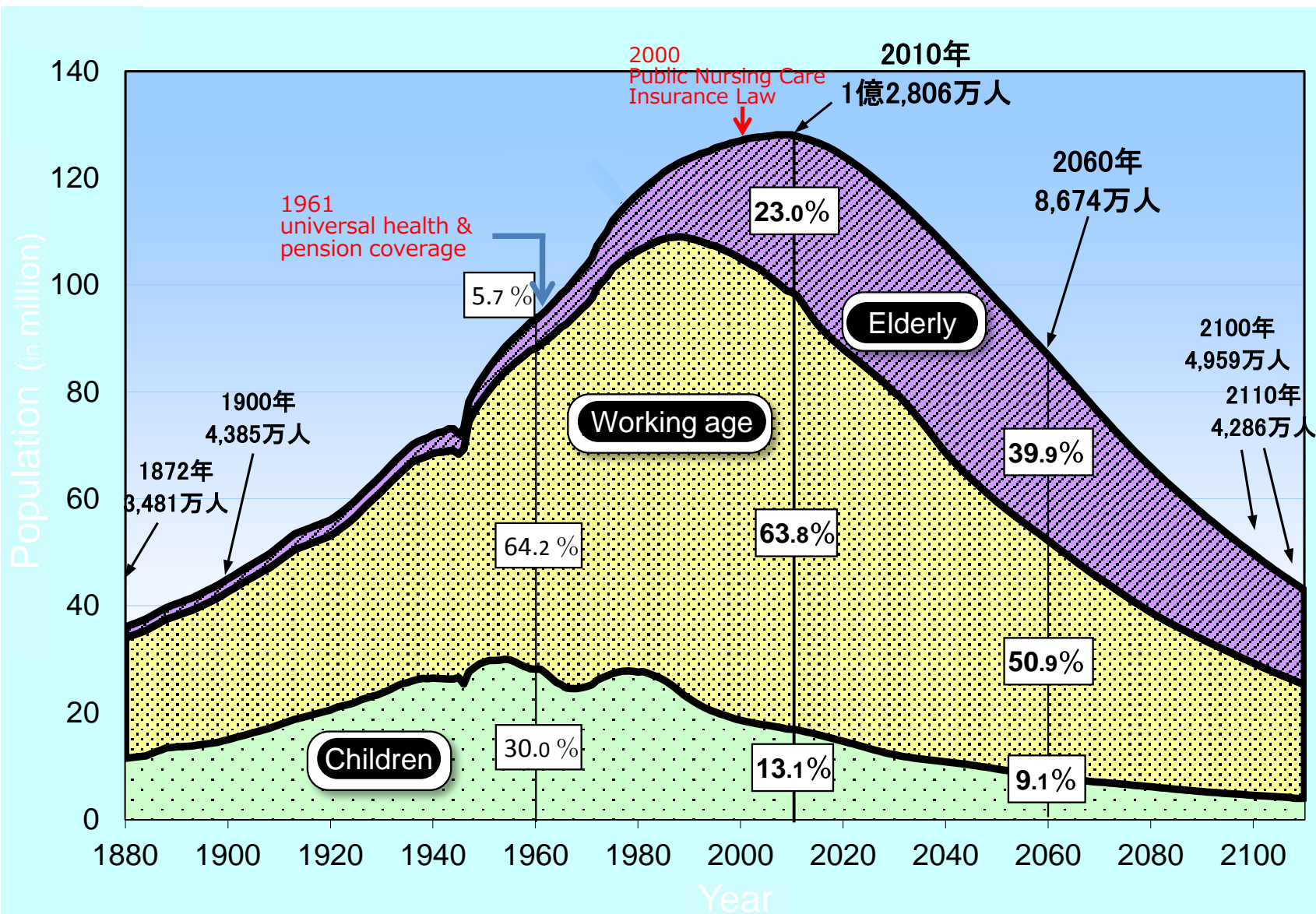
France 32.41% (2009)

Sweden 30.24% (2009)

Long-term Change of Population in Japan

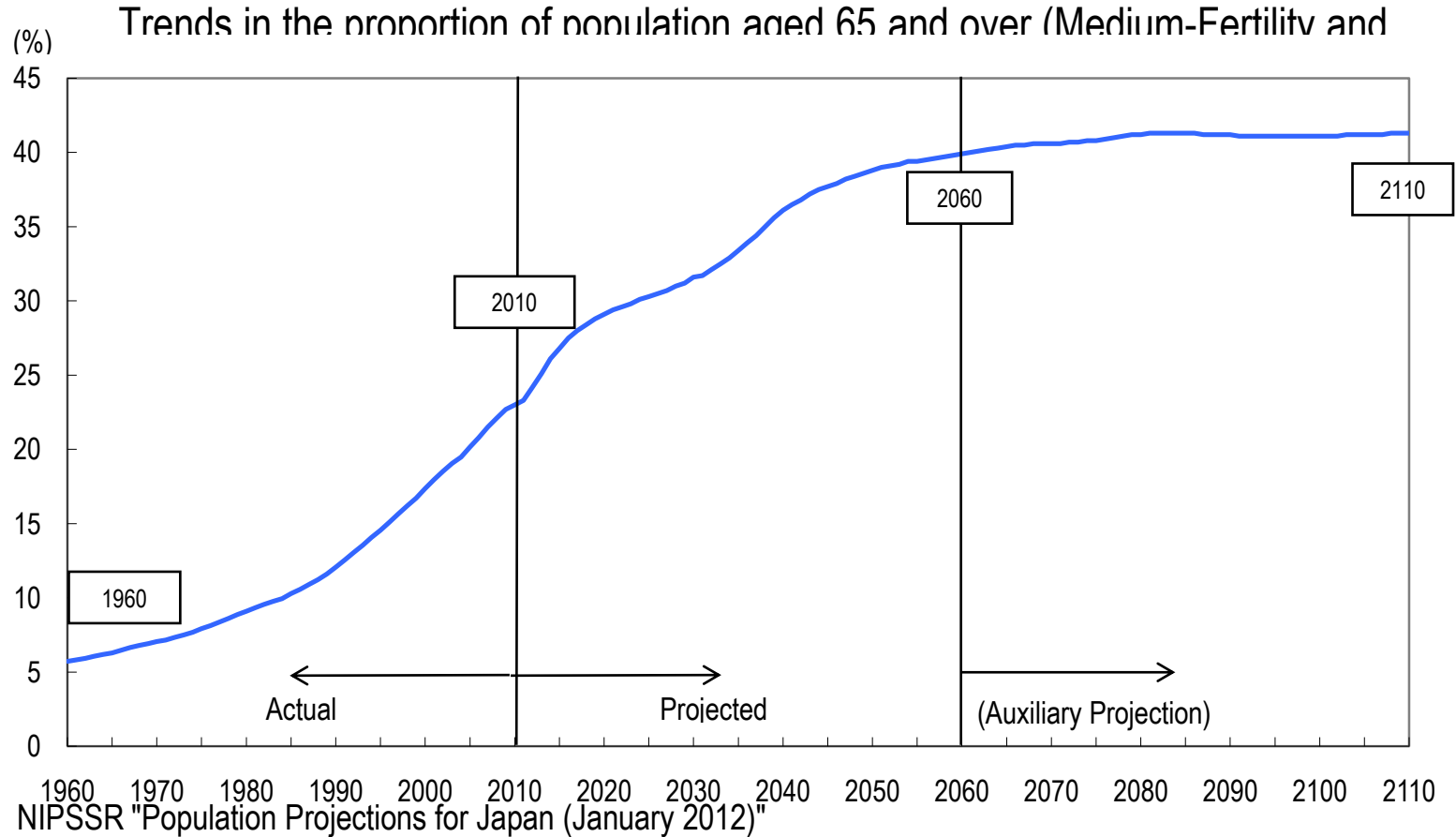


The Rise and Fall of Population in Japan: 1880~2110

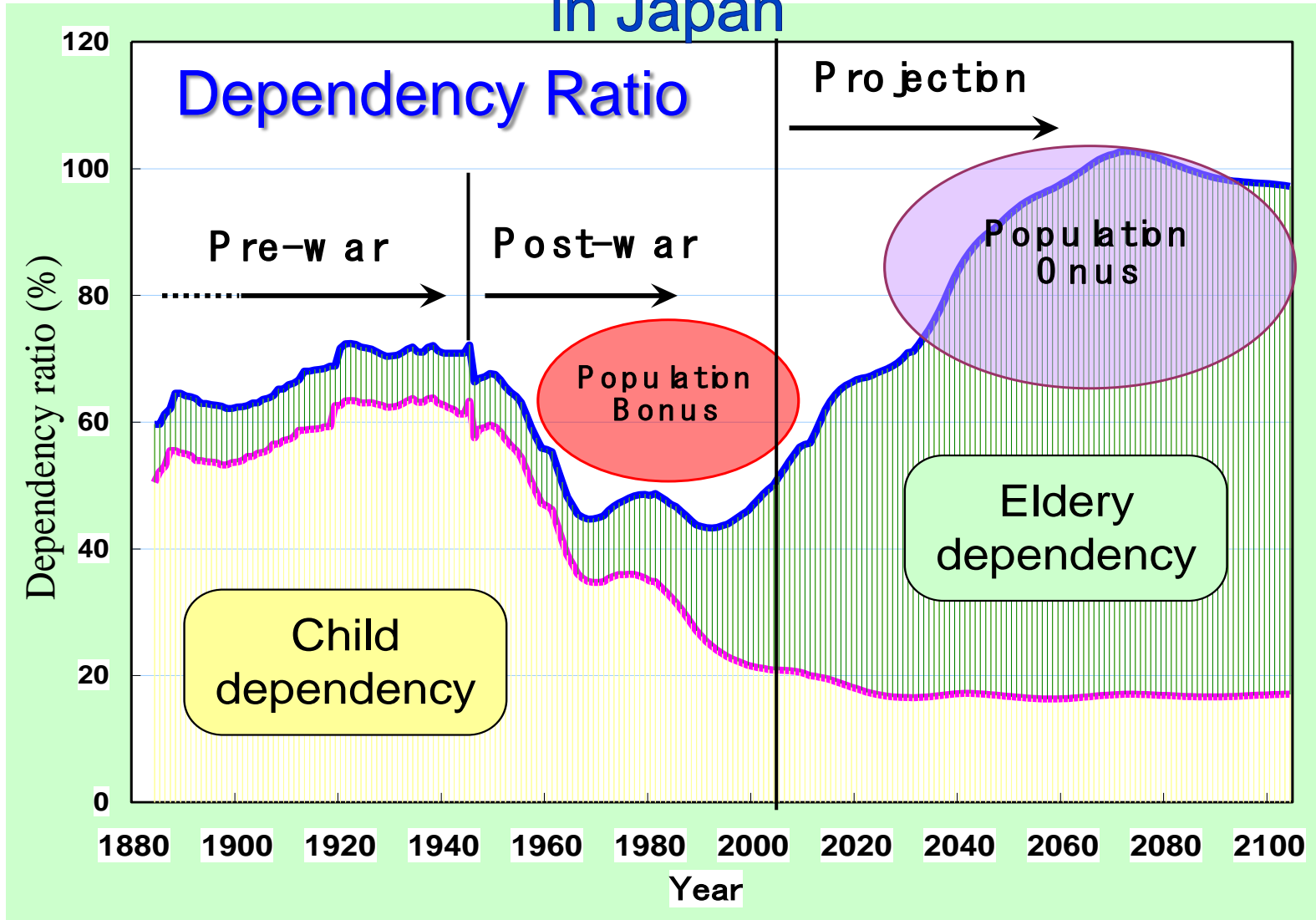


Source: Statistics Bureau, *Census, Population Estimation, IPSS(2012), Population Projection for Japan:2011-2060.*

Currently, 1 in 4 in Japan is Elderly. Soon it will be 1 in 3.



