

Pensions in the Japanese rural sector

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As in the case of health care,² large sections of the Japanese rural population, self-employed persons and workers in establishments with fewer than five employees, who between them constitute the bulk of the lower income groups, were the last to be protected by social security against old age, invalidity, and death of the breadwinner. While the scheme introduced in 1959 covers all these contingencies, for reasons of space the present article deals mainly with the first; it also refrains from discussion of the special scheme for farmers introduced in 1970, partly for the same reason and partly because of the latter's different objectives.³ Rather, it is concerned with salient features of the Japanese approach to a pension scheme for the rural population and other vulnerable sectors, including the financing and evolution of benefits and some of the problems encountered in practice.

The background

As early as October 1947, when the country was still in chaos following the end of the war, a series of recommendations for the reconstruction of the social security system were submitted to the Minister of Health and Welfare by a Government-appointed study group. Pension schemes were established for various categories of employee, but the proposal to introduce one for the agricultural population and self-employed persons was accorded lower priority on the grounds that: (a) their need for income security was not so acute as that of the wage-earning population;⁴ (b) the assessment of their income for the purposes of such a scheme was technically very difficult and the contribution rate would have to be fixed at a low level, affording a cor-

¹ International Labour Office.

² See T. Higuchi: "Medical care through social insurance in the Japanese rural sector", in *International Labour Review*, Mar. 1974, pp. 251-274.

³ For details of the special scheme see *International Labour Review*, Mar. 1971, pp. 293-295.

⁴ The agricultural population included very few wage earners (see table 1).

respondingly low level of protection; and (c) the scheme would face serious administrative difficulties.¹

In the meantime, however, partly owing to publicity and press campaigns, the public had grown increasingly conscious of the lack of income security for old people in certain major sectors, a situation aggravated by an ageing population and the gradual disappearance of the traditional system of family support. A public assistance scheme was introduced in 1950, but this was of course no substitute for proper pension arrangements. Those who responded most quickly to public opinion were the local authorities. In April 1956 a prefectural government, a city council and two town councils in different parts of the country introduced pension schemes financed out of their own general revenues. Although the benefits provided were low and the pensionable ages high (85-90) they attracted much attention, and by the end of 1957 more than 230 local authorities had set up similar schemes.

The influence of social security development in Western Europe and North America during the postwar period is also undeniable; indeed, it was expressly acknowledged in a government report.² In June 1958 the Social Security Advisory Council stated in its recommendations to the Prime Minister that the time was ripe for serious consideration of the problems involved in achieving nation-wide pension coverage.

Policy considerations

Table 1 shows the distribution of the economically active population of Japan in 1957 by sector and status of employment. The bulk of the wage-earning labour force was in the non-agricultural sector, whereas practically everybody in agriculture was either self-employed or a family worker. The latter sector contained 37.5 per cent of the economically active population, although this percentage was steadily decreasing. Pension coverage for various categories of employee was still limited.³ In March 1957, for example, the total number of employees insured for long-term contingencies was 11,613,000 or 61.9 per cent of wage and salary earners in the private and public sectors.⁴

¹ See, for example, *Report of the United States Social Security Mission to Japan, 1948*; and the Japanese edition contained in *Sengo no Shakaihoshô, Shiryô* [Postwar social security: reference materials] (Tokyo, Social Development Research Institute, 1968), p. 62. In second and subsequent citations, sources in Japanese are referred to by the English translations of their titles.

² Pension Bureau: *Kokumin-nenkin no ayumi; Shôwa 34-36 nendo* [Operation of the National Pension Scheme, 1959-61] (Tokyo, Ministry of Health and Welfare, 1962), p. 13.

³ More specifically, there existed (1) a pension scheme for employees in private establishments having five or more workers (hereafter referred to as the general employees' scheme); (2) a seafarers' insurance scheme; and (3) separate schemes for central and local government employees, the employees of public corporations, teachers and non-teaching staff in private schools, and employees in co-operatives and other organisations in agriculture, forestry and fishing.

⁴ *Shakaihoshô Tôkeinempô, Shôwa 33 nendo* [Yearbook of social security statistics, 1958] (Tokyo, Prime Minister's Office, 1958), p. 47.

