

The Final Report on the National Conference on Social Security Policy  
and System (社会保障国民会議；最終報告)

November 4, 2008～

National Conference on Social Security Policy  
and System (社会保障国民会議)

[1.The Final Report and its Mission]

The national conference on social security policy and system was established and formed under the leadership of Prime Minister, Yasuo Fukuda(福田康夫) in January, 2008. It was designed to develop and implement policies to meet the emerging needs of the time and the future, including the financial aspect of sustaining a viable social security system. Both the public and political parties concerned should play and be involved more directly with the process of shaping the social security policy of Japan in the future.

In undertaking the task of developing the programs and policies and shaping it into the social security policy of the future of Japan, three (3) sub-committees were formed, each responsible for specific issues. Members of the national conference vigorously deliberated the agenda brought before them in order to come up with effective and constructive policy plans and strategic directions.

In June, 2008, the mid-term report was made public and focused on two specific directions. One is to stress the importance of “how sustainability and viability of the social security policy and system should be developed and implemented”. Another theme emphasized is “how to make the social security policy and system effective and productive as the system for the well-being of people and society.” This final report documents and makes public the earlier mid-term report.

[2.How should the social security policy and system be formed for the future?  
Some directions as reported in the mid-term report]

1. Why was it necessary to review and deliberate the programs and policy on Social Security Policy and System to meet the emerging needs of the future generation?

(1). Social Security Policy and System designed to safeguard and provide comfort in the daily life of the people.

Social Security Policy and System is one of the most important aspects of our society. It is the responsibility and duty of the nation to make such a policy and system available for all people.

(2). Social Security Policy and System designed to meet the emerging needs of time and society.

It must be a flexible policy and system to meet the emerging needs of the time and changing socio-economic situations.

(3). Social Security Policy and System must be the one for which all people must participate and support.

The philosophy and vision of this policy and system must be supported by the responsibility and duty of financial obligations by those who are the part of this policy and system in order to make it sustainable and viable.

(4). Social Security Policy and System must be executed with a sharing of responsibility and the division of labor between the Central Government and Regional Governments.

2. What would be the Fundamental Philosophy and Vision of Social Security Policy and System?

The continued effort of improving efficacy of social security policy and system has been advanced to some extent through the implementation of “the policy of restructuring of social security policy and system” in terms of sustainability and viability of the policy and system due to the

execution of financial responsibility of the parties involved in the system. However, the Social Security Policy and System currently in place is being faced with multiple issues, such as the slowness of rectifying the policy of meeting the needs of improving the demographic situation; accelerating aging society; deterioration of quality services in the area of medical services and long-term care services for the elderly; and a fragile a safe-guard system for the well-being of human beings. Above all, it should be pointed out that the Social Security Policy and System is now being questioned for its reliability and viability.

Although it is important to ensure the sustainability of the social security policy and system, it is equally important to enhance the quality of social security policy and system to be flexible enough to meet the emerging needs of the time and society, which may be influenced by the changes occurring in economic and business atmospheres. Therefore, it is important to address the issue of “how to establish the system by which to safe-guard and to make it comfortable for the livelihood of the people” which will necessitate enhancing “the efficacy of social security policy and system with the merit of its quality”.

3. What is needed to vitalize and make the Social Security Policy and System effective?

(1) How the social security policy and system should be designed to meet the needs of the time.

\* 1. How it could be realized for the incorporation of the concept of “independence and collaboration” and “fairness and equality” of the society, of which an enhanced social security policy and system should be in place.

In our society, an individual is fundamentally responsible to be independent in the management of his or her livelihood with collaborative relationship with others in the community in which they live. Since the philosophy and concept of social security policy and system is based on the system of co-sharing financial incomes

among individuals in the society, the concept of “equality in providing the services and fairness in sharing the cost of the social security policy and system” is the key to the establishment of “fair society” in the implementation of the services of the social security policy and system.

- \* 2. The importance of sustainability of the social security policy and system, as well as individual’s values of how to lead his or her life, must be taken into consideration to design the policy and system to meet the emerging development of situation in our society.

By the year 2025, the so-called Baby Boomer generation will be the major core of the aging population. Therefore, it is necessary to ensure that the system is sustainable and viable. It is also important to point out that we must develop and implement a social security policy and system which should meet the emerging needs of people, including the importance of respecting their freedoms both in their professional and private sectors. The fairness and equality in the services of policy and system is the fundamental basis of a good social security policy and system.

- \* 3. Importance of efficiency and transparency must be maintained in the system.

The system should be precise, concise and simple enough to be understood by all parties concerned.

- \* 4. Importance of undertaking the responsibility of “division of labor” and “collaboration with the communities” must be defined as the core of the system to make it an enhanced co-sharing system.

In order to uphold this co-sharing system, it is important that each individuals must execute their responsibility to work together in their communities.

- \* Importance of contributing to the enhancement and viability of the

system through the merits of technical innovations and other economic and business developments is other aspect of efforts needed to make a good use of the advancing of the technological innovations.