Population Bonus (demographic dividend) and Onus in Japan



Source: Statistics Bureau, *Census*, IPSS(2006), *Population Projection for Japan:2006-2055*.

Post WWII period in Japan

- The War leaves Japan virtually a flat society - but with low living standard
- Tremendous population bonus – very low dependency ratio
 - Fairly equal society. (1970’s “All Middle Class Nation”)
 - Lowering of “absolute” poverty. Public Assistant Receipt goes as low as 0.7%
 - Construction of social security system **dependent** on population bonus.
 - Failure to build public safety-net for poverty risk (as opposed to family-based safety net)
 - As living standard of all people increased, inequality and poverty were forgotten.

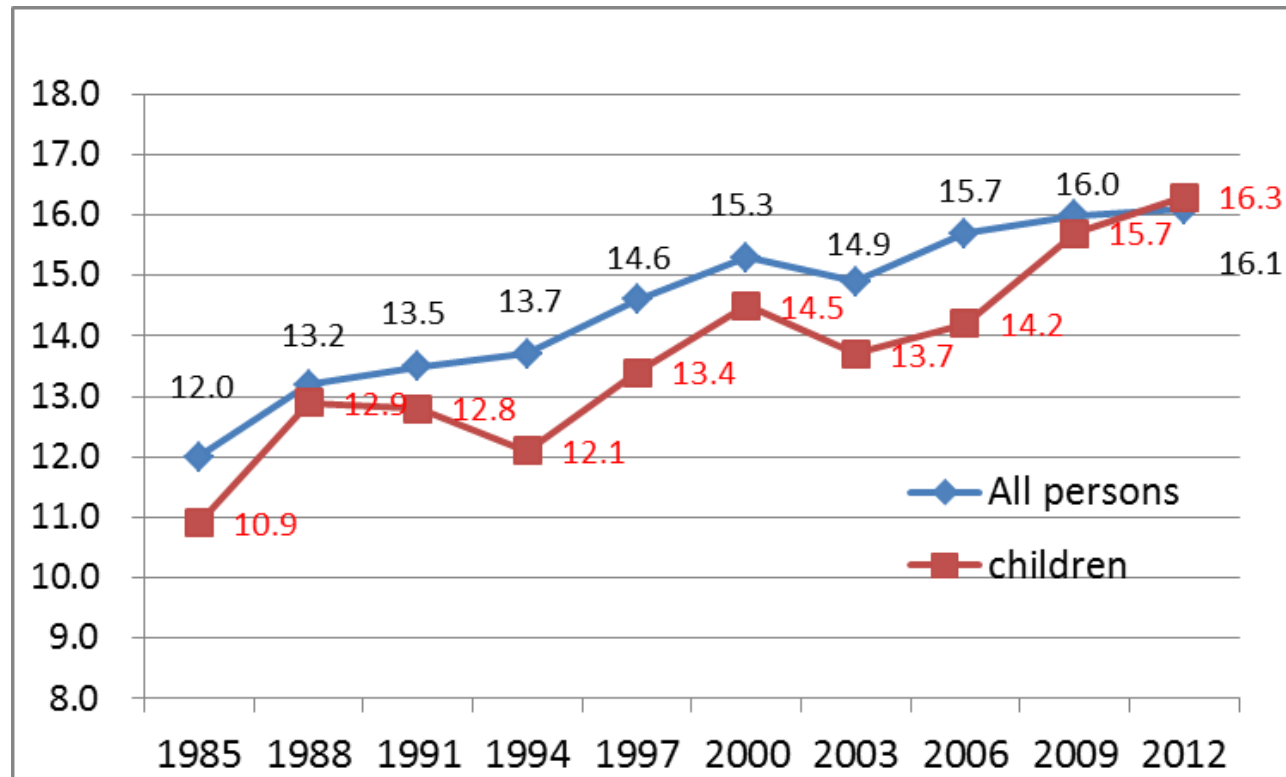
Japanese Welfare state coined as

“Developmental” & “Familial”.

Japan after mid-1990s

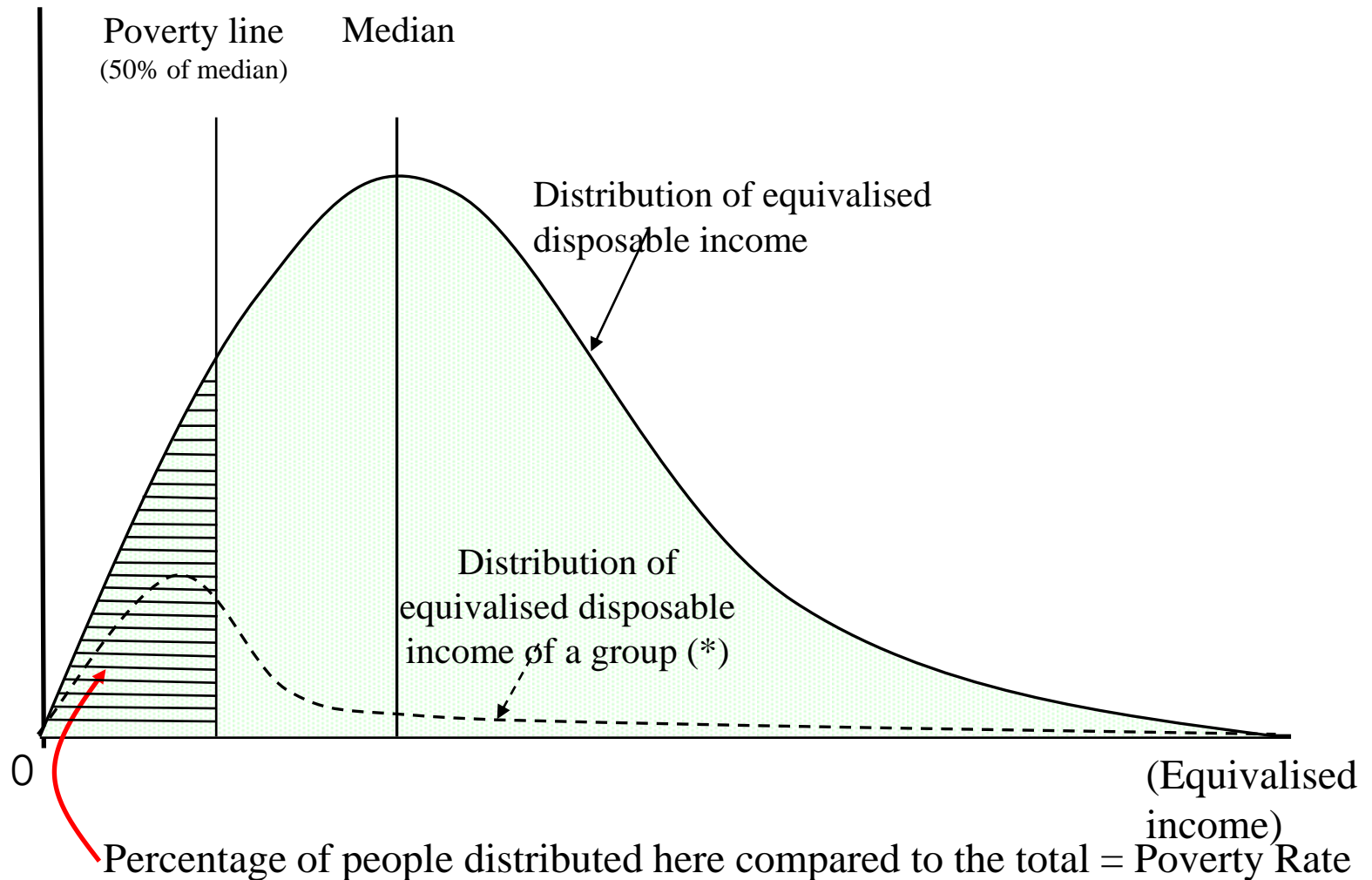
- Emergence of “homeless” people
- Increase in relative poverty rate
- Discovery of “poverty” as a social problem (first officially recognized in 2009)
- Inability to move away from “developmental & familial welfare state” because of budget constraint caused by population aging

Changes in Relative Poverty Rate in Japan : 1985-2012



- BLUE – Relative Poverty rate, RED- Relative Poverty Rate for Children < 18
- Poverty definition: 50% National Median (OECD Equivalent Scale – square root of household size)
- Approximately 20.4 million people, with 3.3 million children (child defined as being under 18) (population statistics from 2009)

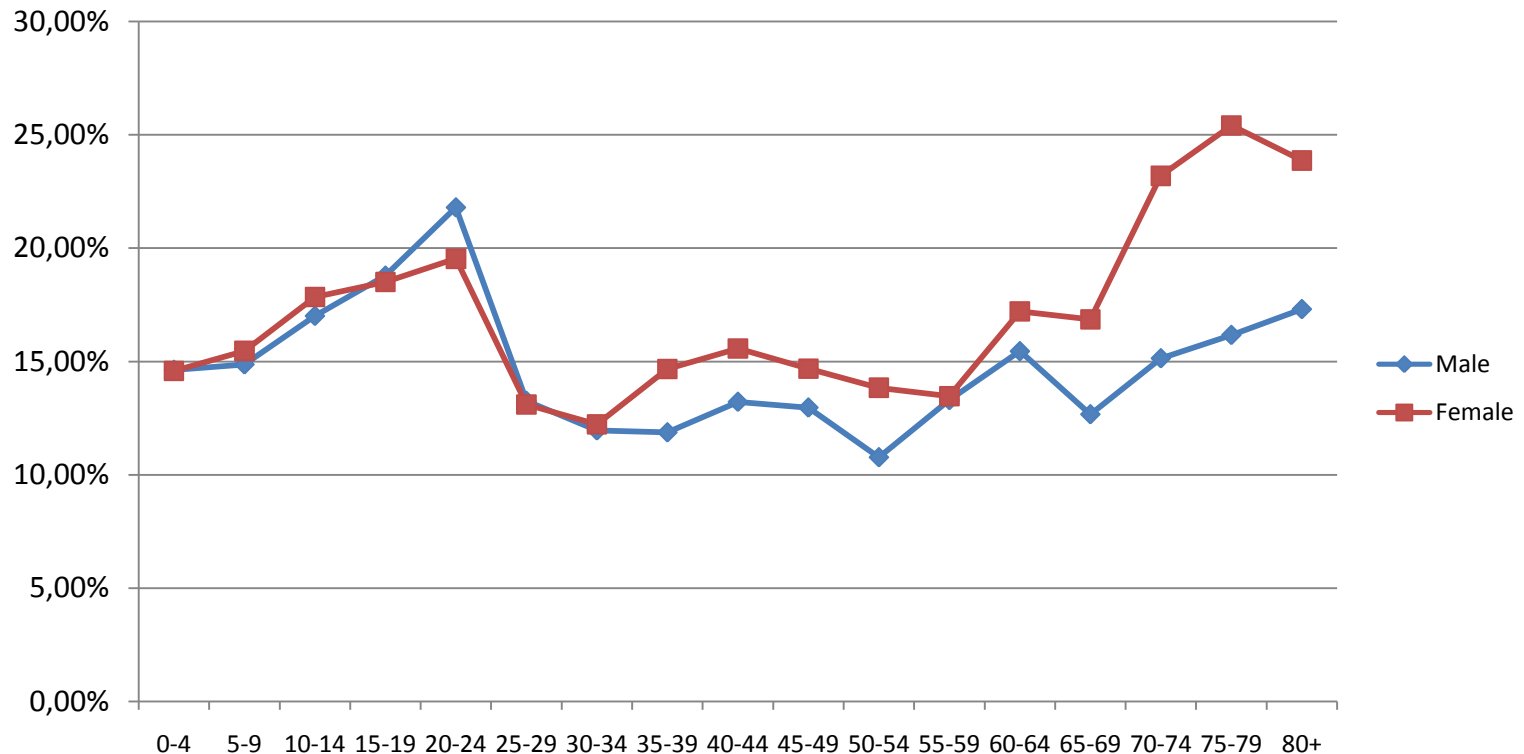
Method to Estimate Relative Poverty Rates



*The poverty rate of a specific group (e.g. under 17, seniors, etc.) can be found by determining the percentage of members of that group who are below the poverty line (fixed regardless of group). (For example, the poverty rate of the group whose income distribution is indicated by the dotted line is higher than that of society as a whole.)