Table 1. Distribution of economically active population by sector and employment status, 1957

Employment status	Agricultural sector		Non-agricultural sector		Total	
	No. ('000)	%	No. ('000)	%	No. ('000)	%
Self-employed	5 590	34.8	5 350	20.0	10 940	25.6
Family workers	9 790	60.9	3 320	12.4	13 110	30.6
Wage earners and salaried employees	690	4.3	18 080	67.6	18 770	43.8
Total	16 070	100.0	26 750	100.0	42 820	100.0

Source: "Yearbook of social security statistics, 1958", *op. cit.*, p. 20.

If nation-wide pension coverage were to be achieved in these circumstances, there were three possibilities: first, to abolish the existing schemes and set up a single scheme for everybody, with earnings-related supplementary benefits for employees; second, to introduce a universal scheme in which employees would participate while retaining their rights under the existing schemes; and third, to establish a separate scheme for those unprotected by any of the existing ones, but in such a way that there would be a possibility of co-ordinating all the schemes at a later stage. Eventually the last course was adopted because it was felt that the others might give rise to confusion regarding the vested rights of persons already insured.

Since most of those to be protected belonged to the lower income groups, many people held that the scheme should not be contributory. Farmers' organisations were of this opinion, and even in the ruling Liberal Democratic Party there was support for the idea of a non-contributory scheme. On the other hand, it was obvious that the national treasury could not bear the full cost. As a compromise, therefore, it was decided that while the new scheme should in principle be contributory, it should receive substantial subsidies from public funds and should provide for the payment of non-contributory benefits, subject to an income test, in the event of death or invalidity of the breadwinner prior to the introduction of the scheme, and also to those who could not satisfy the contribution conditions because they were too old.

In some quarters it was further advocated that, in order to maintain the basic principle of insurance, those who could not afford to pay contributions should not be covered by the scheme, but this was rejected on the grounds that: (a) such persons were by definition those most in need of income security; (b) it was not appropriate, under a scheme providing for a long qualifying period, to determine a person's insurability according to his ability to pay contributions at a given time; (c) the principle of insurance was not always compatible with the objectives of a social security programme; and (d) if those who did not pay income tax were excluded from the scheme, nation-wide

coverage could not be achieved.¹ It was therefore decided that a person exempted from payment of contributions could still receive a reduced pension if he contributed for a total of at least ten years between the ages of 20 and 59.²

One important policy consideration was the position of members of a household, including non-working spouses. Under other pension schemes for employees in Japan, a dependent spouse is protected by virtue of the breadwinner's insurance and a dependant's increment is added to the principal benefit, while in the event of death of the insured person a survivor's benefit is payable. The policy-makers considered that during a period as long as that covered by a pension scheme changes of marital status etc. were to be expected, and it would therefore be advisable for everybody to have his or her own insurance coverage whether single, married, separated or divorced. Thus, all persons in the 20-59 age group were compulsorily and individually covered by the scheme unless already protected by an existing one, while the door was left open for voluntary insurance of the spouse of a person covered by another scheme.

It was decided to base the scheme on a flat-rate contribution and benefit system because of the difficulty of assessing the incomes of individuals, although it was hoped that an income-related structure could be introduced later. A standard also had to be found for determining the full pension to be payable at the age of 65 after 40 years of contributions (from the age of 20 to 59).³ Some experts proposed that the amount should be related to the probable standard of living and level of national economic growth in 40 years' time, but this was rejected as unrealistic. Instead, in the light of the standards of living prevailing at the time, the pension to be payable after 40 years was originally fixed at 3,500 yen a month, which corresponded to the average monthly personal expenditure⁴ of an adult family member.

The national economy's need for capital formation and the tendency for the population to age were major factors in the choice of a funding system of financing, with contributions both from the State and from the persons insured. The financing arrangements adopted are discussed in the next section. Suffice it to say here that provision was made for a differential contribution rate, older persons paying 150 yen a month and younger ones 100 yen. The justification for the difference was that both income and consciousness of the need to provide for the future tend to increase as people grow older. As we shall see, these initial rates of contribution and benefit were to be subject to frequent change.