Technical innovations and enhanced quality of services in the system will be keys to the sustainability of the social security policy and system.

- \* 6. The National Consensus must be in place for the support of the social security policy and system through the establishment of transparent policies which will enhance the trust of peoples in the system.

It is very important to enable people to understand how the social security policy and system is closely interwoven into the life of each individual, which will enable the parties concerned to appreciate and understand the importance of the role that the social security policy and system play in our society.

- \* 7. Enhancement of awareness of the role each individual must play in supporting the sustainability of the system must be emphasized.

Those who are the party to the availability of the services under the social security policy and system must take the responsibility of understanding clearly that each one of us is held responsible for the sustainability and viability of the system. It is the responsibility of the government to develop and implement the policy and system in order to be understood and supported by the people for the perpetual way that the system will be in place.

- (2) Importance of establishing the fundamental structure of maintaining the social security policy and system.

- \*1. Stable economic growth is an important element for the sustainability of the social security policy and system.

The social security policy and system and economic growth are closely interwoven. From this point of view, economic growth is one of the important elements for the sustainability and viability of social security policy and system.

- \* 2. Enhancement and empowerment of the energy of those who are the working force is important in order to make social security policy and system sustainable and viable.

It is imperative to keep the energy of the current working generation in order to sustain the services of social security policy and system. Therefore, the efforts should be made to develop and create employment opportunities for those who are capable and willing to work. This opportunity should be made available to women, youth, elderly and those who are ready to be a part of the working force in our society. Also, workers should be encouraged to save the money earned while in the working force in order to be less dependent on services of the social security system.

- \* 3. It is important to create and promote so-called “universal society”.

It is critically important to create opportunity for those who are willing to be a part of the working force. Such opportunity should be given to those who are willing to continue to be a part of the working force regardless of the condition of ages, disabled, and handicapped.

- (3). Civil Minimum for the livelihood of the Aged in terms of the continued incomes must be safeguarded.

The continued income for retirees or the elderly are depended on(1)incomes from the on-going employment,(2)incomes or revenues arising from the various type of assets and(3) pension(either public or private pension benefits). Public pension is the major sources for the incomes for the retirees and the elderly (above 65 years old). Therefore, the sustainability and viability of the public pension system is very

important.

- \*1. How the Financial Structure of Public Pension System could be maintained as a healthy and sustainable system: its design and structure.

The financial core of the public pension system, which is supported by the financial sources from the national government, is proposed to be increased to 50% of the core of financial resources from the national government by the year 2009. In order to improve the financial resources of the core of the public pension system, it is being suggested that the current system of insurance type, its revised type and a fully supported system by “the financial resources from tax,” are reviewed and the merits and demerits of each scheme are presented through “the simulation” to show the pros and cons of each type which are being contemplated for the implementation of the public pension system. The further deliberations on these types are encouraged.

- \*2. How to rectify and improve the issue of increasing default on the payment of premium by future beneficiaries of the pension system.

From the “macro point of view”, the increase of the default of the payment for the premium for the public pension system may not be as serious as it is pointed out, which could create the negative impact on the structure of the public pension system. However, it is going to be more serious to see the situation wherein the increase of disqualified recipients of the public pension may create the negative impact on “the merit of universal public pension system”.

Therefore, it is important to analyze the following points in the implementation of the policies:

- + It may be an option to implement a special policy of waving the payment of the premium for those who are less-well-to-do in terms of their continued incomes.
- + It may be that those who are being employed as non-permanent employees, or those employers who are not the payee of the

co-sharing public pension system, may be allowed to participate in the system or the measures to be deployed to enable the employers to take out the amount of payable premium out of the payment of employees in order to prevent the employees to be named as the default and disqualified to be recipients of the pension in the future.

+ It may be necessary to enforce by law for the payment of the premium by employees who are in habitual default for the payment of the premium.

- \*3. How to cope with the issue of potential increase of number of those who may be categorized as non-qualified recipients of the pension is important for the sake of maintaining the merits of the universal pension system. Those who may be categorized as the lowest level of the recipient of pension may be reviewed in order to be in line with the concept and merits of the universal pension system.

It is predicted in the future that at least 20% of the retirees or elderly may be disqualified to become bona-fide recipients of the pension. This prediction is based on the emerging situation such as the increase of those who will be on the welfare programs and other factors that may be influenced by changes taking place in socio-economic conditions. Therefore, it is strongly suggested and recommended that the issue of how to restructure the percentage of the core of the financial resources of the pension system supported by the national government must be studied. It is also important that the national government deploy more flexible policies to enable all people to participate in the universal pension system.

- (4). How the restructuring of medical, long-term care and welfare services for the elderly should be advanced to meet the emerging needs of the time.

\*1. The demand for the medical and long-term care services for the elderly is increasing.