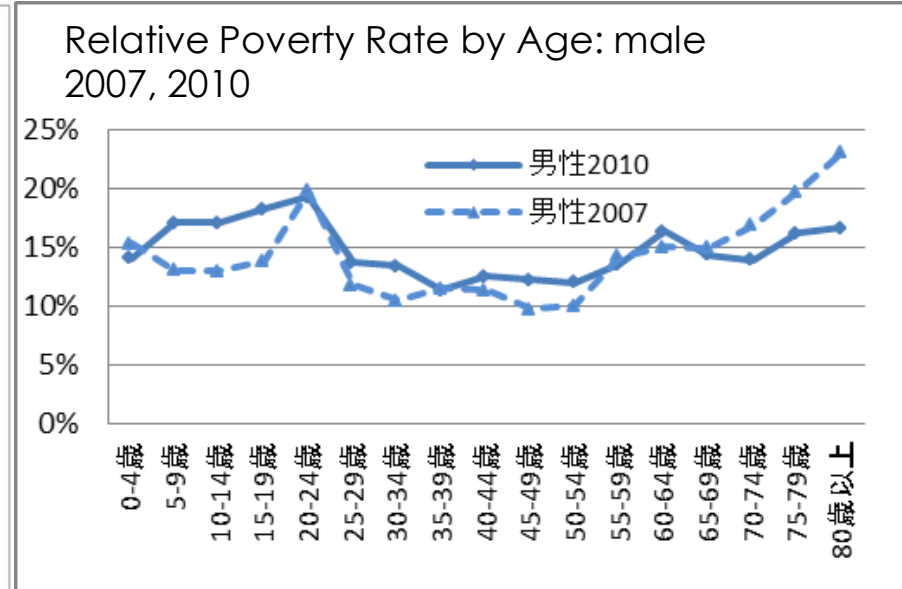
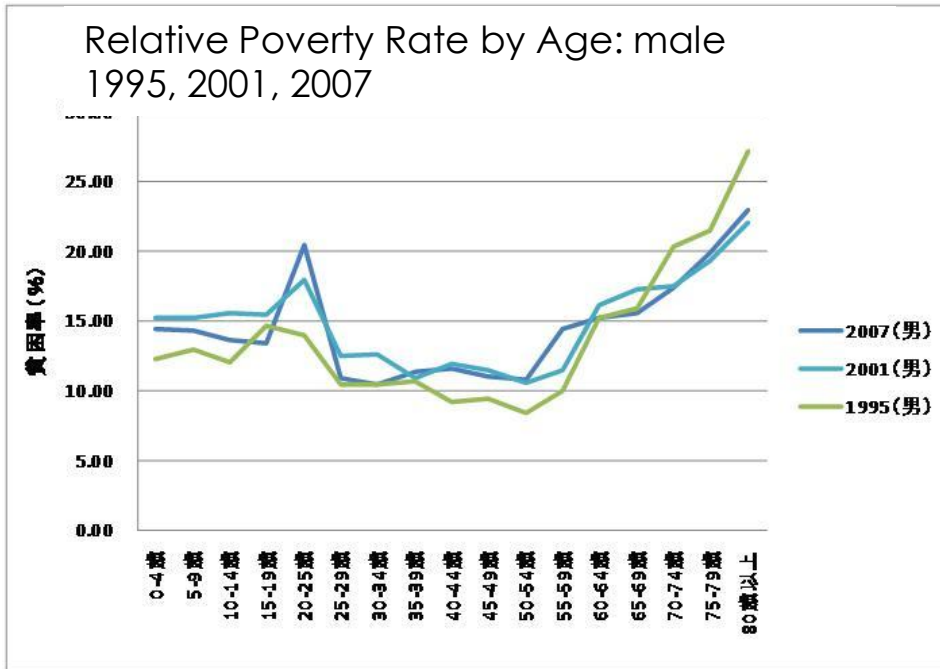
In 2009, the poverty rate of youth surpasses that of the elderly (for men) for the first time.

Relative Poverty Rate by Age and Gender (2012)



Lost Generation?

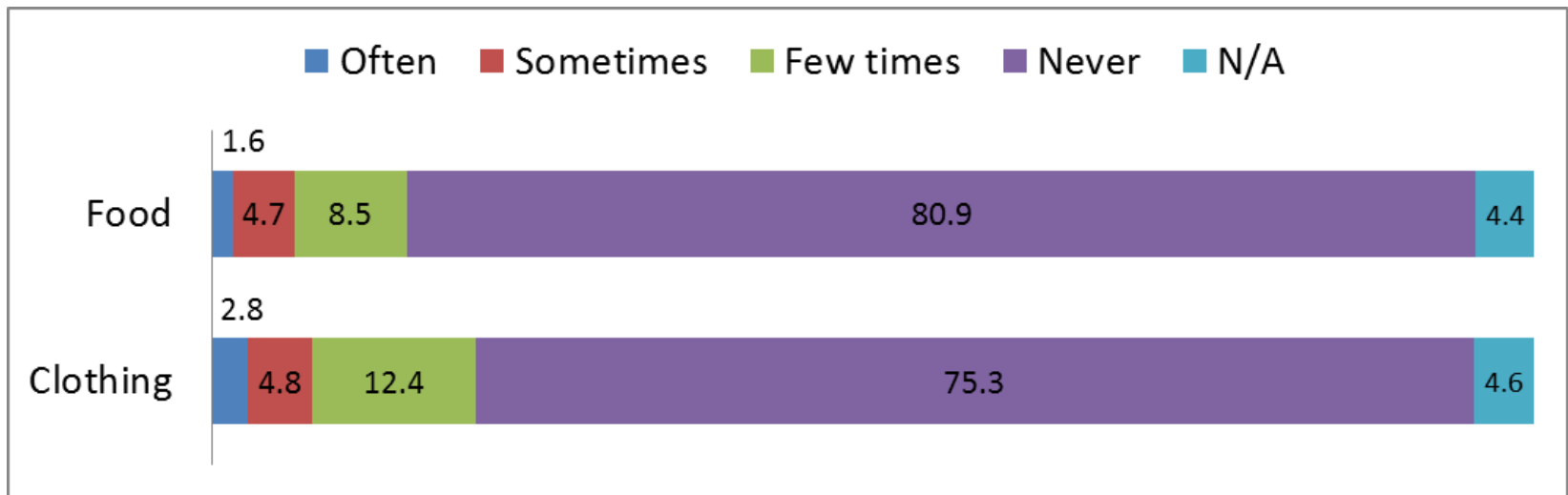
Worrying Trends for Early 20s Males



□ It is still not certain if this poverty of young men is just a temporary poverty over lifetime or lasting poverty for specific cohorts.

Japan's Material Deprivation :

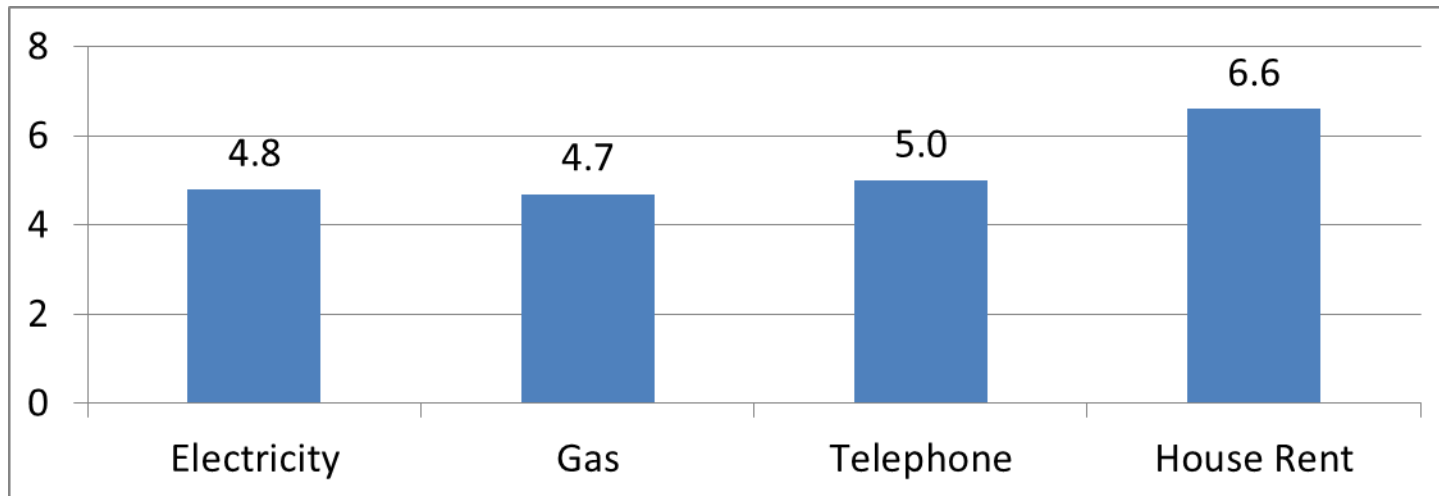
“Have your family experienced not being able to afford food (clothes) that your family needs in the past year?” (2012)



15-20% of households have unfulfilled basic needs of clothing and food.
The higher the income class, the lower the rate of deprivation.