¹ On the basis of the 1955 national census, it was estimated that only about 21 per cent of those belonging to the 20-59 age group paid income tax.

² At the time the scheme was being planned it was estimated that about 30 per cent of those to be insured would be exempted from paying contributions according to the prescribed criteria, including those relating to income and local tax.

³ No contributions are payable after the age of 60.

⁴ Defined as the difference between total family expenditure and that common to all its members (e.g. rent, fuel, electricity), divided by the number of family members. The amount may be compared with the 30,608 yen which was the average monthly family expenditure of an agricultural household (5.71 members) in 1960.

Implementation and evolution

On 16 April 1959, therefore, the Japanese Diet adopted an Act to introduce the National Pension Scheme, or *Kokumin-nenkin*, thus realising the ambition of nation-wide protection against long-term contingencies for people who had hitherto not been covered. The provisions concerning non-contributory pensions came into force on 1 November 1959, and those concerning qualifying conditions and the collection of contributions on 1 October 1960 and 1 April 1961 respectively.¹

Coverage

Under the Act, all persons to be insured are required to register, purchase insurance stamps and have them officially validated. In practice, however, many difficulties arose in the early days. In the first place, application of the provisions concerning contributory pensions ran into serious opposition on the part of farmers' associations, trade unions and some political parties which lasted up to the end of October 1961, when the first amendments were introduced. These groups claimed that the contributory scheme would provide no meaningful income security for the really poor, and that the contributions would be employed to support the existing Government and its defence of the security pact between the United States and Japan, which was under heavy attack at the time. Registration offices were picketed and door-to-door visits organised to discourage people from participating. The Government found itself obliged to step up its public relations campaign to persuade people to register. As time went on, the scheme's opponents abandoned their unconditional hostility and began to make demands for improvements, some of which were accepted.

Registration started on 1 October 1960, and by the end of the following March about 83 per cent of the 22 million persons liable to compulsory insurance were on the books (a survey conducted prior to implementation of the scheme had estimated that there would also be 2.6 million voluntary contributors). The registration drive slowed down when the time came to collect the contributions, but table 2 shows how the number of persons insured nevertheless rose fairly steadily during the period 1962-76.

The scheme provided for two forms of voluntary coverage. The first was for those aged 50 to 54 on 1 April 1961, the date on which, as already mentioned, the provisions concerning the collection of contributions came into force. These persons were to be entitled to an old-age pension after ten years of contribution payment. The decrease in the number of voluntarily insured

¹ For an outline of the scheme at the time of its launching see *Industry and Labour* (Geneva, ILO), 15 Apr. 1960, pp. 287-290. Regarding more recent developments see Hideo Ibe: "The development of national pension in Japan", in *Asian Regional Symposium of National Specialists on Population Aspects of Rural Social Security* (Bangkok, ILO, 1975), pp. 191-271.

Table 2. Number of persons insured under the National Pension Scheme, 1962-76

Year ¹	Total	Compulsorily insured	Voluntarily insured
1962	18 240 936	15 772 899	2 468 037
1964	18 832 541	16 232 225	2 600 316
1966	20 015 723	17 183 850	2 831 873
1968	21 726 553	18 414 414	3 312 139
1970	23 407 136	19 051 412	4 355 724
1972	23 669 193	19 537 179	4 132 014
1974	25 135 582	19 640 292	5 495 290
1976	25 883 885	20 038 477	5 845 408

¹ As on 31 March of the year indicated.

Sources: For 1962-74, *Jigyô Nempô, Shôwa 49 nendo* [Annual report on operations, 1974] (Tokyo, Social Insurance Agency, 1975), p. 422; for 1976, *Kokumin-nenkin jigyo Geppô* [Monthly report on operations of the National Pension Scheme] (Tokyo, Social Insurance Agency), June 1976, p. 1.

persons in 1972 was due to the fact that a considerable number of such persons became entitled to old-age pensions on the expiry of the first ten-year period. The second form of voluntary coverage was for those who were less than 50 years old on the same date, mainly the dependent spouses of persons protected by the employees' schemes. Their number constantly increased during the period,¹ presumably because the scheme became more and more attractive through a series of improvements in the benefit level and also because many wives became aware of shortcomings in the protection afforded by their husbands' insurance.

