

Social Security Policy in Japan

Ever since its first volume was published in October 1956, the *White Paper on Welfare*¹, an annual publication of Japan's Ministry of Welfare, has stressed that, while Japan's social and economic conditions have been in general improved by a rapid recovery from the disasters of the Second World War, there are still many people whose living standards require further improvement, and has advocated the need to establish more advanced and comprehensive social security schemes in order to build a Welfare State, which is the nation's ultimate goal.

The following article, mainly based on the most recent *White Paper on Welfare* and other available materials, discusses the present problems confronting the Japanese social security schemes administered by the Ministry of Welfare², and the fundamental principles on the basis of which Japan's social security policy is planned and carried out.

INTRODUCTION

It has been reported that as a result of the Second World War, approximately 45 per cent. of Japan's territories was lost and 44 per cent. of all manufacturing facilities destroyed; the nation's wealth decreased by 41.5 per cent., all the wealth acquired during the ten years preceding the end of the war being lost; production in April 1945, four months prior to the end of the war, was one-fourth of the average in the years 1935-36, and by August of the same year it had dropped to one-tenth of the 1935-36 average.

Japan's subsequent economic recovery has been remarkable. The gross national product was estimated at a total of 13,000,000 million yens (or nearly U.S. \$36,000 million) in the year ending 31 March 1961, representing an increase of 2.4 times over that in the 1950 fiscal year in terms of real value. Taking into account the fluctuations of commodity prices, the average annual rate of increase of the gross national product was 11.5 per cent. in the fiscal years 1947-1959 and 8.3 per cent. during the years 1953-1959.³ The fact that the targets of the 1957 economic plan, which were to be reached in 1962, were already achieved by the end of 1960, also shows how rapid the economic growth of the country was.

This favourable tendency of the Japanese national economy is reflected in general in increased levels of employment and wages in all industries with the exception of coal mining. For instance in manufacturing industry the average index of workers regularly employed in establishments with more than 30 workers was 136.3 in 1959 and 153.9 in 1960,

¹ Ministry of Welfare, Japanese Government: *Kosei Hakusho* (White Paper on Welfare), various years.

² In Japan the unemployment and employment injury branches are administered by the Labour Ministry.

³ *Kosei Hakusho*, 1960, p. 22.

taking the 1955 average as 100; the real index of cash earnings of workers in the same category was 121.0 and 127.1 respectively.¹

It cannot be denied that social security has also enjoyed, to some extent, the results of this prosperity, without which the long-cherished nation-wide coverage of the compulsory medical care and pension insurance schemes could not have been achieved.²

Nevertheless, as pointed out by the White Paper on Welfare, a number of problems remain to be solved if the social security system is to be built up into an effective bulwark against the fear of poverty, which may prevail even in an economically prosperous society. Before discussing these problems, however, it is necessary to give a brief account of the structural characteristics of Japan's labour economy which are considered to have hindered the development of a sound social security system.

Since the war surplus population has been an important factor in creating the large category of persons classified as "incompletely occupied". Although no hard and fast definition has yet been established of this term, it is widely accepted as covering (1) working persons whose earnings are lower than a certain standard, and (2) those whose actual hours of work are too short to earn a sufficient income, or are longer than the average for their earnings; in addition it may include (3) those who wish to change their jobs because of insufficient earnings or unstable employment status, and (4) those who wish to get additional jobs to supplement their present earnings. According to available information, in 1959 the number of households whose annual cash earnings were less than 100,000 yens (approximately U.S. \$278) represented 15 per cent. of the total number of households (including those not gainfully occupied), while the average cash earnings of regularly employed workers in the same year was 22,608 yens per month.³ The same source also reported that there were 1,600,000 persons who wished to be employed in more satisfactory conditions and 900,000 persons who wished to have additional jobs in the same year.⁴

Another feature of Japan's employment structure affecting social security schemes is the existence of two distinct categories of employees—"permanent employees", who may not be dismissed or laid off before reaching retirement age, and "temporary employees", who enjoy no such job security; moreover, there is practically no mobility between these two categories of employees.⁵ A government survey reported that in 1956 the second category of employees totalled 1,960,000, accounting for about 10 per cent. of the entire working population; in addition, the number of daily workers registered at the public placement services and working under the worst conditions markedly increased, reaching 550,000 at the end of 1958.⁶

¹ *Economic Statistics Monthly* (Tokyo, Statistics Department, Bank of Japan), Apr. 1961, pp. 128-129.