Japan's Material Deprivation: Utility payments and rent arrears

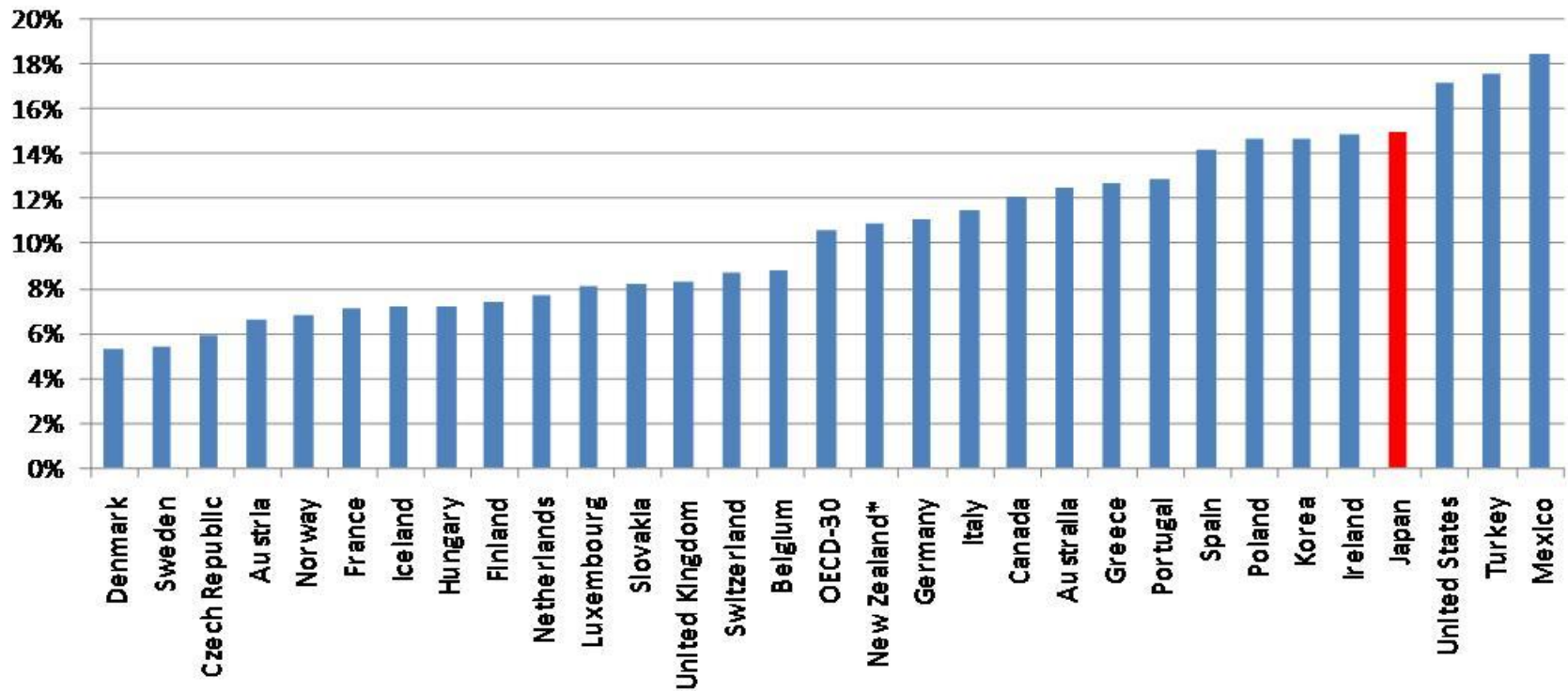
“Have your family experienced not being able to pay utility bills and rent in the past year?”



- About 5% of households are facing risk of losing basic amenities, yet all utilities (once public) are not privatized and there is no provision for the poor. Japan also does not have any public assistance programs to cover part of the cost of utility.
- 6.6% of renters face losing housing, yet Japan has very small amount of public housing, and no housing cost assistance for the poor.

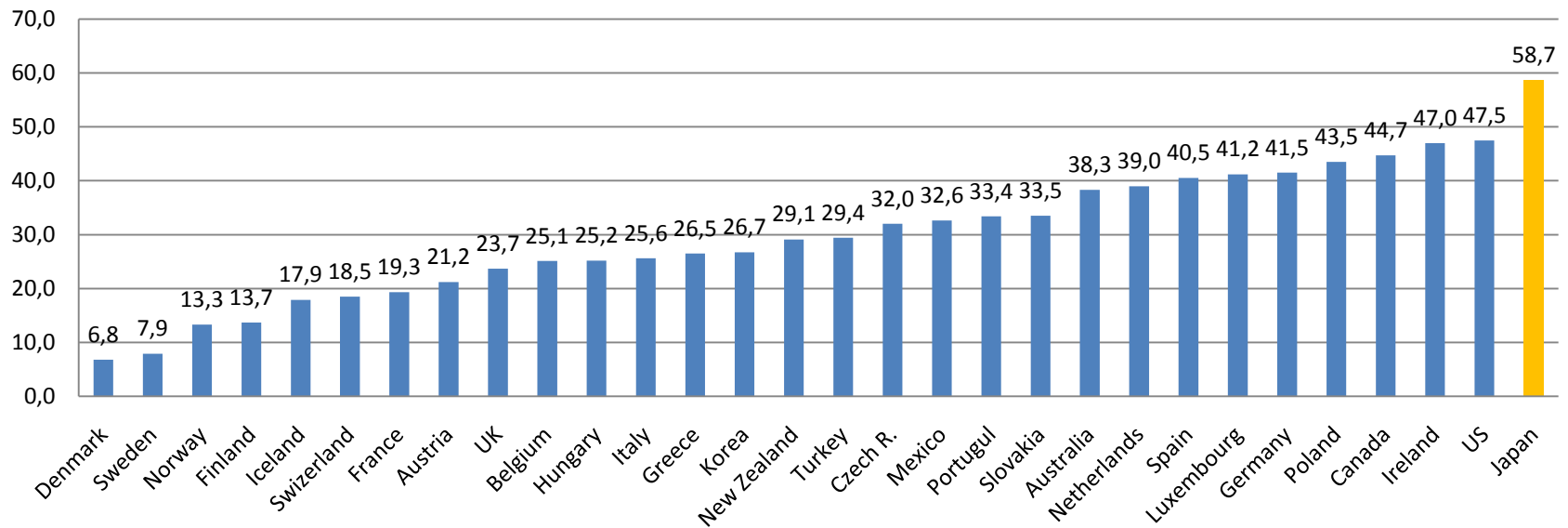
Japan's relative poverty rate is quite high (OECD definition 50% median)

OECD(2008)による貧困率(社会全体)



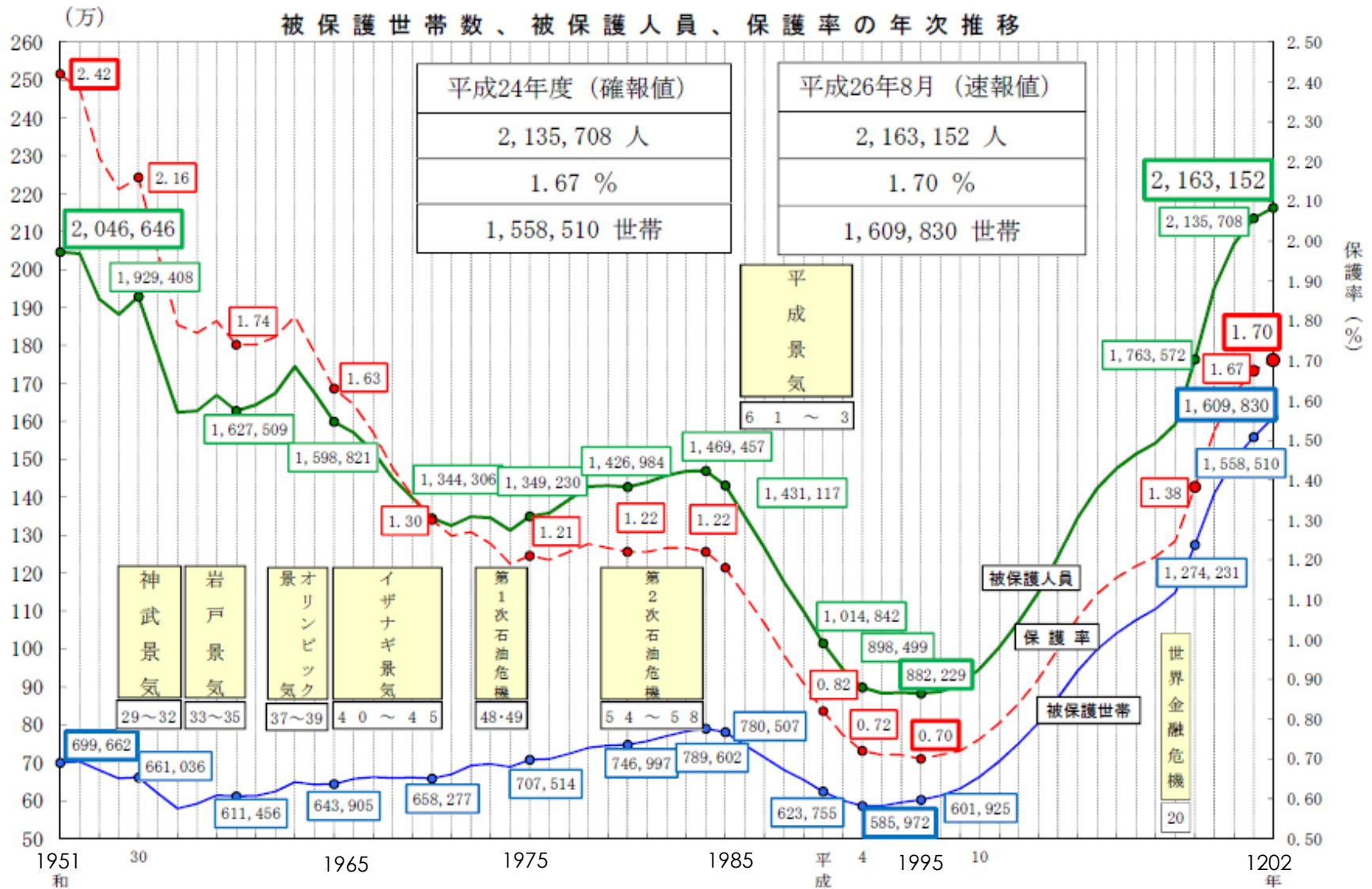
Poverty rate for One-parent family is 59%

Poverty Rate of Household with Children :
One-adult family



- “Untraditional” families are worst off.

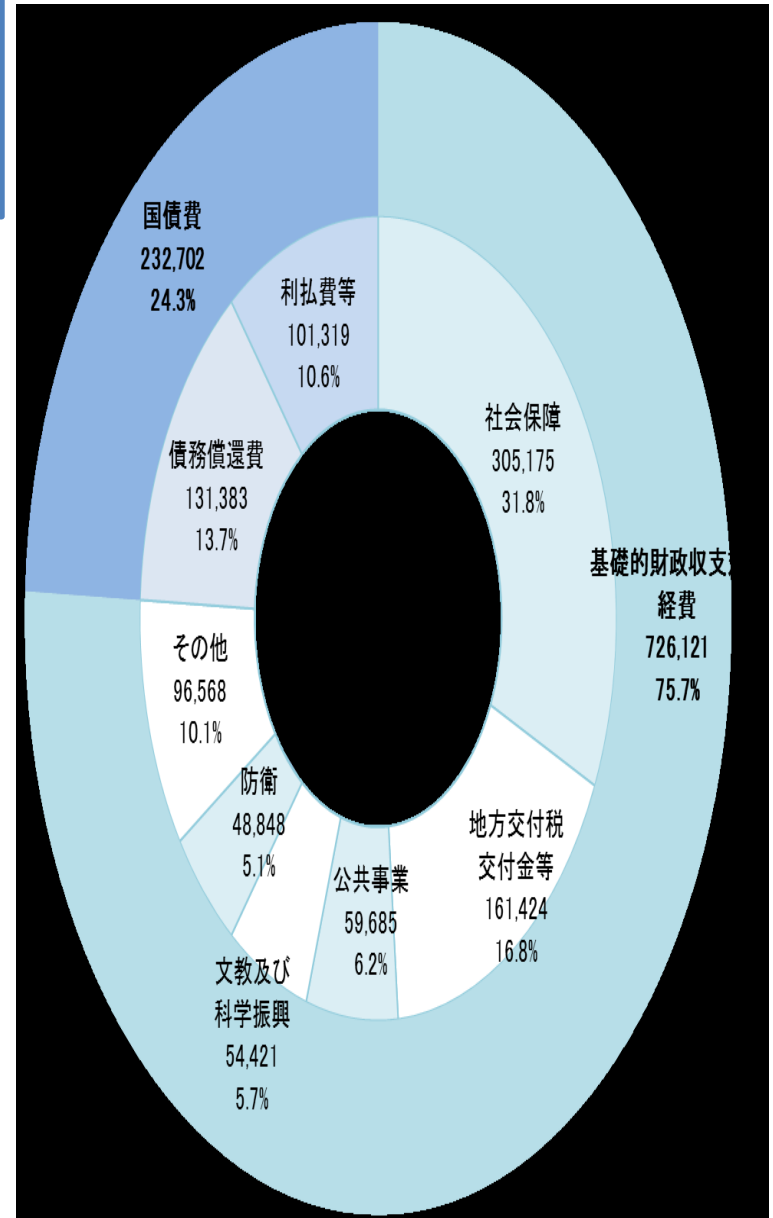
Japan's Public Assistance Receipt rate 1951-2014



- The public assistance receipt rate is increasing, but it only covers less than 2% of the population. The system is not equipped to handle large welfare pay-roll.