Perhaps the most important thing table 2 indicates, however, is that nearly 15 years elapsed before the scheme reached the original target of 24.6 million persons. As stated earlier, each insured person is treated individually; but the conditions under which the scheme operates differ from one region to another, and even from one area to another in the same region. People on small, scattered islands and in mountain areas enjoy equal coverage despite the problems of access. There is also a great deal of mobility between this scheme and the various employees' schemes, so that registration and contribution arrangements are constantly having to be changed. Even in a fishing village some men may be employed on board a boat covered by the seafarers' pension scheme but may return to self-employment and coverage by the National Pension Scheme after a voyage or two, and they may continue to switch to and fro. Every year, moreover, the scheme must catch those who have just attained the age of 20 and have thus become due for compulsory coverage, and the work involved presents continuing administrative difficulties.

¹ It may be noted from table 2 that the proportion of voluntarily insured persons increased from 13.5 per cent of the total in 1962 to 22.6 per cent in 1976.

Table 3. Number of popular organisations involved in the National Pension Scheme and number of persons administered through them, 1961 and 1973

Type of organisation	No. of organisations		No. of persons administered ('000)	
	1961	1973	1961	1973
Contribution payment associations	38 023	41 425	1 338	2 000
Tax payment associations	64 042	123 567	1 828	3 903
Village residents' clubs	55 488	55 156	2 530	3 213
Women's associations etc.	42 181	59 624	2 127	3 797
Co-operative societies	1 253	1 189	500	338
Local volunteers	14 949	27 783	1 202	2 552
Total	215 936	308 744	9 525	15 803

Sources: For 1961, "Operation of the National Pension Scheme, 1959-61", op. cit., p. 382; for 1973, Ibe, loc. cit. p. 259.

Like its counterpart in health insurance, therefore, the pension scheme has to rely on active popular participation for its smooth running and the effective collection of contributions. Such participation has taken different forms according to local conditions. For example, under the technical guidance of local authorities, people have organised themselves into associations for the purpose of contribution payment; peasants' tax payment associations, village residents' clubs, women's associations, youth clubs and co-operative societies have all played their part; and individual volunteers, usually local leaders, have helped to administer the scheme under the title of *Kokumin-nenkin Iin* (or national pension commissioners). None of these bodies or individuals receives any financial support from the central Government. However, they often organise themselves into a federation at the prefectural level for purposes of study meetings, public relations, etc., and many of them receive subsidies from local authorities. The latter are entrusted by the central Government with the work relating to the collection of contributions and receive from it an amount equivalent to 3 per cent of the value of the stamps sold.

Table 3 shows the number of such popular organisations and volunteers, as well as of insured persons administered through their good offices, in July 1961 and March 1973. The increase in the numbers both of organisations and of insured persons indicates the effectiveness of popular participation in the scheme. Where such organisations are not well developed, as in large cities, local governments are obliged to employ contribution collectors, even though this has proved more expensive and less effective than popular participation. In this connection it may be interesting to note that in March 1974 the average rate of contribution collection was 93.4 per cent in cities with

a population of 200,000 or more, whereas in towns and villages the corresponding rate was 99.6 per cent.¹

Level of protection

CONTRIBUTORY PENSIONS

When the scheme was introduced in 1959 the old-age pension payable at 65 was to be 2,000 yen per month after 25 years of contribution or 3,500 yen after 40 years, while those subsequently exempted from contribution would be entitled to reduced pensions if contributions had been paid for at least ten years. The benefit formula has been amended several times, and since 1967 the monthly amount has been the sum of the years of contribution multiplied by a unit amount, plus the years exempted from contribution multiplied by one-third of the same amount.² For example, in the (hypothetical) case of a person who had paid contributions for 25 years (with no years of exemption), the following monthly pensions were payable under successive amendments: 5,000 yen (1967), 8,000 yen (1970), 20,000 yen (1974) and 32,500 yen (1976). Comparison with the following indices (base year 1960 = 100) of three different indicators helps to illustrate the extent of the changes made in the formula:

- (a) average agricultural household expenditure: 508.1 in 1973;
- (b) average daily cash earnings of a day labourer: 543.3 in 1974;
- (c) average annual old-age pension paid under the general employees' scheme: 1,291.0 in 1974.³