² For the development of social security schemes in Japan from 1951 to 1960, see *International Labour Review*, Vol. LXXXII, No. 2, Aug. 1960, pp. 165-172.

³ Labour Statistics and Research Division, Ministry of Labour: *Showa Sanjuyonen Rodokeizai No Bunseki* (Analysis of Labour Economy in 1959) (Tokyo, 1960), pp. 113 and 125.

⁴ *Ibid.*, pp. 110 and 114.

⁵ See the case study on Japan contributed by Prof. S. Tsuru to *Employment Objectives in Economic Development: Report of a Meeting of Experts* (Geneva, I.L.O., 1961) (mimeographed), pp. 202-212.

⁶ Economic Planning Agency, Japanese Government: *Economic Survey of Japan 1958-1959* (Tokyo, 1959), p. 284.

A third factor is the difference in capital forming capacity, and hence in productivity, between the larger and smaller establishments, which has resulted in wide differentials in workers' earnings by size of establishments. A recent study shows, for example, that in an establishment employing between 10 and 29 workers the earnings of a male rolling-mill operator between the ages of 30 and 35 with five to ten years' experience would be only 66 per cent. of those of the same worker in an establishment with 1,000 or more employees.¹ The White Paper on Welfare also reported, citing the results of a wage structure survey made by the Labour Ministry in 1959, that the average monthly earnings of workers of more than 50 years of age was 36,000 yens in establishments employing 500 or more employees, and only 20,000 yens in establishments employing 10 to 99 workers.² It may be noteworthy that nearly 60 per cent. of all employees in non-agricultural sectors were in establishments with less than 500 workers.³

Finally, a considerable difference in the rate of growth of the agricultural and non-agricultural sectors has also caused a widening gap between average incomes in these two sectors, the ratio of the former to the latter dropping from 92 per cent. in 1956 to 84 in 1958. About 20 per cent. of agricultural households belonged in 1959 to the lower income group with cash earnings of less than 100,000 yens per year, as compared to the over-all national figure of 15 per cent.

The structural duality of the labour economy described above has caused the division of the people into two groups—the favoured and the unfortunate—and finds its counterpart in the social security measures so far adopted in the country.

SOCIAL SECURITY PROBLEMS IN JAPAN

Pension Insurance Schemes

Japan's pension insurance system comprises (1) the Welfare Pension Insurance Scheme covering manual and non-manual workers in private establishments employing not less than five workers, (2) various pension and mutual aid association schemes for national and local government staffs and employees, (3) mutual aid association schemes separately organised for public corporation employees, private school teachers and employees, the staffs of agricultural, forestry and fishery co-operatives and allied societies, (4) the Seamen's Insurance Scheme and (5) the National Pension Scheme, covering all persons not protected under any one of the schemes mentioned above.⁴

The total number of persons covered in the first four categories was 15,880,000, representing about 75 per cent. of paid employees in all industries, as of the end of March 1960.⁵ On the other hand, about 24,650,000 persons were expected to come under the scope of the contributory National Pension Scheme in July 1960, and 2,520,000 persons already started to receive non-contributory benefits under the same scheme in September 1960.⁶

¹ "A Case Study on Japan", op. cit., p. 205.

² *Kosei Hakusho*, 1960, p. 60.

³ *Monthly Report on the Labour Force Survey* (Tokyo, Bureau of Statistics, Office of the Prime Minister), Dec. 1960, p. 5.

⁴ For the details of this scheme see *Industry and Labour* (Geneva, I.L.O.), Vol. XXIII, No. 8, 15 Apr. 1960, pp. 287-290.

⁵ *Kosei Hakusho*, 1960, p. 133.

⁶ *Ibid.*, pp. 126 and 129. Non-contributory benefits for those unable to qualify for benefits under the contributory scheme became payable in respect of old age and invalidity, and to widowed mothers, as from November 1959.

Unification of Pension Insurance.

The existence of a number of different and separately administered pension schemes often makes it difficult for an insured worker to qualify for benefit if he changes from employment covered by one scheme to employment covered by another. Before Japan can pursue an effective policy of labour mobility aimed at promoting a structural change in her economy, this problem will have to be overcome—ideally by unifying the existing schemes in order to establish a single scheme with nationwide coverage. The social and economic conditions that would make such unification feasible, however, cannot be expected to exist in the near future and, as a practical compromise, the Government has proposed a system under which periods of coverage under different schemes could be aggregated for the purpose of calculating entitlement to benefit.

Disparities in Levels of Benefit.