Due to the increase of aging population (above 75 years old) and a shortage of supporting forces (families) for the elderly who require

long-term care and welfare services, the issue of strengthening the financial basis to support these services will be one of the most pressing issues in order to improve the quality of the services and sustain the system of social security policies and programs.

- \*2. How to rectify and improve the quality of medical and long-term care services is one of the pressing issues in the social security policy and system.

The quality of medical hospitals, in terms of shortage of experienced human experts and inefficient management of medical hospitals, is a pressing issue. There are also issues relating to “medical emergency task;” weakness in quality of medical services available in remote regions; and increasing shortage of obstetricians and podiatrists. It will require immediate measures to rectify this serious situation but more importantly, it is necessary to look into the fundamental structure of staffing of medical doctors to meet the needs of the time.

- \*3. The issue of restructuring of how to provide better medical services and strategic directions to implement the better plans for the enhancement of quality of human and material resources in the field of medical services.

Based on the concept of “ Focus and Selection”, it is necessary to undertake the task of coping with the issue of improving the quality and efficiency of the utilization of beds at hospitals; enhancing the networking system to provide better medical services in regional areas; implementation of division of labor in order to strengthen and apply specialized professional services on one hand and on the other hand, develop a collaborative system among the medical experts in the field of medical and long-term care services.

It is important to focus on how to improve and enhance quality of human and material resources to meet the required services. For this purpose, it is important to take drastic measures to strengthen the matter of efficacy in the medical services and at the same time, to

ensure that necessary human and material resources are in place.

- \*4. It is necessary to review the fees and charge of medical structure which are in place.

Although it is important to maintain and sustain the financial viability of the social security policy and system, the medical and long-term care services for the elderly must be reviewed and reassessed in order to make the most reasonable and effective distribution of financial resources. Therefore, it is necessary to conduct the comprehensive total review of the current system of medical fees and charges.

- \*5. Comprehensive simulations must be conducted to develop the future picture of medical and long-term care services system for the elderly.

In order to have a reasonably reliable prediction of what might be the future picture of medical and long-term care services, it is necessary to conduct a comprehensive study of simulation by which to establish the future picture of the service system. It may require the examination of what would be the financial picture of maintaining the system of social security policy and programs to meet the needs of the future time. It is the question of how much it will cost to maintain and sustain the system and how the financial resources for it must be secured.

- (5) Required policy and programs to cope with the task of improving demographic situation for the future.

- \*1. Policy implementation for the improvement of demographic situation in the future must be in place.

The issue of changing demographics is one of the pressing matters facing Japan. The fundamental is how to reconcile and find the solution in terms of establishing a workable arrangement to overcome the difficulties on the matter of birth of child, caring of children on one hand and staying on the other hand as the working forces in the society. It is the question of which comes first as a choice. Therefore, it is

important to find the solution to enable women to have children and, at the same time, to be a member of the working force.

\*2. Development and promotion of an harmonious working environment

It is important to take into consideration of what is termed as “philosophy of work-life and balance” in developing the harmonious environment wherein those who wish to work while fostering or raising their children can be in the working force.

\*3 Policy and programs of how to enhance the environmental structure wherein assistance will be made available in caring of children in the communities.

In the process of caring of children, it is being pointed out that there are certain periods at which time children are faced with some difficulties. The first difficulty with which children may encounter is when they reach one year old. The next will be when they become four years old, then when they are enrolled in the first and fourth years at elementary schools. This difficulty is described as a kind of barrier that children are likely to face with.

\*4. The role that community could play in assisting the caring of children by establishing the better environment.

The various type of community services which are designed to assist the caring of children by respecting dependent way of raising children without the dependency on parents heavily are desirable. It is important to see that the role of caring of children can be made available in natural and amalgamated environment in the society in which children and their parents live.

\*5. It will require drastic measures to improve the demographic condition with financial resources to be made available to develop and implement a new policy to meet the emerging needs of improving the situation.

It is necessary to have a united policy and programs among the national governmental ministries, each of which may have been promoting its own policies and programs without coordination with other ministries, to make the policies and programs effective and productive. The qualitative and quantities' improvement of the situation is important.

- \*6. It is necessary to implement the enhanced safe-network system to make the social security policy and program healthy.

For the sustainable and viability of social security policy and program, the question of enhancing of “risk hedge” is important. In order to advance the healthy system of social policy and programs, the implementation of flexible policies is necessary and requires (1) improvement of the system of “ the current high cost medical and long-term care service programs”, and (2) review and reassessment of the conditions facing those who are less well-to-do. To make it more effective and productive, the implementation of social security card numbers and the technical application to enhance the safe-network system is desirable.

- (7). It is urged to focus on restructuring the social security policy and system which has the trust and support of people.

- \*1. It is important to regain the trust of people in order to maintain and sustain the social security policy and system.

The current social security policy and system is being questioned by the majority of people. It may be a matter of an accountability of the policy and system. Of course, the restructuring of the social security policy and system is imperative if it is to be kept as a trustworthy system. However, it is more important to see how the management of the social security policy and system is being executed with a sense of transparency. Therefore, the government is held responsible for the development, establishment and proper management of a trustworthy social security policy and system.