Gov't Spending 2014

- Social security expenditure : 31.8%
- Interest payments: 24.3%
- Defense: 5.1%
- Public works: 6.2%

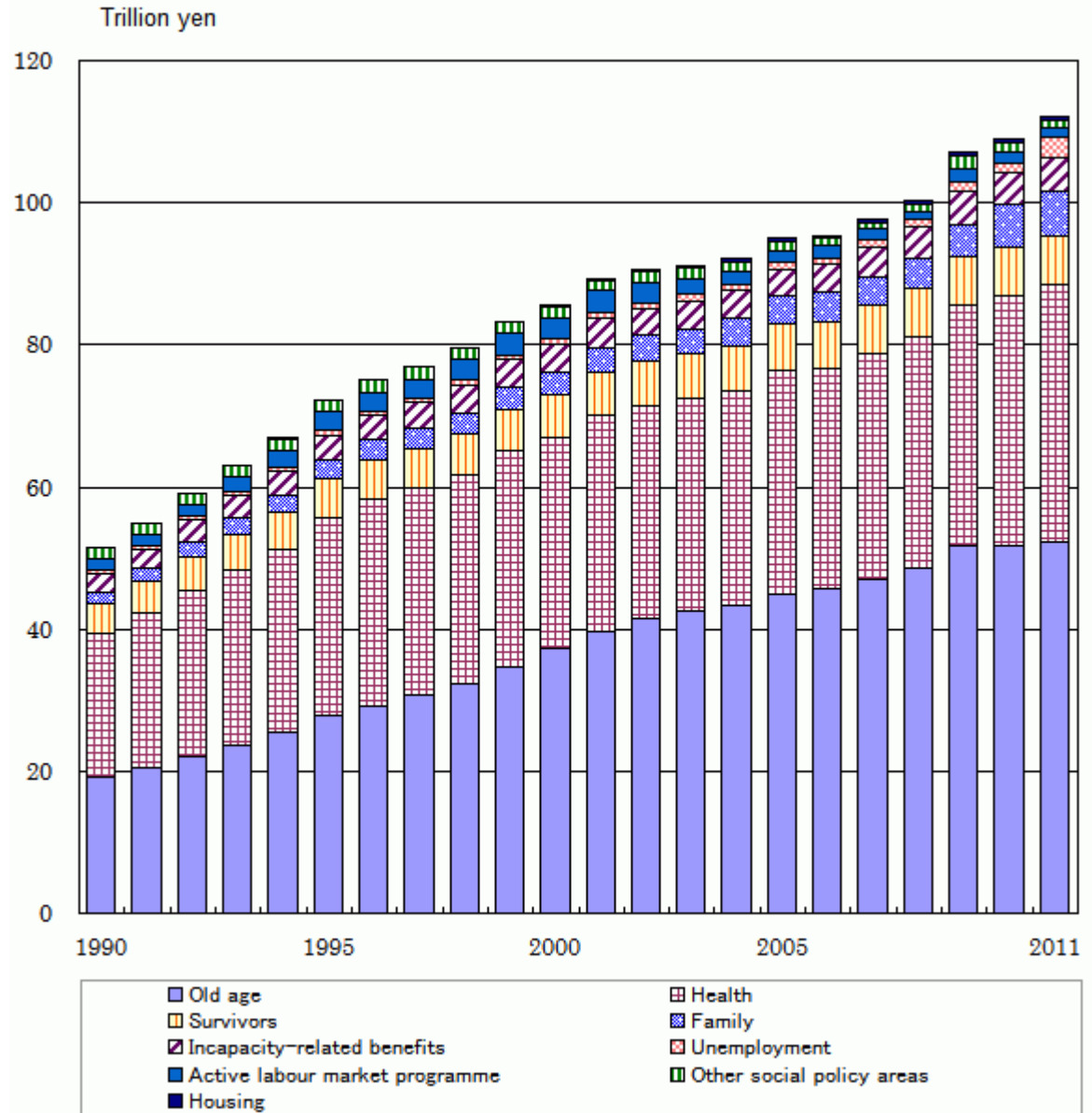


Demographic “curse”

- As the population ages, expenditure grows for social security (old age and widower pension, health, long-term care).
- As working-age population decreases, there is less tax-base.
- “Age populism” ensures no cut in pension & health expenditure.
- As the economic situation of the working-age worsens, there is huge outcry against increasing tax.
- The “tab” is sent to the future generation.

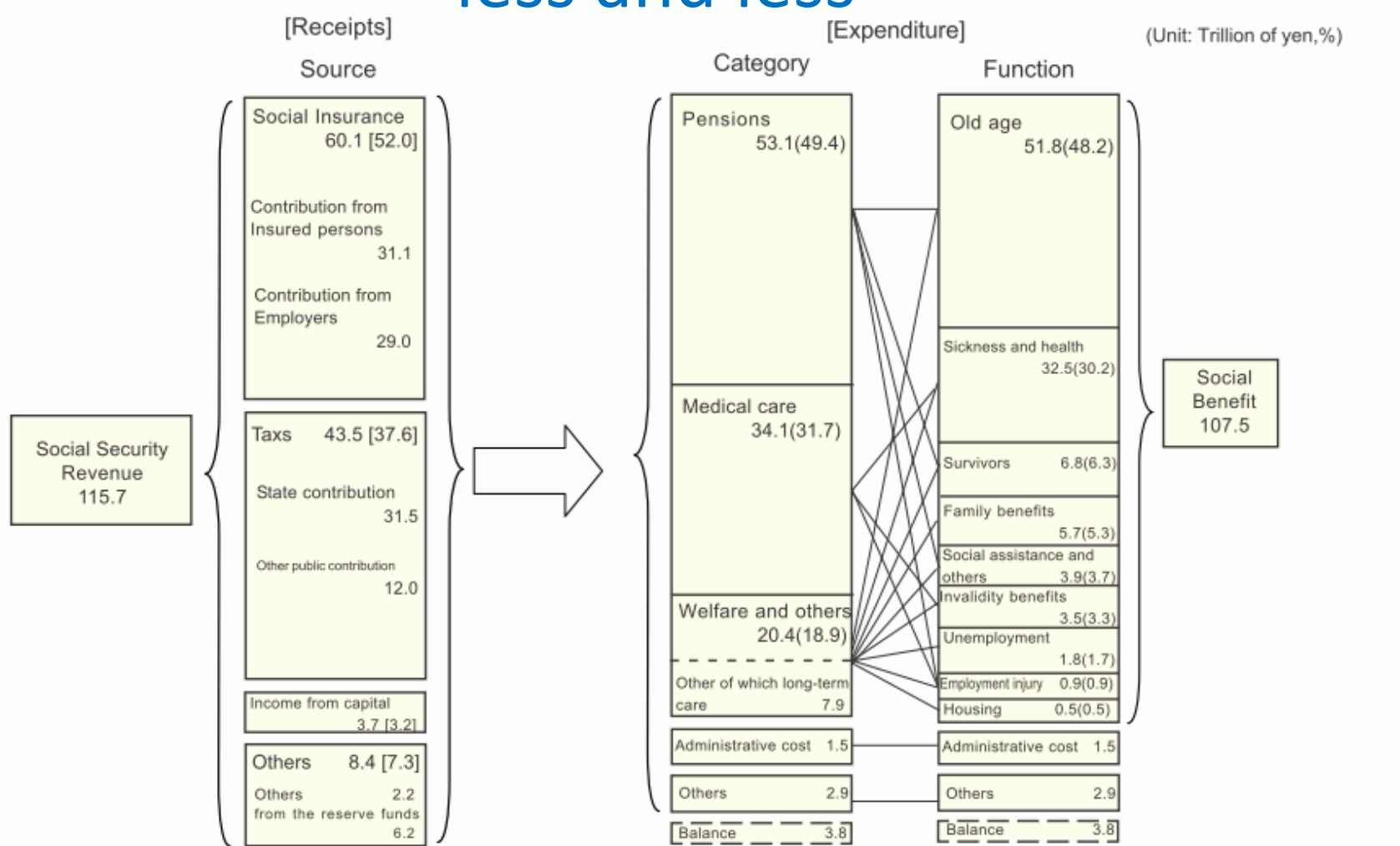
Mounting Social Security Expenditure

- Old age (pension) and Health outlay rose rapidly as the population ages.
- Poverty alleviation (categorized in “Other social policy areas) has not grown at all despite the rise in poverty. (about 4% in 2011)
- “Housing” is barely there.