Under the Welfare Pension Insurance Scheme the pension is composed of two parts: (1) a flat amount, which has been 24,000 yens ever since it was introduced in 1954, and (2) an amount equal to 0.6 per cent. of average earnings (classified for the purpose into 20 wage classes) for each year of insurance coverage. As a result of this system of calculation the annual amount of the old-age pension is about 76,000 yens in the case of a worker without dependants, who has been insured for 20 years and whose monthly average earnings are 36,000 yens; whereas it is about 53,000 yens for a similar worker with average monthly earnings of 20,000 yens. Since, as pointed out above, wage differentials by size of establishment are so large in Japan, the White Paper strongly urged that the flat-rate component of the pension should be increased in order to ensure equity of protection.

The National Pension Scheme was separately set up by the law of 1959 to cover persons who had not hitherto been protected under any one of the public schemes. In view of the low average earning capacity of this group the Welfare Pension Scheme, with its relatively higher rates of contribution, could not be generally extended to the whole population, and a separate scheme with a lower rate of contributions had therefore to be created. In spite of the considerable subsidies paid from the public funds, this inevitably led to a lower rate of benefit and longer qualifying periods compared with the benefits and qualifying periods under other pension schemes. The White Paper on Welfare drew attention to the urgent need to raise the benefit rate under the National Pension Scheme as high as possible in proportion to the economic growth of the country; the view was expressed in it that existing disparities in earnings, and hence in rates of benefit, might eventually disappear as the structural duality of the national economy was progressively attenuated.

Older Workers.

In Japan 52 out of every 100 persons aged 65 years or more were gainfully occupied or registered as unemployed in July 1959. In this respect the White Paper on Welfare pointed out that older persons, who ought to be entitled to an adequate rest after a lifetime of service to society, are obliged to remain in employment in order to supplement their meagre incomes; this in turn creates certain pressures on the labour market and contributes to the prevailing low wage levels in the country. With the advance of technical innovations and rationalisation

the demand for younger workers will grow, and older workers will face the risk of being forced out of work. In order to enable them to enjoy a decent retirement, it is first necessary, according to the White Paper, to improve the existing social security schemes, notably the old-age pension schemes. Furthermore, it is argued that the expansion and improvement of pension schemes might eventually facilitate the rationalisation of the employment market by enabling aged persons, invalids and widowed mothers to withdraw from the active labour force.

Medical Care Insurance Schemes

Medical care insurance has made rapid progress in Japan, especially during the post-war period, and was expected to cover the entire population of the country by the end of March 1961. In this branch, too, separate schemes exist, each reflecting the characteristics of the social stratum to which the covered persons belong. First there is the Health Insurance Scheme for wage earners and salaried employees in private establishments employing not less than five workers; this is further divided into two schemes: one for employees of larger undertakings, which are permitted to organise health insurance societies at the level of undertaking¹, and the other for those covered by the government-managed scheme, notably the employees of smaller undertakings. In addition, there are various mutual aid association schemes for the staffs and employees of the national and local governments and public corporations, the Daily Workers' Health Insurance Scheme and the Seamen's Insurance Scheme. Finally, the National Health Insurance Scheme embraces all persons not covered by any one of the schemes mentioned above.²

The number of persons protected by the various medical care insurance schemes is shown in table I.

Table I shows that about 89 per cent. of the total population of 93.4 million were enjoying medical care protection in March 1960, and the White Paper was convinced that nation-wide coverage would be achieved by the end of March 1961, as scheduled.

Because of the existence of a number of schemes differentiated by social stratum or by employment status, however, the better paid workers, who can afford to pay higher contributions, maintain schemes capable of providing a higher level of benefits (as in the case of a health insurance society organised by the permanent employees of larger undertakings)³; under the schemes covering mainly the lower income groups, however, the insured persons are less favourably placed. As a result, wage differentials by size of establishment and the large disparity between incomes in agriculture and the non-agricultural sectors lead not only to different levels of benefit but also to the application of stricter qualifying conditions to persons insured under the schemes covering the

¹ Under the Health Insurance Act of 1927, an undertaking with not less than 300 employees may apply to the Welfare Minister for the organisation of a health insurance society, after having the consent of more than half of its employees; as a rule, approval is not given unless the undertaking has more than 1,000 employees.

² The covered population under the National Health Insurance Scheme almost coincides with that of the National Pension Scheme.