- \*2. Recommendations and suggestions for the management of the social security policy and system to meet the needs of the time.

Although the restructuring of the current social security policy and system is absolutely important, there are a number of areas and points that could be rectified and improved for the healthier and more trustworthy policy and system. In this regard, the government is held responsible for the task of rectifying and improving the current policy and system which was reported in the mid-term report.

- [3. The Contents of Further Deliberations and Discussions on the Social Security Policy and System after the mid-term report was submitted to Prime Minister Fukuda in June, 2008.]

The issue of how to enhance the safety network by which the matter of coping with the difficulties facing the less-well-to-do peoples; how to regenerate the ability and vitality of the current generation who are and will be the core of supporting forces for the sustainability of social security policy and system; and how to predict the future picture of the social security policy and system of Japan, is an important step to lay out the road map for the future of Japan's social security policy and system.

In order to realize this important task of ensuring the sustainability of the social security policy and system, further intensive efforts should be made to produce a realistic simulation by which the requirement of the financial resources to up-hold the quality of medical and long-term care services for the elderly can be brought to the attention of all parties concerned. These issues were not included as a final recommended form in the mid-term report. Thus, these matters are kept as the agenda for the deliberations and discussions at the national conference on social security policy and system after the submission of the mid-term report was made. These issues cited above will be reflected in the final report.

(1) How to cope with those who are regarded as “less-well-to-do”.

Expansion of job opportunities for those working at small and medium sized companies is very important for the growth of Japanese economy. In order to expand this job opportunity, it is necessary to implement flexible and realistic policies in meeting the needs of each region and locality.

The implementation of these policies requires the in-depth re-assessments of the policies adopted and implemented in the past in order to develop more stable and perpetual policies and programs which will lead to the creation of a better system. It is also important to realistically face how difficult it is for those who are either on “welfare” or unemployed to understand the depth of the existing problems.

The government should deploy effective measures which will help those who are in need of job training and enhancing professional skills that may help the expansion of the employment opportunities.

It is also important to consider reviewing the current level of minimum wages and to revise it in order to maintain the level of the livelihood of workers at an appropriate level for those who are in need of social assistance.

Although the laws are enacted to come to rescue of those who are in need of social assistances and the minimum wage system, the relevant laws in this regard are too complicated to be understood by the common people. Also, systems are not properly functioning because of bureaucratic hindrances which make it very inefficient to make the merits of these systems workable. The deployment of efficiency and productivity of this relevant system (enacted as the relevant laws) is the key to improving the current system.

(2). Policy of the enhancement of ability for developments is urged.

\*1. Based on the mid-term report submitted in June, 2008 in which the various policies and programs are cited as implementation for the establishment of a detailed schedule to promote revised policies and programs. It is important to take into consideration the matter of in-appropriate policies and programs developed and implemented in the past in the process of developing new policies and programs.

\*2. It is important to enhance the policies of ability for development of the various policies and programs.

It is recommended that the curriculums at the various vocational schools should consider the inclusion of more intensive programs such as curriculums for long-term care services, which will be one of the growing economic and business areas. The curricula and programs to be offered at vocational schools should be pragmatic enough to be of practical use for the specific purposes as expected.

The policy of development and enhancement of one's own ability, which is being promoted through the use of the educational training, and the benefits of un-employment insurance must be coordinated with the benefits of the welfare assistance services. It is also important to implement specific policies and programs which are flexible and practical enough to meet the needs of the different regions and localities. In this sense, it should be pointed out that not only the national government is held responsible to play a certain important role but also that regional and local governments should be given more autonomy and rights to manage their own policies and programs to meet their respective needs. Therefore, it is important to establish a closely cooperative and collaborative system by which the national government and regional and local governments work hand in hand to implement the comprehensive policies to meet the needs of the whole parties concerned.

\*3. A policy to prolong the life span of professional career should be

implemented.

In the accelerating aging society, it is necessary to make it possible for people to be able to engage in their professional careers longer. For this purpose, it is necessary to provide appropriate training programs to meet the demands of the time.

- \*4. Emphasis should be placed on the importance of enhancing the ability of youth through professional training programs, which will provide the work force with ability of working longer in their professional careers. This means contributing to the creation of a productive society which will lead to the expansion of more job opportunity and a larger job market.

The creation of this kind of employment environment will contribute to the stable financial condition of un-employment insurance system. This will eventually make the social security policy and programs viable, which will in turn strengthen the economy of the nation and will make the nation very competitive in the arena of the international business.