Source: National Institute of Population and Social Security Research (2013) “Contents of The Financial Statistics of Social Security in Japan FY 2011”

Social insurance contributions cover less and less



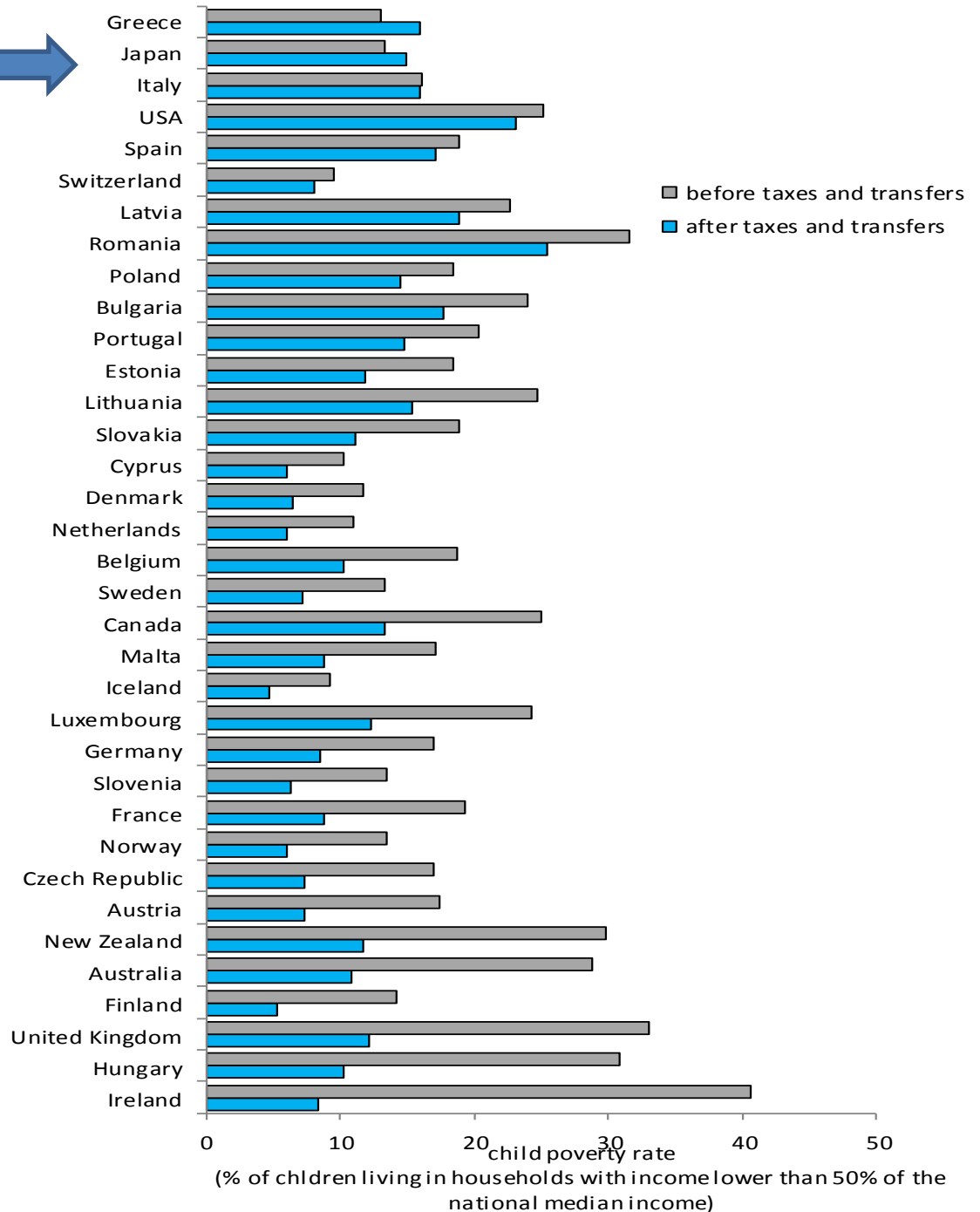
- The cost of social security system is increasingly covered by general taxes (which in turn are financed by government debt).

Japan's Inability to Alleviate Poverty

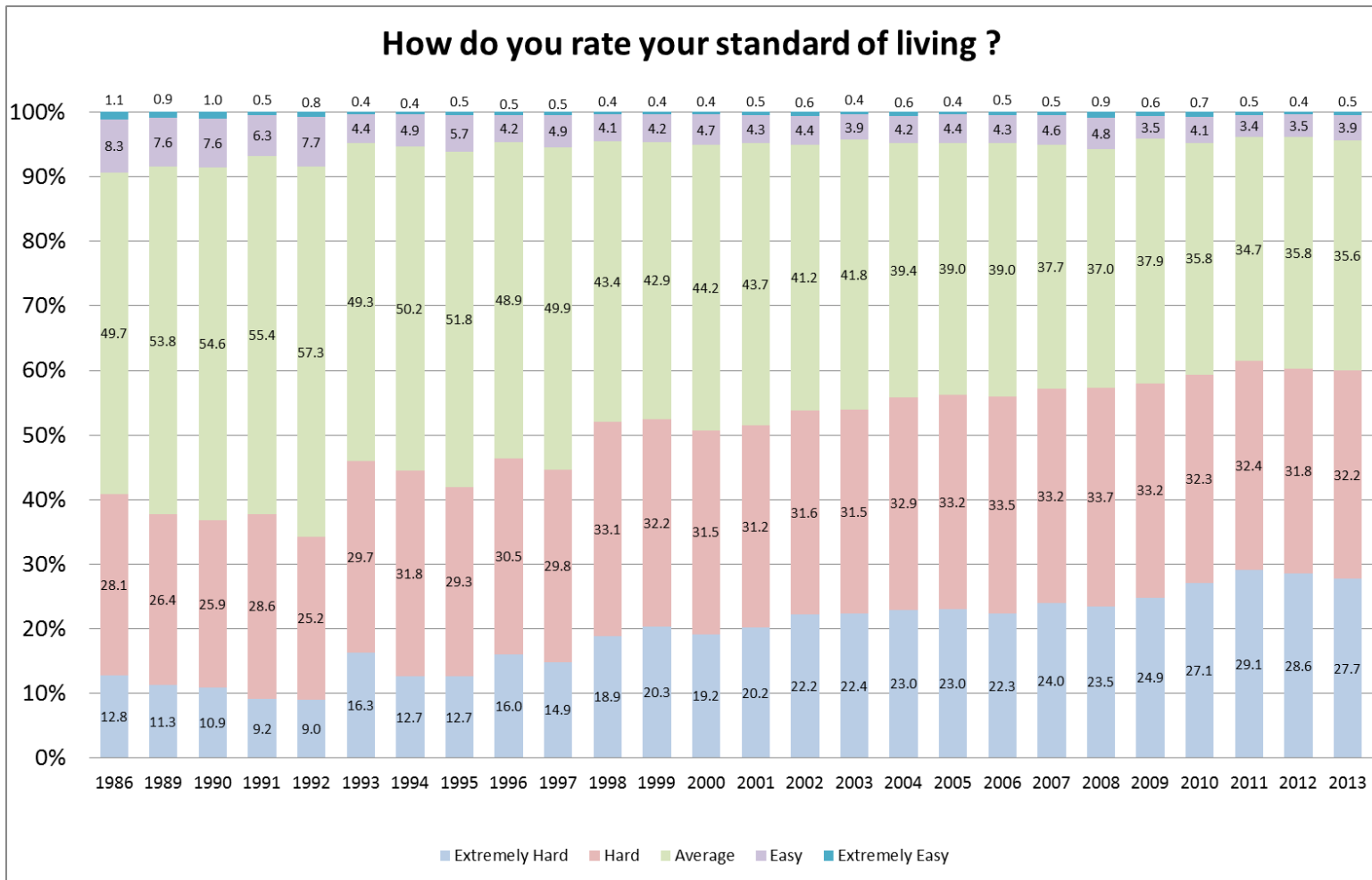
Child Poverty rates:
Before and After
Taxes and Transfers
(UNICEF2009)

Includes pension in
before-T&T income

The child poverty rate
worsens after T&T.