The corresponding index of the old-age pension under the national scheme, which was 1,000 in 1974, shows that the increase has been considerably greater than that of agricultural household expenditures and the earnings of day labourers, though less than that of pensions under the general employees' scheme. It is, moreover, important to note that the indicator for the general employees' scheme relates to benefits actually paid. In fact, improvements to the national scheme have always followed or accompanied those in the general employees' scheme, because since 1967 the Government has sought to maintain the rate of old-age pension payable after 25 years of contribution under the 1959 scheme at a level close to the flat-rate component of a standard old-age pension under the employees' scheme.⁴ Hence, though the 1959 scheme has

¹ *Kōsei no Shiyō* [Welfare indicators] (Tokyo, Health and Welfare Statistics Association), Vol. 22, No. 11, 1975, p. 169.

² At present the monthly pension equals 1,300 yen *times* number of years of contributions paid, *plus* 1,300 yen *times* number of years exempted from contribution *divided* by 3. The unit amount was increased from 200 yen in 1967 to 320 in 1970, 800 in 1974 and 1,300 in 1976.

³ These indices, which except for (b) refer to the 12 months ending on 31 March of the following year, are calculated on the basis of statistical tables in "Yearbook of social security statistics", *op. cit.*, 1964 and 1975.

⁴ The benefit formula of the general employees' scheme is as follows: the monthly pension equals a unit amount (1,650 yen in 1976) *times* number of insurance years, *plus* average monthly insured wages *times* number of insurance years *divided* by 100.

admittedly lagged behind the employees' scheme, it is partly thanks to the latter that it has improved as fast as it has.

From the very beginning, there was a close similarity between the promised rate of the contributory old-age pension and the per capita rate of standard benefit under the public assistance scheme of 1950. For example, under the original Act, a monthly pension of 2,000 yen was payable after 25 years of contribution, while a slightly greater amount would have been obtained by dividing up the standard rate of public assistance for a household of five members, which stood at 11,352 yen on 1 April 1961¹ when the provisions concerning the collection of pension contributions came into force. Similarly, when the pension was increased to 20,000 yen a month in 1974, the public assistance benefit was 80,255 yen for a household of four members. However, when an alleged anomaly was discussed in the legislature—namely that the full rate of old-age pension is not due until contributions have been paid for 25 years whereas no contribution is required for public assistance, which is payable subject to a means test—it was made clear that there had been no intentional linkage between the two, that their functions were entirely different (the former to prevent poverty, the latter to provide relief to those already in need), and that they would continue to be improved in the future.

NON-CONTRIBUTORY PENSIONS

Apart from the contributory pensions payable under transitional provisions, however, the old-age pensions due under the scheme will be paid only in the future, and the benefit rate will continue to be raised. Non-contributory pensions, on the other hand, have been in payment ever since the scheme was put into operation, and in the intervening years they too have been increased.² Originally, the non-contributory pension payable at 70 years of age amounted to 1,000 yen a month, so low that it was ironically called *amedama-nenkin*, or candy pension, meaning that it would only cover the cost of sweets for the grandchildren. Since then, however, the level of protection has been raised almost every year by liberalising the income test and/or increasing the flat rate. The constant raising of the maximum income threshold has naturally increased the number of beneficiaries, which rose from 2.5 million in 1961 to 4.7 million in 1976. It is also important to note that in September 1974 non-contributory old-age pensioners accounted for 76.6 per cent of the country's estimated population aged 70 and over.³

¹ Under the public assistance scheme there are four different standard rates based on the cost of living in different areas, the lowest being some 73 per cent of the highest. The rate cited here is the highest.

² Under the scheme there are two categories of non-contributory old-age, invalidity and survivors' pension. One is transitional, in the sense that it is payable in cases where the contingency occurred before the scheme was put into operation; the other is complementary, because it is designed to protect persons unable to satisfy the conditions for contributory pensions. For the sake of simplicity, no distinction will be made between the two in the present article.

³ *Kōsei Hakusho, Shōwa 50 nen* [White Paper on welfare, 1975] (Tokyo, Ministry of Health and Welfare, 1975), p. 318.