- (3). The simulations conducted on the future picture of medical and long-term care services for the elderly will tell us what we must do in this area in terms of coping with the future issue of medical and long-term care services for the elderly. The simulation conducted, which covered the issue of “ how to develop and implement a truly required system of medial and long-term care services for the elderly in meeting the needs of the time are studied,” are cited as follow:

- + For the purpose of conducting the simulations, it assumed that the simulation should be designed to develop a drastic restructuring of the system of the social security policy and programs with regard to the area of medical and long-term care services for the elderly.
- + The scenario designed for the restructuring of the medical and long-term care services for the elderly is focused on the issue of how to enhance the quality and efficiency of the services in question. For this purpose, the multiple simulations were conducted to make the options

available for the development and implementation of the policy and programs in the future.

- + In conducting the simulations, the relevant factors of the rate of economic growth, technological and scientific advancement and the matter of efficiency of enhancing the system in question, all may have a great impact on the future picture of the system in question and are included.
- + In conducting the simulations, the year 2025 was set as the year to develop a picture of a desirable system with the required financial resources at that year.

The followings are the outcome of the simulations:

\* What should be the system of required and desired quality of medical and long-term care services for the elderly?

: Intensive medical treatments and care services should be enhanced and increased with quality and number of the staff at least at double the level of the current status. It is recommended that the duration of those who are admitted to hospitals should be shortened from the average current level of hospitalization of **20, 3 days to shorten it to be 10 days before the petitions are going to be discharged.**

: The restructuring of hospitals and beds to make them more efficient and productive for the medical services to be more specific to meet the needs of the given time through the deployment of specialization in medical treatments and care services. Of the current number of beds at the various hospitals, the total of which is 1,330,000 beds, it is recommended that the following distribution plans should be considered as an appropriate restructuring plan to be put in place by the year 2025. The plans cited are: 670,000 beds for the most intensive medical treatments and services; 440,000 beds for sub-intensive medical treatments and care services, including the services relating to rehabilitation services. The total number of required beds in 2025 will be 1,100,000.

: Medical and long-term services at home for the elderly will be enhanced in quality and quantity. By the year 2025, the increase of the services per day will be increased by 430,000 persons per day who need for the services.

: The number of human resources should be increased from the current level of staffing to 1.7 ~1.8 % higher.

\*As the result of the simulations conducted, the financial resources for the medical services should be restructured

: Advancement of technological and scientific merits will contribute to the efficiency of the medical services both in quality and quantity.

: Deployment of “preventive measures applied medically” will decrease the number of those who visit medical doctors at hospitals.

: Rational and efficient usage of medicines, and the deployment of advanced medical testing equipments and other type of equipments which are more advanced technically and more cost efficient, will contribute to the decrease of the total cost in medical services. It is estimated that those who visit hospitals to see medical doctors will be reduced to 320,000 per day from the current level.

: It is anticipated that the total medical and long-term care services costs will be increased from the current level of 7.9% of GDP to 11.6~12.0% of GDP by the year 2025(the scenario of restructuring plan should be implemented).

: In terms of additional financial resources required from the tax paid financial resources, the financial requirement will be, if it is translated into “the percentage of sale tax” which were to be applied, it may be the 4% of the proceed of the total sales tax which will be contributed by the purchase of goods or services (the current sales tax rate charged to consumer is 5% of the total purchased amount of services and commodities).

- (4). How to cope with the issue of improving the current demographic conditions prevailing in Japan.

The issue of how to improve the current demographic conditions is one of the most pressing matters in terms of sustaining the social security policy and system. It is also closely related to the advancement of economic growth of the nation. In a nutshell, it is the issue of how the wealth of the nation can be maintained.

The issue of coping with the prevailing demographic conditions by rectifying the negative factors facing the nation and improving and enhancing the demographic condition was cited in the June 2008 mid-term report. The issue was defined as development and implementation of positive and enhanced policies that should be regarded as “investments for the enhancement and empowerment of the human resources of the next generation,” which is the key to the wealth of the nation. From this point of view, it was emphasized that the opportunity of being a part of the working force, and at the same time to engage with and devote to caring of children by women, should be made available for which a dynamic policies and programs must be developed for its implementation. The issues of marriage, birth of children, fostering of children and being a part of the working force are important issues if the nation is to strive to establish a society which will ensure and safe-guard an adequate social security policy and system. The mid-term report stated that the issue of creating a harmonious environment must be created in which working in society and managing private life at home can be maintained simultaneously. Further, it was pointed out that the issue of caring of children with the support of the communities in which one lives is important in order to maintain the cooperative and collaborative relationship for the fostering of children.

In comparative way, the budgetary policy of Japanese government to provide an appropriate assistance and support policies and programs is rated low. It is imperative that the national government works together

with regional and local governments to inject more financial resource as well as implementing more dynamic policies to improve and enhance a “family support and assistance system.”

- (5 ). The establishment of a new structure of system is important to implement “the effective measures to improve and enhance the services in the field of day care facilities for children and kindergartens as well as other type of facilities taking care of infants and children.” This issue was discussed intensively at the national conference on social security policy and system. The national government has formed a special committee and other ministerial commissions which dealt with the issue of how to improve and enhance the system of caring of children with new programs to meet the needs of the time.