³ The exclusivism of health insurance societies organised by the employees of undertakings has its equivalent in the Japanese workers' unions organised at the level of the undertaking, which exclude from membership the workers who have no permanent employment status in the undertaking.

TABLE I. NUMBER OF PERSONS COVERED BY MEDICAL CARE INSURANCE,
31 MARCH 1960
(Thousands)

Scheme	Insured	Dependants	Total
<i>Schemes for paid employees</i>	16,896	23,845	40,741
Health Insurance :			
Government-managed	7,961	8,877	16,838
Society-managed	4,496	7,319	11,815
Daily Workers' Scheme	930	1,115	2,045
Seamen's Insurance	206	352	558
Various Mutual Aid Associations . .	3,303	6,182	9,485
<i>National Health Insurance</i>	43,244	—	43,244
Total	—	—	82,885 ¹

Source : *Kosei Hakusho*, 1960, p. 214.

¹ Excluding about 1.1 million persons who were dependants of the insured persons under the schemes of paid employees but insured themselves under the National Health Insurance Scheme.

poorer sectors of the population. For example the Daily Workers' Health Insurance Scheme requires a certain number of contributions over a given period for entitlement to medical care, whereas the Health Insurance Scheme does not require any qualifying period for the benefit ; moreover, under the National Health Insurance Scheme, to which employers pay no contribution, insured persons are individually required to share, as a general rule, 50 per cent. of the medical care fee, whereas under the government-managed Health Insurance Scheme the insured only have to pay 100 yens for the first consultation and, in case of hospitalisation, 30 yens for each day up to 30 days.

As a result of this situation a considerable number of insured persons are unable to enjoy the full protection of the medical care schemes. There are, for example, those who do not satisfy the qualifying conditions, or who have exhausted the benefit period under the Daily Workers' Health Insurance, and those who do not receive sufficient medical treatment under the National Health Insurance Scheme when they fall sick because they cannot afford to pay their share of the medical care fee. All these categories of insured persons increase the financial burden of the public assistance scheme (see below), which has to take charge not only of those who, because of the low level of their earnings, are not covered by the National Health Insurance Scheme, but also of insured persons who, for one or other of the above reasons, have not received adequate treatment in the initial stages of their illness.

The most desirable solution to these problems would be to establish a unified programme ensuring equal medical care protection to all sectors of the population. According to the White Paper, however, such unification would be almost impossible at present because of various factors, including the very socio-economic conditions which have given rise to the various separate schemes in existence. The White Paper therefore suggested, as a practical and feasible measure, that national subsidies to the schemes with financial difficulties should be increased so as to diminish the large disparities in levels of benefit. It also proposed that,

in respect of diseases for which a longer period of hospitalisation is required, the possibility of setting up a single medical care insurance programme with nation-wide coverage should be examined.

Public Assistance Scheme

The Public Assistance Scheme was set up in 1946, as the second line of defence against poverty, to provide benefits to persons whose need is clearly established.¹ According to a table attached to the White Paper 612,309 households comprising 1,644,351 persons were benefiting from the public assistance scheme in May 1960.²

Persons protected by the public assistance scheme fall into three categories—(1) those who are incapable of earning their living, such as the aged, the permanently disabled, the weak-minded, and widowed mothers; (2) those whose need results from prolonged sickness or invalidity; and (3) those whose income is too low to maintain themselves and their families, although they are gainfully occupied in many cases as casual workers or self-employed with small means.

Theoretically, the number of those in the first category may be considerably reduced if sufficient benefits are provided under the existing public pension schemes; but the level of benefits under these schemes is still so low that they need help from the public assistance scheme. Medical care and allied programmes ought to provide adequate protection to cover the case of those in the second group but are unable to do so at present. In this connection it is significant that of 21,912 households which applied for protection to the public assistance scheme in September 1958, more than 50 per cent. did so because the breadwinner or another family member had fallen sick.³ In addition, the number of persons who received medical care benefit under the public assistance scheme has shown a marked increase and the cost of medical care benefit accounted for more than half of the total benefit expenditures under the scheme.⁴ Properly speaking, a public assistance scheme is designed to protect persons who are incapable of maintaining themselves and their families by working. If a person is gainfully occupied his living requirements should be covered by the remuneration he receives for his work, and he should not require assistance from public funds. In April 1960, however, 56 per cent. of the protected households in Japan were classified as those whose heads were gainfully occupied.⁵ If a more adequate minimum wage system, backed up by other protective measures, were put into force, a considerable number of persons in this category might no longer need to have recourse to the public assistance scheme.