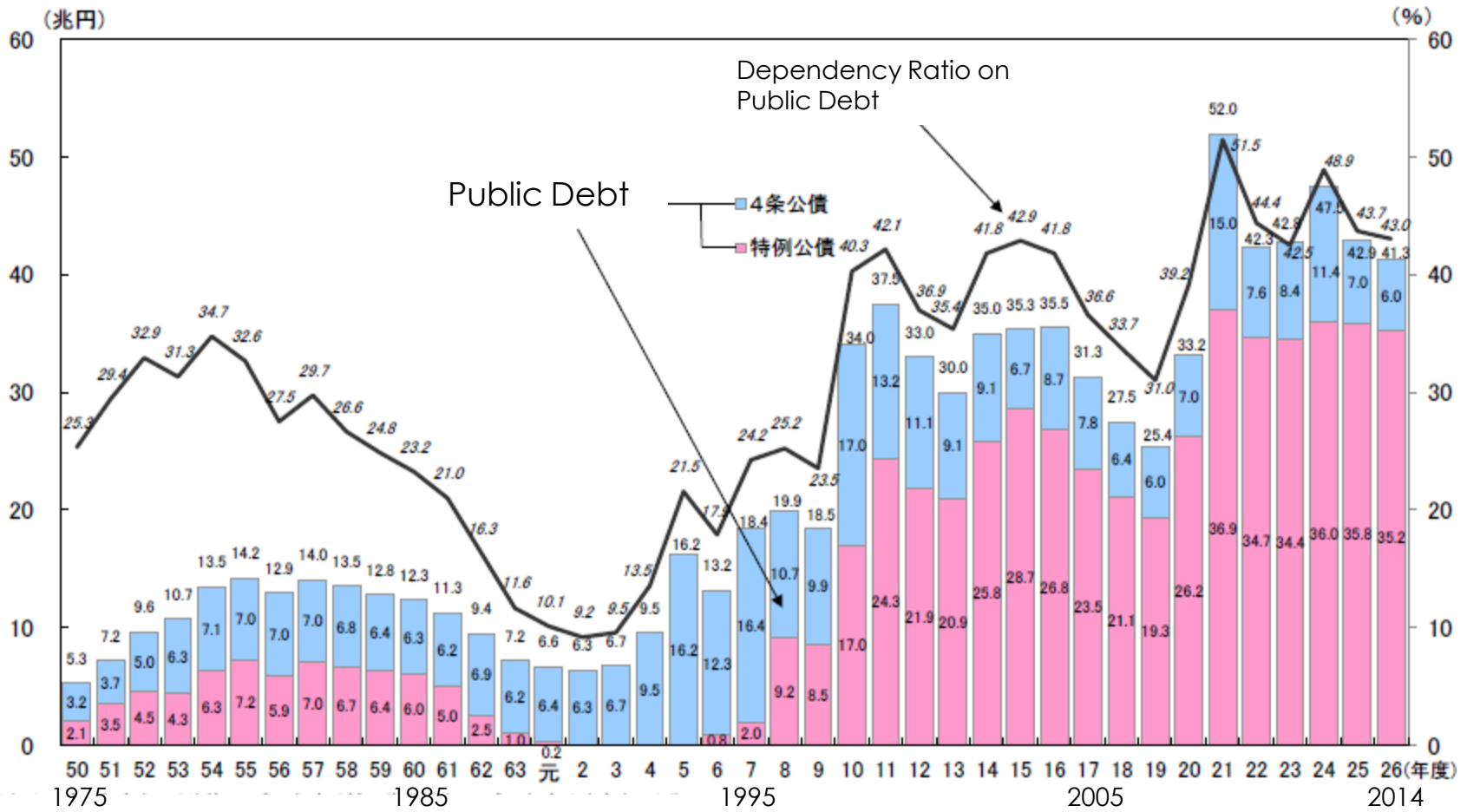


Population feels the “pinch” and are unwilling to increase their burden



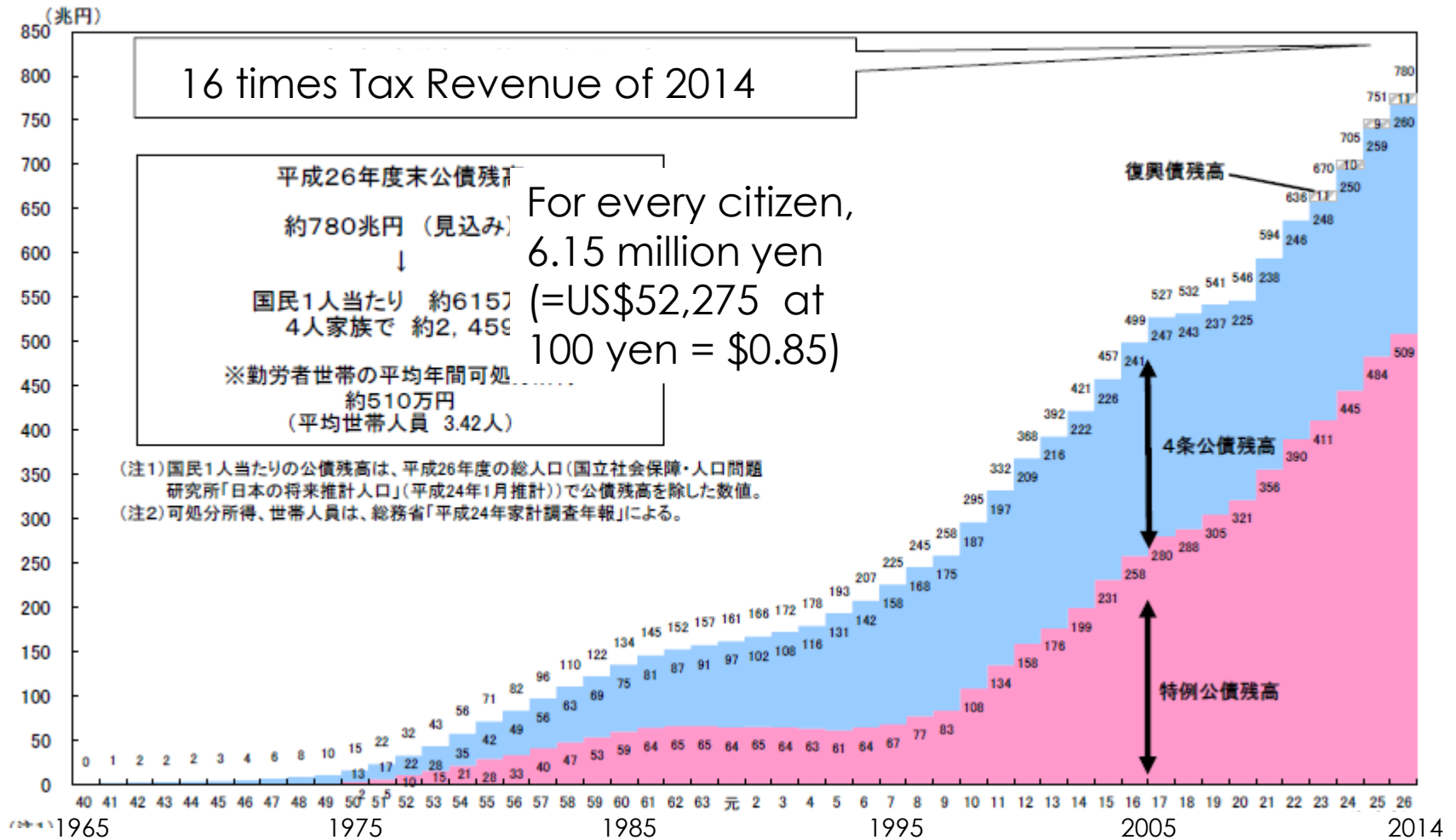
- In 1986, about a half felt their standard of living was “average”.
- In 2013, more than a half (32.2%+27.7%=59.9%) feel their standard of living is “Hard”.

Increasing Dependency on the Public Debt



- In 2014, 43% of outlay is covered by the debt.

Mounting Public Debt



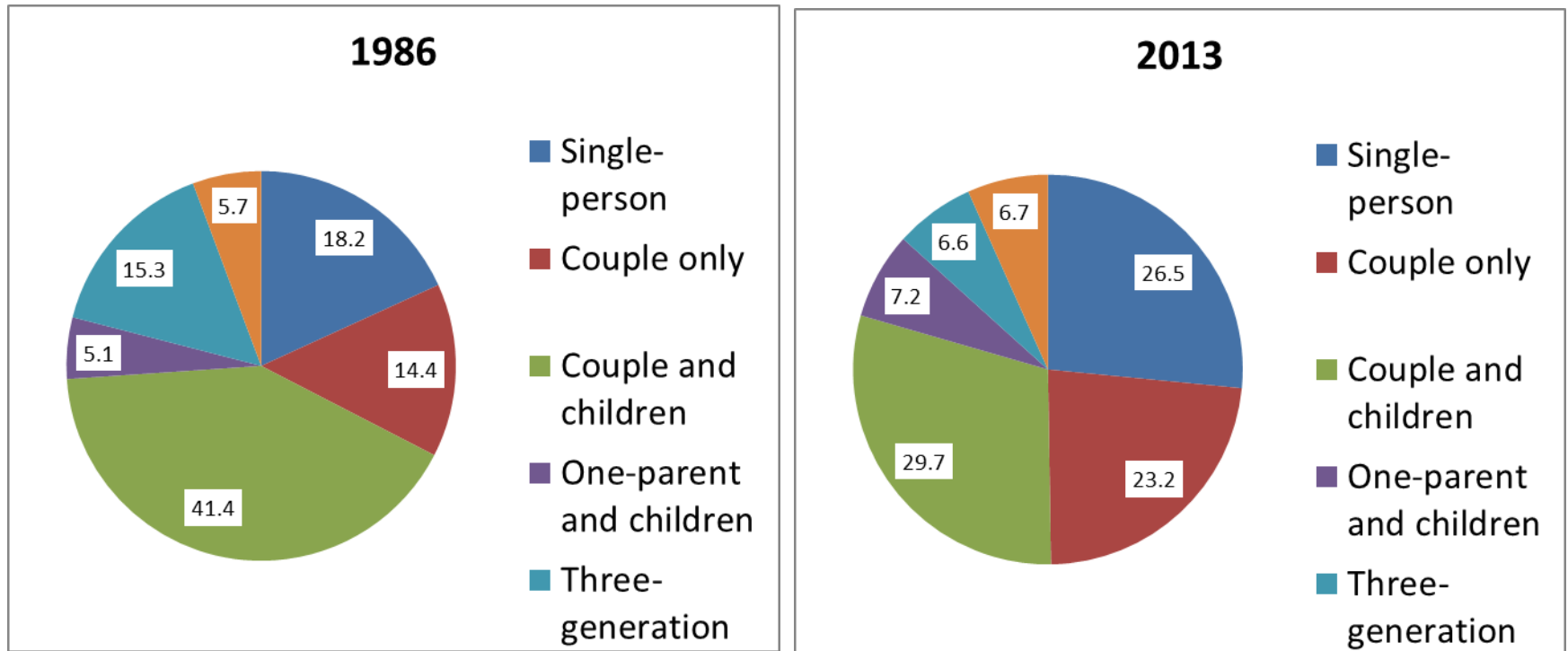
- The amount of public debt is staggering.

Source: Ministry of Finance (2014) “Financial Situation of Our Country (2014)”

The other Safety-Net: Family

- 1979 Prime Minister Ohira “Welfare State Japanese Style”
- 2010~ Liberal Democratic Party “Self-Help, Mutual-Help, Public Help”
 - Public only comes in after “self (one’s own ability)” and “mutual (family)” fail to provide safety-net
 - Public pension ..> not designed to support the living of the elderly on its own.
 - Public assistance ..> Strong requirement for family obligation to support family member (even if estranged)
 - Care for elderly ..> family (children and their spouse) cohabiting is assumed.
- However, “Family” as we know it has been changing rapidly.

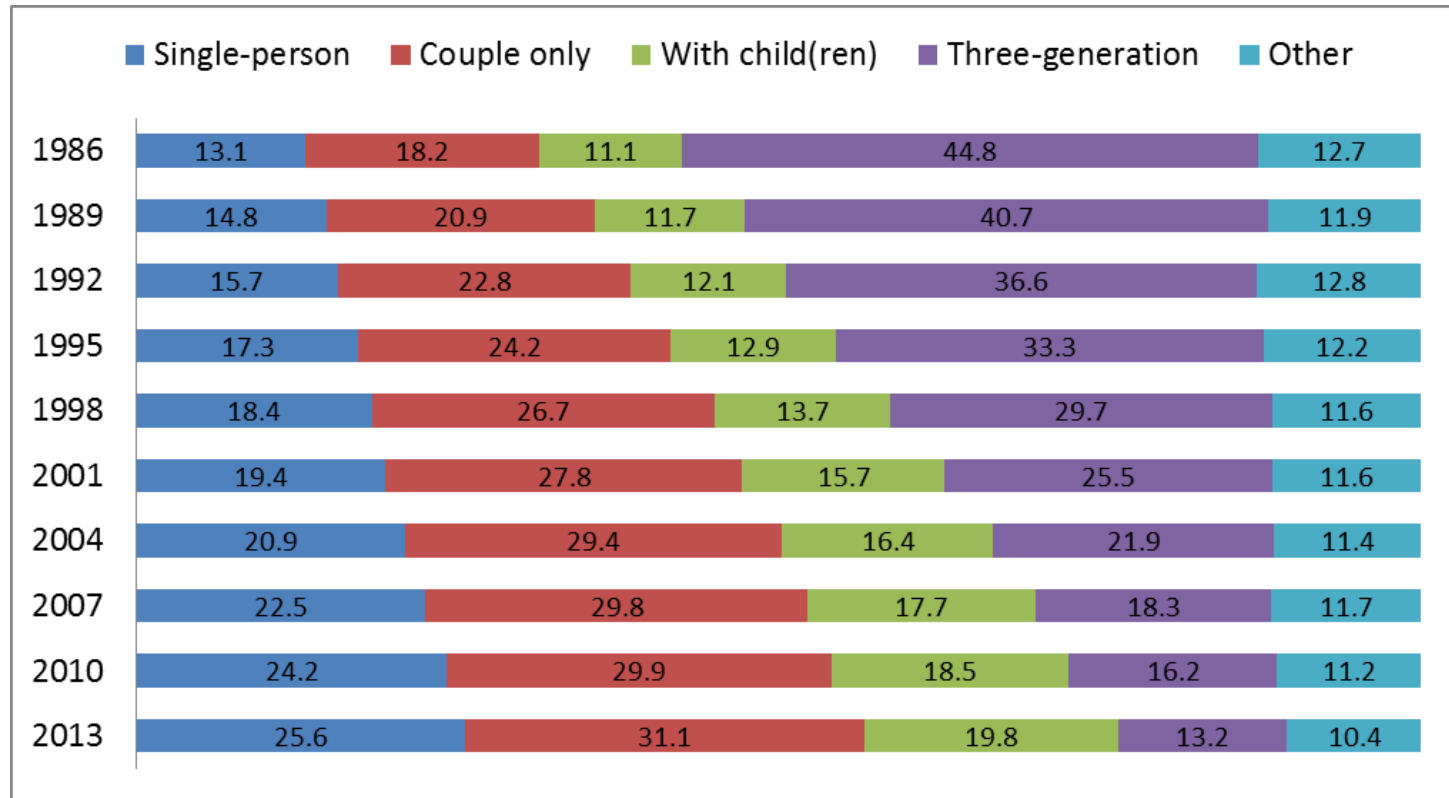
Changing Family Structure of Japan



- Japan's biggest safety net was the family. People relied on their family for income support (by living together) and for care (in old age).
- Multi-generation household assures multiple earners.
- However, now single-person households consists second largest share of household types (26.5%).