The national conference on the social security policy and system which required for the further deliberation at the conference after the mid-term report was submitted in July, 2008. The following issues remain to be continuously deliberated and discussed, and are reflected in the final report. These issues are:

- \*1. Creation of policy and implementation to enhance quality and quantity of the services for the caring of children is urged.

It is stressed that the structuring of the enhanced service system for the caring of children should be in place as soon as possible considering the potential increase of demands for these facilities and services. In view of the acceleration of changes in life style of people, the necessity of developing policies to cope with changing needs for the caring of children is required which may be more multiple in its style of caring of children.

As pointed out, the multiple ways in which life style is changing and the style of caring of children is also changing, the services to be provided should be made available from the view point of the needs of parents and their children. The quality of services should be

re-defined to meet the needs of the time.

- : It is also necessary to focus the attention on the issue of expanding the facilities for the caring of children such as kindergarten, day care for children and nursing care facility for children.

The role that these facilities play in caring for children should be redefined in order to provide productive care services for parents and their children.

Parents should feel safe in leaving their children in these facilities. The mutual trust should be in place between providers of the services and those who take the advantage of these services for their children. Quality of services should be in place as well.

- : De-regulation policy should be more advanced to allow private entities to be more involved with the services made available at kindergartens, day care for children and other type of facilities for children.
- : The standards and supervision to maintain the quality of services at these facilities must be conducted by government - either regional, local or central. The further detailed deliberations and discussions should be conducted in specially designated government commissions or committees to make the policy clear and productive to ensure that services meet the needs of the time.

Primary and middle school environments should be improved so that children can spend their time at adequate places to engage with other activities after the formal hours of the schooling is over each day. Some detailed budgetary measures should be implemented to provide the extra times for activities and places that are made available for students.

Another issue is how to closely collaborate with the communities in which students live in order to create a better environment for caring of children and the level of lower grade students. The issue of

establishing a clearly defined system and programs for mothers-workers to take either the paid holidays during the period of caring of their babies or children or work as a part-time worker in order to spend more time with their babies or children. This assisted program for working women is very important to be implemented in the policies to meet the needs of the time. At the same time, working husbands should be provided with the opportunity of taking some length of time off from work in order to assist their wives at home with their children. For the implementation of this kind of program, it is necessary to extend some incentives to management to let their employees take the advantage of the time off from work. For the sake of developing and implementing this kind of program, it is imperative to break through the bureaucratic barriers that exist which are regarded as one of the hindrances for the creation and establishment of the better social system.

- \*2. It is necessary to reassess the issue of how caring of children properly is to be implemented as a system in our society.

In order to establish the better system for caring of children with the sense of safety and comfort, it should look at this matter as the issue of the whole society not just as an isolated issue of how caring of children should be conducted. It is also important to implement an appropriate measure to provide the necessary assistance and support to new mothers. Other policies of providing the various assistance and support should be extended more comprehensively for single mothers and handicapped children. For this purpose, integrated assistances and support programs should be developed and implemented.

- \*3. The necessity of establishing a societal consensus for supporting and approving cost sharing to establish a new social security policy and system will require the injection of additional financial resources in order to make the system sustainable and viable. For this task, it is important that clear and defined policies and programs must be proposed for deliberations and discussions of the various issues yet known for the establishment of a new system. Some studies indicate

that the total cost for the implementation of policies and programs to make the social security policies and system adequate to meet the need of the time will be approximately at U.S. \$ 1.5 to 2.4 Billion Dollars. It is also pointed out that the additional financial costs may require coping with emerging issues such as the policies and programs to improve the demographic situation. The issue of rectifying the demographic situation currently facing the nation must be resolved and needs to set a new policy to improve the prevailing declining birth rate.

- [4. Task required for the enhancement of the re-defined social security policy and system]

As the result of the simulations conducted to see how the nation has prepared for the improvement and enhancement of the social security policy and system which covers the area of medical services, long-term care services for the elderly, the measures to be deployed to rectify the current demographic situation and also the issue of reassessing the fundamental structure of each specific area of the social security policy and system. The simulations conducted have shed some light on the scope of the financial resources required to make the social security policy and system sustainable and viable.

With regard to how the fundamental structure of pension system should be developed and implemented in order to meet the requirement of the future, the national conference on the social security policy and system deliberated and discussed how to develop an improved system which could be based either on the concept of “social insurance and co-sharing system” or “totally tax supported system”. The various kinds of simulations were conducted to assess the options available to see the pros and cons of these systems. This final report recommends and urges the importance of deliberating and discussing this essential issue further by which the better system could be developed and implemented with the understanding and support of the public.