Table 4. Evolution of the non-contributory old-age pension, 1959-76
(Monthly amount in yen)

Date	Amount	Date	Amount	Date	Amount
Nov. 1959	1 000	Oct. 1968	1 700	Oct. 1973	5 000
Sep. 1963	1 100	Oct. 1969	1 800	Sep. 1974	7 500
Sep. 1965	1 300	Oct. 1970	2 000	Oct. 1975	12 000
Jan. 1967	1 500	Nov. 1971	2 300	Oct. 1976	13 500
Jan. 1968	1 600	Oct. 1972	3 300		

Adjustments to the level of the non-contributory flat-rate old-age pension are summarised in table 4, from which it may be seen that increases during the early years were modest, except in 1968 when the rate was amended twice. From 1970 on, however, ten years after the launching of the scheme, remarkable rises took place, so that the rate reached 13.5 times the original figure in 1976. It should, however, be noted that the original rate was equal to 50 per cent of the contributory old-age pension payable after 25 years, whereas in 1976 the corresponding percentage had come down to 41.5. This relative deterioration illustrates the difficulty of increasing non-contributory pensions in the face of financial constraints. Furthermore, while the rate of increase has latterly been remarkable, the effects in practice must be carefully examined. In 1960, for example, 1,000 yen was roughly equal to 2.5 days' average cash earnings of a day labourer, while in 1974 7,500 yen was about 2.8 days' earnings. The original pension represented some 3.3 per cent of average agricultural household expenditure; by 1973 it had dropped slightly to 3.2 per cent. Again, it represented 32 per cent of average monthly benefit expenditure per head under the public assistance scheme in 1960 but only 20.5 per cent in 1974.¹

The above comparisons appear to indicate that, despite the increase in its nominal value, the non-contributory old-age pension has failed to achieve a substantial improvement in the level of protection provided, presumably because of inflation² and financial constraints. It may be recalled that the benefit had its origin in the non-contributory old-age pensions initiated by certain local governments, the purpose of which was to provide a token of *Keirô* (an expression of respect for the aged) rather than income security. Not only has this inheritance persisted, it has also seemed to condition the evolution of other non-contributory benefits under the scheme, i.e. invalidity and widowed mothers' pensions. It was in fact admitted at the outset that the non-contributory scheme could not afford benefits that would cover all

¹ Calculated on the basis of statistical tables in "Yearbook of social security statistics", op. cit., 1964 and 1975.

² Set at 100 in 1963, the consumer price index reached 227.7 and the wage index 473.5 in 1974. With 1970=100, they reached 154.2 and 204.8 respectively in 1974.

a family's living costs, but it has played an important role in providing moral and material assistance to elderly households and in preventing the demoralisation of families with aged persons to support.¹ It should also be noted that the payment of non-contributory benefits, which started simultaneously with the launching of the contributory scheme, was most effective in publicising the latter among rural people who, because of their traditionally conservative way of thinking, could hardly appreciate the advantages of a scheme that required such a long period of contribution before there could be entitlement to a pension.²

Financial arrangements

As stated earlier, there were formerly two different monthly rates of contribution according to the insured person's age. These were originally 100 yen for persons between 20 and 34 and 150 yen for those between 35 and 59. They were raised to 200 and 250 yen respectively in 1967, and to 250 and 300 yen in 1969. In July 1970, however, a single rate of 450 yen was introduced, and this has been increased step by step to the present level of 2,200 yen. The introduction of a uniform rate had been strongly recommended by officials at the lower level of administration in order to simplify the work of collecting the contributions, but at the same time it seemed that the case for having two different rates had already lost its validity as the scheme received increasing popular support, particularly among the younger generation, and as the general level of incomes rose.

In addition to the total cost of non-contributory benefits, the public authorities bear the cost of benefits provided in respect of periods during which the payment of contributions was exempted, as well as all administrative costs.³ Furthermore, since the scheme began, and up to 1976, the State paid annual amounts equal to 50 per cent of the total contributions collected. This was altered last year and the rate is now one third of the estimated total cost of contributory benefits. Originally, the state subsidy was intended to encourage the payment of contributions, but it is now considered important to relate the amount of subsidy to the cost of pensions to be paid in the future, particularly in view of the increase in the number of beneficiaries.