¹ The scheme provides the following seven benefits: (1) living aid (general relief) to meet the needs of daily life; (2) educational aid to assist those financially unable to comply with the compulsory education legislation; (3) housing aid to assist those who cannot pay their rent or make necessary repairs; (4) medical aid; (5) maternity aid; (6) occupational aid to provide for vocational training; and (7) funeral aid. With the exception of medical care, all these are cash benefits, and several may be provided concurrently. They are designed to raise the income of needy persons up to a minimum standard of living set by the Ministry of Welfare, and their actual level varies by regions.

² *Kosei Hakusho*, 1960, table 14.

³ *Social Welfare Services in Japan, 1960*, prepared by the Japanese National Commission of the International Congress of Social Work under the supervision of the Ministry of Welfare (Tokyo, 1960), pp. 2-3.

⁴ *Kosei Hakusho*, 1960, p. 112.

⁵ *Shakai Hoshō Nenkan, 1961* (Social Security Year Book), published by the Japanese Federation of Health Insurance Societies (Tokyo, 1961), p. 123.

It may therefore be said that the inadequacy and shortcomings of social insurance and other measures, such as minimum-wage and employment policies, place a heavy burden upon the public assistance scheme, whose benefit level has consequently had to be extremely low compared with the average standard of living. Table II shows that the gap between the level of consumption per head of average workers' households and of those receiving public assistance has been steadily widening since 1954.

TABLE II. MONTHLY CONSUMPTION EXPENDITURES IN HOUSEHOLDS RECEIVING PUBLIC ASSISTANCE AND IN AVERAGE WORKERS' HOUSEHOLDS
(Annual Average in Tokyo)

Year ¹	Protected households			Average workers' households			(A) as a percentage of (B)
	No. of members	Consumption expenditure	Consumption per head (A)	No. of members	Consumption expenditure	Consumption per head (B)	
		(yens)	(yens)		(yens)	(yens)	
1954 . .	4.0	10,852	2,713	4.75	26,856	5,654	48.6
1955 . .	4.0	10,903	2,726	4.69	27,947	5,959	45.7
1956 . .	4.1	10,982	2,679	4.41	28,094	6,371	42.5
1957 . .	4.0	11,511	2,878	4.39	31,202	7,108	40.5
1958 . .	4.0	12,186	3,047	4.44	33,549	7,556	40.3
1959 . .	4.3	13,400	3,116	4.45	34,713	7,801	39.9

Source : *Kosei Hakusho*, 1960, p. 35.

¹ Years indicated : 12 months ending 31 March of the following year for the protected households, and calendar year for the average workers' households.

Between 1954 and 1959 the proportion of expenditure devoted to food and beverages in the average worker's household decreased from 45.5 per cent. to 39.8 per cent. in all urban areas, while in protected households in Tokyo it only fell from 58.9 per cent. to 57.6 per cent. during the same period.

Under the circumstances, the Ministry of Welfare considers it necessary to raise the standard of protection under the scheme so as to allow the needy to benefit in some measure by the economic prosperity now enjoyed by other sectors of the population.¹ This standard of protection is at present fixed by the Ministry of Welfare as the minimum standard of living based on absolute needs for physical survival. Both in the White Paper and in the newly formulated long-range economic plan² the opinion is expressed that the minimum standard of living in the field of social security should be determined on the principle of national solidarity, i.e. that the people guarantee one another a certain level of living relative to the development of social and economic life in general. The White Paper also regarded it as necessary to allow beneficiaries a

¹ However, raising the standard of protection may involve another problem, because a number of persons who are at present borderline cases may be brought within the scope of the scheme. The White Paper estimated that 1.6 million households would fall into this group.

² Economic Planning Agency, Japanese Government : *New Long-Range Economic Plan of Japan, 1961-1970. Doubling National Income Plan* (Tokyo, 1961), p. 60.

certain margin of earnings which would not, as at present, result in reduction of assistance benefits, so as to encourage them to work and so escape from the protected group.