The review and restructure of the universal pension system, which was in part revised in 2005, by which the financial resources for the system of the current pension fund can be regarded as a stable one than before and that the negative factors arising out of the default of the contribution sum(payment) to the pension fund is determined not as an immediate threat for the sustainability of the pension system although it was pointed out that in the long-run, the increase of the default of payment may affect on the philosophy of the universal pension system which safeguard the wellbeing of the elderly during their aging period. From this point of view, it is critically important to develop and implement the policies to come to the rescue of those who are not in a position of enjoying the merits of the universal pension system due to the failure or default of payment or disqualification for the universal pension system because of being unemployed for some duration. The proper management and function of the universal pension system is one of the critical keys to the sustainability of this universal pension system.

With regard to medical services and long-term care services for the elderly, it will be not-escapable issue to face with the increase of the financial burden to maintain these services as properly as they should be. However, we must look into the situation wherein the current medical services and long-term care services provided are not properly managed nor functioning as they should be. The mid-term report did point out that the issue of “coping with the emergency medical requirements, enhancement of the quality of medical services for the remote areas, the short-staffed situation of obstetricians and pediatricists,” were matters of serious concerns for the all parties involved. It was urged that the task of restructuring the current situation facing in these area should be rectified and improved immediately and the appropriate measures should be deployed to develop and implement the sound structure of medical services to be made available in these specific areas.

The national conference on the social security policy and system

focused on the issue of the financial and cost analysis of providing adequate services for medical and long-term care services in order to assess and determine what kinds of restructuring should be undertaken to improve and enhance the services in these fields through the various kinds of simulations that were conducted. The simulations were conducted based on the assumption of the various scenarios which may be described as very bold assumptions to see what could be the financial picture of the system of the newly envisioned social security policy and programs if it is required to develop and implement to meet the needs of the future era.

The purpose of conducting various kinds of the simulations this time is to create a vision and philosophy by which the policies will be developed for implementation and aimed at the intensive specialization of each of medical services with the strengthening of the resources of the medical specialists who could treat the petitions effectively and enable them to be discharged from hospitalization in a short period of the time that will accelerate the transition of the petitions to their home for the further application of medical services and rehabilitations. This new vision and philosophy will enhance the quality of collaborative and cooperative alliance among communities to develop the comprehensive care system which will strengthen QOL (quality of life) of the petitions discharged from hospitalization.

Estimated costs of medical services and long-term care services for the elderly derived from the studies and analysis of the simulations will shed some light on the medical services and long-term care services for the elderly in the years ahead. This newly predicted picture of medical services and long-term care services is aimed to improve services with more efficient cost management compared to the current services in place.

Needless to say, it is imperative to develop and implement new and dynamic policies and systems to make such ideal services available. The realization of these policies and programs to be implemented under the better system requires the pre-requisite of the following

structural changes in the existing policies and services;

- : Financial resources must be secured to sustain the system by which newly emerging services will be made available to meet the needs of the given time.
- : Re-assessment and re-definition on the plans for the supply and demand relationship in the services required and a clear definition of division of labor among the parties concerned who are the providers of the services. Review and re-assessment of medical fees and fees and costs for long-term care services for the elderly are required to be more efficient in the management of the services that will make the fees and costs to be more reasonable.
- : The various kinds of simulations conducted have produced very convincing data to support the recommendations that the national conference on the social security policy and system had expected to see the overhaul of the current policy and system which must be understood by the public. It is also needed to show a clear and convincing road-map to achieve the goals set for the realization of the new and dynamic policies and system.

The recommended strategic directions to deploy the measures to create and implement the policies and programs named as “Japan is the country which supports children and their families” indicates that what would be the total scope of the financial resources required to develop and implement the various appropriate policies and programs in the area of medical services, universal pension system, long-term care services for the elderly and demographic situation are already made in the public.

The Government’s plan to increase its share of financial contribution to the pension fund by 1/2 from the current percentage of 1/3 means that the percentage of share of the financial contribution by the public fund

(tax paid money) will be substantively increased. It is translated into 3.3 %~3.5% of the total amount of the revenue from sales taxes in the year 2015 and 6% of the total amount of the revenue from the sales tax in the year 2025. If the system is to be based on the totally taxed money, the percentage of the financial contribution by the government will be 6%~11% in the year 2015 and 9%~13% in the year 2025.

Based on the outcome of the simulations conducted on the scope of the financial burden on the part of the payees to the system, it may be increased by plus 1.5~1.7 percentage in the year 2025. This is to say that the percentage of the increase cited is the percentage of expected GDO in that given year (2025).

Another issue we must bear in mind in order to develop policies and implement is the improvement of the social security policies and system. It is significantly important to analyze and assess the role that regional governments should play to keep the social security system viable and flexible enough to meet the needs of the respective regions and localities. To meet the needs of respective regions and localities, it may impose on them the huge financial burden which must be carefully studied.

In order to make the social security policy and system sustainable, and to ensure that the system is improved to meet the emerging needs of the time, it is necessary to establish the desired picture of services which will be made available. At the same time, it is necessary to secure sufficient and stable financial resources to ensure the policy and system be properly in place. It is now the time for the nation to act on the task of coping with the issues which are needed to rectify and improve the policies and system enabling the proper services to be made available.