Living arrangements of Elderly

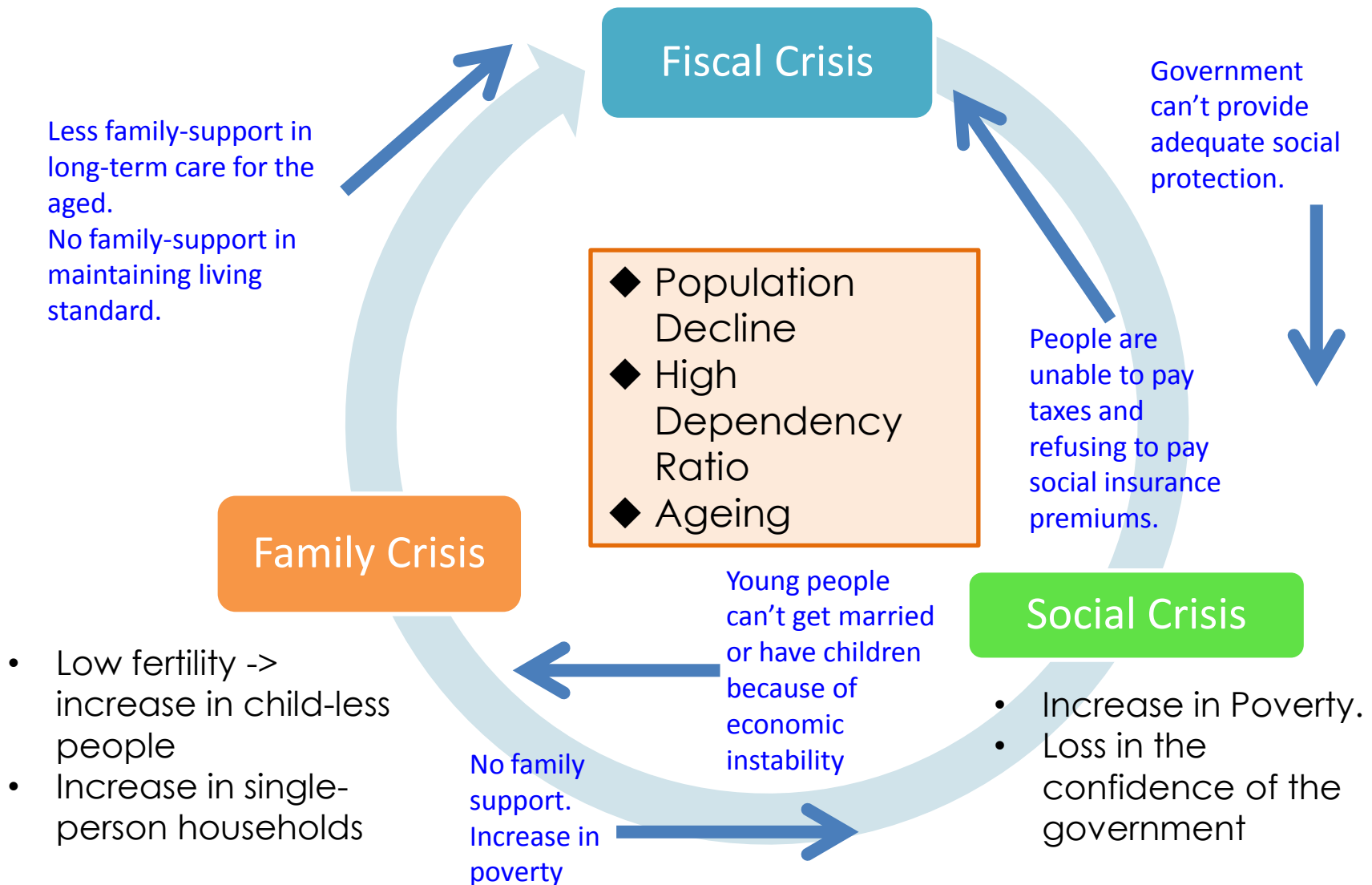
Household types of Households with Elderly



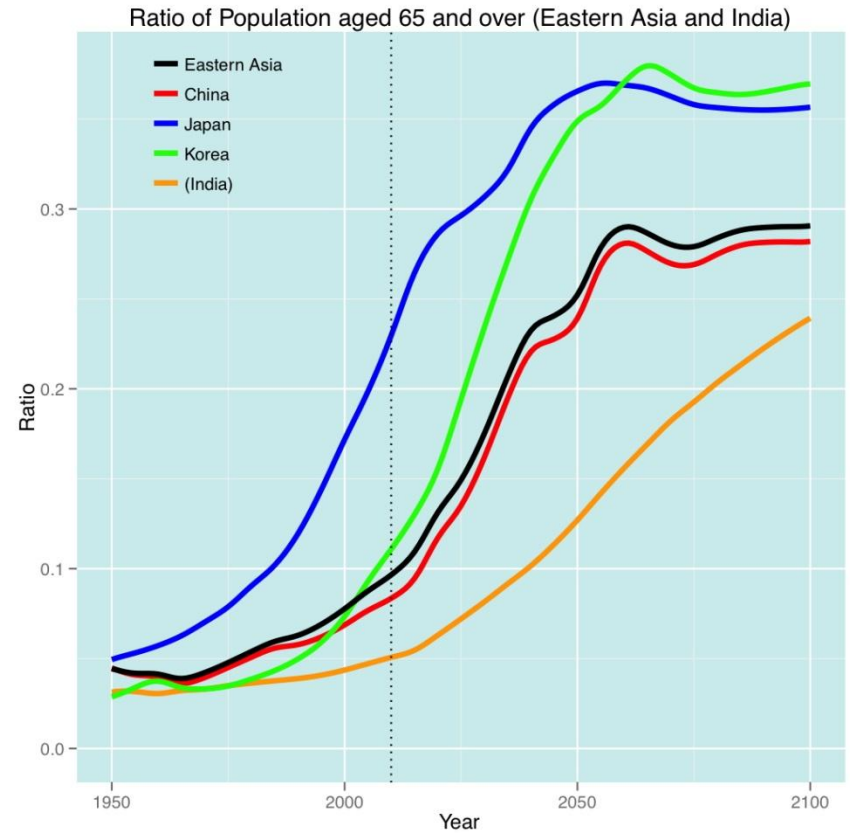
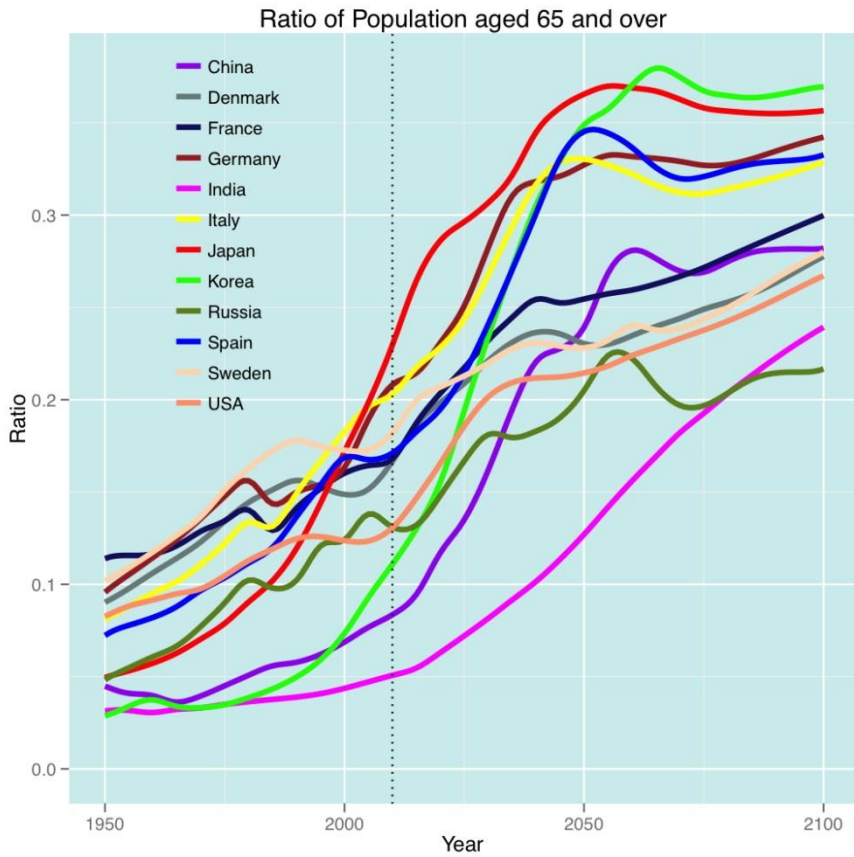
- Elderly used to get support in old-age from cohabiting family members (children and grandchildren), but now more than a half (25.6% + 31.1% = 56.7%) live with themselves or their (also elderly) spouse only.
- Elderly caring Elderly (“Rou-Rou Kaigo”).

Japan's Deadlock

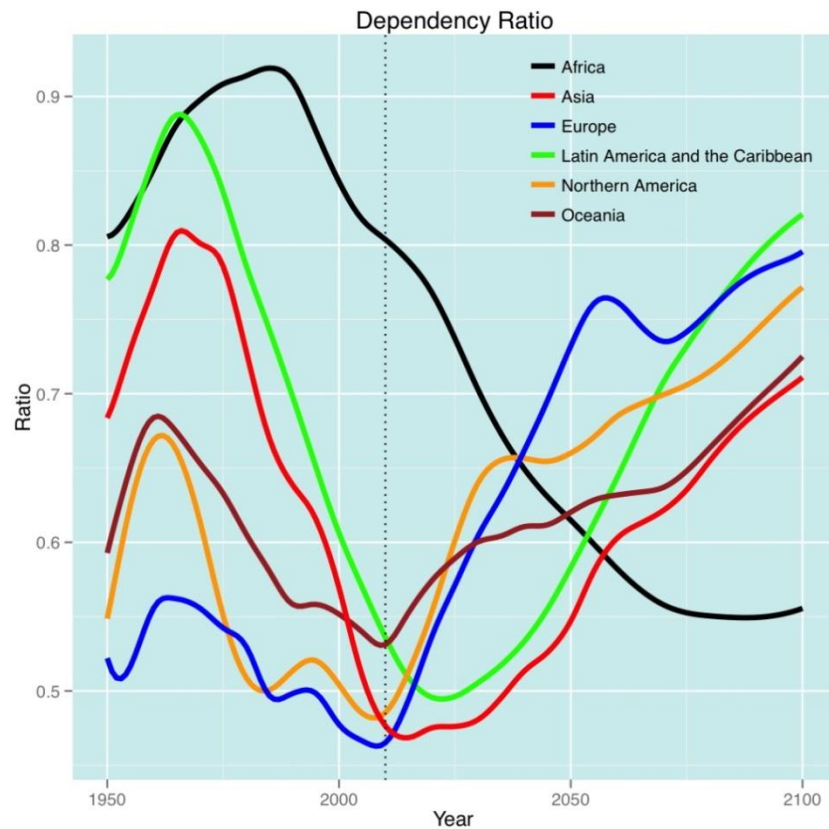
- Population decline leads to less govt Revenue
- Ageing -> Increase in Health/Pension Cost



Who are to follow Japan?



Dependency Ratio is expected to bounce back in all continent except Africa



Lessons from Japan

- Do not forget poverty as the economy grows.
- Do not build social security based on population bonus. It will not last.
- Do not assume family structure remains the same. It changes quicker than you expect.

Consequences for Global poverty strategy?

- Society in which people feel they cannot bear any more burden for poverty in their own country is not likely to share burden for global cause.



Hibiya Park (Tokyo) 2014/11/27

**Thank you for your
attention**