The scheme is financed by a funding method. The accumulated fund, which is placed in the Trust Fund of the Ministry of Finance and used by the Government for investments and loans, increased from 194,600 million yen

¹ *Nenkin Jihō* [Pension Bulletin] (Tokyo, Ministry of Health and Welfare, Pension Bureau), No. 11, 1967, p. 82.

² Ibe, *loc. cit.*, p. 262.

³ The State also bears the cost of certain increments to pensions payable under transitional provisions and 25 per cent of the cost of "supplementary" pensions to which insured persons may become entitled by paying additional contributions on a voluntary basis; the latter benefit was introduced in 1970 but is not discussed here, mainly because of its relative unimportance (only 5.3 per cent of all compulsorily insured persons had opted to pay the additional contributions by 31 March 1975).

in 1965 to 1,922,083 million in 1975. One third (until 1972, one fourth) of the net annual increase in the scheme's reserve fund must be invested directly in projects specifically designed for the welfare of the persons protected, for example housing, construction of hospitals, recreation facilities, homes for the aged, and rural development. This has been highly appreciated and has helped to popularise the scheme, particularly in the rural sector.

Generally speaking, however, the financial position of the scheme is giving rise to serious public concern in view of the ageing population and the inflationary tendencies of recent years. For every 100 persons of working age (20-59 years) in 1975 there were only 21 persons aged 60 or over, but this ratio will rise to 30 in 1990 and 45 in 2010. The majority of the economically active population insured under the scheme are in the rural sector or are self-employed, and their total number is expected to decrease. Furthermore, the average age of this population tends to rise because more and more young workers are being covered by the various schemes for wage earners and salaried employees. It has been reported that even in the rural sector where, traditionally, the elderly live together with other members of the household, there are an increasing number of households consisting only of elderly couples.¹

The level of benefits will continue to improve, keeping pace as far as possible with the progress of the schemes for the wage-earning population; the inflationary trend of the national economy will necessitate frequent adjustment of benefits, giving rise to an increasing need for additional financial resources. In fact, expenditure on contributory pensions under the scheme was already expected to exceed contribution income in 1975-76, even though there was still not a single "standard beneficiary", i.e. an insured person qualified for a pension after paying contributions for 25 years. In these circumstances, even if the contribution rate is frequently adjusted,² the scheme's financial future will certainly have to be given very serious consideration.

Conclusions

The history of the scheme is considerably shorter than that of its counterpart providing health insurance to the same categories of person, which has now been in existence for about 40 years. As we have just seen, no one has yet completed the normal contribution period of 25 years. None the less, the scheme has become firmly institutionalised in Japanese society and responds to the growing aspiration of its members for income protection against the contingencies of old age, invalidity, and death of the breadwinner. Various political, economic, psychological and technical difficulties which arose in the initial stages have now been overcome. As in the case of health care, the help given by volunteers, co-operative societies, women's associations, youth clubs

¹ Jirô Matsumoto: "Nôson no jinkôryûshitsu to rôjin mondai" [Out-migration from agricultural villages and problems of the elderly], in "Pension Bulletin", No. 10, 1966, p. 11.

² The present rate of contribution, 2,200 yen per month, is to be raised to 2,500 yen in April 1978.

and contribution payment associations has played an important role in the scheme's solid establishment and successful operation, notably with regard to registration and the collection of contributions. Administrative officers at the grass-roots level have worked in close liaison with these voluntary organisations. The experiences of these officials and local leaders indicate that the practical problems arising from the operation of a pension scheme of this type have to be solved in the way best adjusted to local conditions of work and living.¹

The frequent improvements have also contributed to the public's general acceptance of the scheme and their active participation in it. The level of protection afforded by contributory pensions is now comparable with that of the schemes designed for wage earners and salaried employees, and is expected to remain so. In the case of the non-contributory old-age pensions which are being paid to the vast majority of persons aged 70 or over, the level of protection as gauged by different indicators has remained more or less unchanged since the scheme began. In other words it is still a token benefit based on the principle of *Keirô*, although it has recently been suggested that the time is ripe for a change in this respect.