NATIONAL ECONOMY AND SOCIAL SECURITY

The Long-range Economic Plan and Social Security

The new long-range economic plan¹ has been conceived with the aim of "achieving full employment and radically raising people's living standards by doubling the gross national product". For this, special efforts are required "to rectify the existing disparity of living standards and income between farming and non-farming populations, between major enterprises and smaller business, between urban and rural residents and between high and low income strata, to promote balanced development of the national economy and the people's living". The target of the plan is to raise the gross national product to 26,000,000 million yens (based on the value of the yen in 1958) within ten years of 1961. Recognising the role of social security in preventing the income gap from widening further and its possible contribution towards attenuating the duality of the economic structure, the plan provides that transfer income should be increased to about 1,300,000 million yens by 1970, representing 6.1 per cent. of the estimated national income of 21,300,000 million yens in the same year.²

On the basis of the above figures the White Paper estimates that the cost of social security schemes (including society-managed health insurance, the child and mother welfare programme and public health services, which were not included in the estimated transfer income in the plan) would be about 1,500,000 million yens, or 7 per cent. of the estimated national income. It is pointed out in this connection that the proportion of national income devoted to social security would still be less than that of Western countries, even when the target of the plan is achieved.

The White Paper further estimates that, if Japan ratifies the I.L.O.'s Social Security (Minimum Standards) Convention, 1952, a total expenditure of 2,000,000 million yens would be necessary in 1970 for the implementation of the programmes in conformity with the Convention.³

Social Security and Economic Growth

Hitherto it has been widely held in Japan that economic growth should be promoted first, social security standards being improved only after a certain level of economic expansion has been attained, especially under the present circumstances of less-than-full employment. In support of this view it is claimed to be preferable, in the case of Japan, to maintain a national economy with a "high investment pattern" in order to ensure a higher rate of economic growth. Although social

¹ *New Long-Range Economic Plan of Japan, 1961-1970*, op. cit., p. ii.

² *Ibid.*, pp. 58-59.

³ The basis of this estimate is as follows: The rates of old-age and sickness benefits were obtained by multiplying the average wage of ordinary male workers by the rates prescribed in the Convention. The average wage of ordinary workers was based on the estimated wage rate in 1970 of male workers in all industries, whose years of service is less than average. Pensionable age was fixed at 65. Family benefit payable to all dependent children under 15 after the second. Cost of medical care includes the expenditures for benefits (70 per cent. of the medical care cost to be borne by the State under the National Health Insurance Programme), maternity benefit and public health and hygiene service. The cost calculation in respect of some schemes, such as public assistance and child welfare, was estimated on the basis of past experience.

security expenditures may contribute to the maintenance or promotion of a higher level of economy by maintaining or increasing the effective demand (provided always that the economy is capable of meeting this demand), it is argued that higher expenditure on social security would transform the pattern of the national economy from one of investment to one of consumption by redistributing income from the higher income group, with a propensity for saving, to the lower income group, with a propensity for consumption.

Against this argument the White Paper urges that there is no evidence that social security expenditures would lead in the long run to a pattern of higher consumption. Improvements in social security would increase the people's feeling of stability and encourage them to save by arousing their desire for a well-established living plan. In this connection attention is drawn to the example of the United States, where the number of private life insurance contracts considerably increased when compulsory old-age pension insurance was introduced.

While admitting that it is not desirable that the pattern of the national economy should become one of higher consumption, the White Paper points out that consumption demand has to be increased during the periods of economic recession that might unavoidably result from short-term overproduction. In such circumstances expenditures on pensions, medical care and other benefits would have a stabilising effect on consumption demand. This is particularly true of unemployment insurance.

To the argument that social security has an adverse effect on economic development by undermining the people's will to work, the White Paper replies that this is not always true if social security benefits do no more than keep pace with economic growth; moreover, the number of persons protected under the public assistance scheme has actually decreased in spite of the higher rate of benefits and the improvements made in the scheme.

Social security also improves the quality of the labour force by eliminating poverty—the enemy of progress—and, by providing income security, encourages the attainment of the higher skills and adaptability that are so necessary if economic growth and prosperity are to be maintained and promoted under the increasing pressure of technological innovation.¹

With reference to the recent controversy as to which should be given priority when the fruits of rising economic prosperity are being apportioned among the three important government policies, i.e. tax reduction, increased public investment and expansion of social security, the hope is expressed in the White Paper that discussion will not be confined to the economic aspects of the question alone; and it is pointed out that, if the correct emphasis is given to the human aspects, understanding of social security will be deepened and the idea of a Welfare State will permeate the political, economic and social institutions of the country. The Ministry's view that the expansion of social security should be given first priority is based on both its fear that the gap between the favoured and the less favoured sectors of the population will widen as the national economy expands and its conviction that social security can do much to obviate this danger and to pave the way towards a Welfare State.

¹ The White Paper on Welfare for 1959 particularly stressed the importance, in this connection, of basing economic planning on human needs rather than merely on the production of goods.