While there have been remarkable improvements in benefit rates payable in the future, it seems that the corresponding changes in the financial arrangements, including appropriate increases in the rate of contribution, have not been made. The scheme caters for persons in the lower income brackets in respect of whom no employers' contributions are payable, and thus increasingly depends on subsidies from general national revenues. In this connection it is important to note that, while the increase in benefit rates results from the improvement in living conditions or from the aspiration for better future protection, contributions collected at a flat rate cannot reflect actual changes in the income of the insured population, so that there is often strong resistance to their increase. The number of economically active persons in the rural sector, self-employed persons in the non-agricultural sector and family workers in general, who constitute the group covered by the scheme, does not show any tendency to increase, and it is forecast that in 1985 the total number of pensioners under the scheme will represent about 18 per cent of the persons insured by it;² no such "overloading" is expected in the case of the general employees' scheme, which has absorbed an increasing proportion of young workers during the recent period of economic growth.

The 1959 scheme will therefore be affected quite seriously by the rapid ageing of the Japanese population: a smaller number of active persons will have to support a larger number of retired ones than in the case of the general employees' scheme, which enjoys relative financial stability. All these factors

¹ The monthly publication *Nenkin* [Pensions] issued by the Zenkoku Shakai Hoken Kyôkai Rengôkai [National Federation of Social Insurance Associations], Tokyo, contains reports, articles and memoirs by such officials and local leaders.

² "White Paper on welfare, 1975", *op. cit.*, pp. 95-98.

seem to indicate that, despite its admirable objective, namely "to prevent, through solidarity among the people, any disruption of living standards consequent upon old age, invalidity or death of the breadwinner, and thereby to contribute towards the maintenance and improvement of healthy standards of living throughout the nation" (section 1 of the Act instituting the scheme), it will soon experience serious financial difficulty in providing the insured with the benefits they have been promised.

Admittedly it is extremely difficult, if not impossible, to apply a system relating income to contribution rates and benefits to the economically active population in the rural sector or, more generally, to self-employed persons, family workers and even non-active persons whose incomes may fluctuate and must be determined at different times of the year according to the type of work they do. The schemes for employees have been in existence for a much longer period and the vested rights and interests of persons insured under them must be respected. For these important reasons Japan opted for the introduction of the scheme in question, and though the juxtaposition of different schemes has been justified it has given rise to a number of anomalies with regard to entitlement to benefits despite the fact that a certain measure of co-ordination was introduced in 1961.¹ For example, an increasing number of dependent spouses of persons insured under the various employees' schemes are now voluntarily covered by the 1959 scheme, designed for a less favoured sector of the population. This is an encouraging tendency, which shows people's growing concern for social security protection. At least theoretically, however, such spouses are already protected by the former schemes, and it is important to note that their entitlement to benefits under the 1959 scheme requires substantial subsidisation from general state revenues; this is a matter which will have to be seriously examined in the light of the financial difficulties the scheme is soon going to face.

There has been an accumulation of *faits accomplis* with regard to the rights and interests of different groups of the population insured by different pension schemes, and in the 18 years since the National Pension Scheme was introduced the country has experienced unexpectedly rapid economic growth giving rise to changes in industrial and social structures which could hardly have been predicted at the time it was planned. It would now be extremely difficult to replace the system of juxtaposed pension schemes and to begin reorganising them. However, if the country is entering "the pension era" as the White Paper on welfare has stated,² and if the total benefit expenditure of about 1,279,000 million yen under the 1959 scheme and the general employees' scheme in 1974-75 is in fact multiplied by a factor of about 3.8 in 1985 and 5.5 in 1990,³ one may legitimately wonder how cost increases of this order can

¹ See *International Labour Review*, June 1962, pp. 646-648.

² *Ibid.*, July 1973, pp. 79-82.

³ Calculated on the basis of data supplied by the Ministry of Health and Welfare. The figures for 1974-75 are from "Yearbook of social security statistics, 1975", *op. cit.*, p. 78.

be met, whether or not they should be borne independently by the different schemes, and whether the time has not come to begin planning the reorganisation of all existing statutory pension schemes with a view to ensuring more equitable social protection through more rational use of resources than is possible under the present arrangements. ■

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