#### [5. The Messages from the National Conference on the Social Security Policy and System]

Until now, no opportunities were made available to the government and to the people at large to assemble together to openly deliberate and discuss how and what kinds of social security policies and system should

be in place. The Members of the National Conference on the Social Security Policies and System expressed their regret for the lack of awareness and understanding that existed among those who were involved with this important task in the past; how it is significantly important to hold this kind of important conference in the way as we have done.

It is true that in spite of the importance that social security policies and system play the role in our society, the fact is that the people are not kept properly informed of how the social security policies and system are being shaped into the policies and system in its final form. It is the question of how political process is to be developed and maintained in terms of its transparency.

Needless to say, it is regrettable to note that some staff of the Social Insurance Agency of Japan has committed scandalous, inexcusable, and administratively unfair acts and other kinds of wrong doings. One of the regrettable cases in question may be the confused situation which developed involving the improper implementation of the policies concerning the matter of medical services programs for the elderly. It should be pointed out that the Ministry of Health, Labor and Welfare must be named as the one responsible for such improper administrative conducts in the planning and implementation of the relevant policies and programs. Ironically, these cited improper administrative acts committed by the staff of the Social Insurance Agency of Japan provided the opportunity not only for the government but also for the public at large to become aware of how important it is to participate in the political process of developing and implementing social security policies and system - one of the most closely woven social programs in the life of the public at large.

Therefore, it goes without saying that the direct participation by the public at large in the process of developing policies and system of the better social security policies and system is an important key to undertake the task of structuring better policies and system which must be bold enough to promote and carry out the political process openly and

transparently. It is also important for the public at large to understand that they are held responsible for the financial obligation to enable the system to be sustainable and available with quality services. The most important point is that the political process of developing policies and system must be carried out with sense of the well being of the public, not for the merits of bureaucratic organizations.

It is, therefore, recommended that efforts should be made to make the system and programs easily understandable by the public at large and that the matter of full disclosure of the information should be in place as well as enhanced access to information data bases. It is also suggested that the deployment of an easily identified social security number system should be introduced for all peoples.

The members of the National Conference on the Social Security Policies and System have spent the last ten months under the leadership of the Prime Minister(s) with the support of many of professional experts and also public participation in town meetings conducted across the nation. During this period, the members of the National Conference on the Social Security Policies and System have had many opportunities to hear the voices of experts as well as the people at large, which are reflected in the final report. The final report also paved the way to advance for future deliberations and discussions to ensure that the policies and system will meet the emerging future needs.

The various recommendations and suggestions enumerated in this final report should not be regarded as the final recommended or suggested policies for the system to be put in place. It is the responsibility of the people to keep their eyes on the further development of the policies and programs which will be implemented and to ensure that the services made available to the public are what are really needed and good for the sake of the people. It is the public who are held responsible to ensure that the policies and programs in the field of the social security policy and system are adequate for all parties concerned. It will be the beginning of the chapter for Japan to open the new page of the social security policies and system.

The issue of how and what kinds of social security policies and system are to be developed and implemented is the matter of concern for the nation. To make the policies and system meaningful and productive for all parties concerned, it is the duty, responsibility and obligation for all of us to participate in the political process of developing the policies and the best system. Therefore, the government is held responsible to provide opportunities to the public to participate in the political process of developing the policies and the best system which should be open and transparent to all parties concerned. What we have emphasized here is the foremost important message to the nation and the peoples.

THE FOOT NOTE to the final report on the National Conference on the Social Security Policies and System is noted by Mr. Yusuke Kataoka who has translated and edited the Japanese version of the final report into the English version and some observation by him are cited hereunder;

Commenting on the Final Report on the Social Security Policies and System, the contents of which was made public at the office of the Prime Minister on November 4, 2008, Asahi Shinbun(Asahi News Paper) carried a special article in its edition of March 20,2009,with the heading remarks citing that “the universal insurance system recommended in the final report will impose a huge financial burden” to the peoples and pointed out further that there is a clear difference of the policies between the Ministry of Health, Labor and Welfare and the Ministry of Finance in terms of developing policies and the system as it was recommended by the National Conference on the Social Security Policies and System. The article pointed out that the issue of how to resolve this difference is going to be the keys to the development of the better

policies and system as the universal social security policies and system. It is necessary for the both Ministries to eliminate the concept and practice of keeping and protecting its own turf for not being invaded by other ministries. It is the bureaucratic system and barriers that exist among the central ministries in Japanese government, which has been regarded as one of the un-productive policies derived from unsound systems.

The article points out further that the both ministries (the Ministry of Health, Labor and Welfare and the Ministry of Finance) are incompatible in terms of the political philosophy and political position. The two ministries have maintained that they are ostensibly in agreement with each other to make the best use of “sales taxes” which is being planned to be raised from the current 5% to the higher rate (it is predicted that the new percentage will be from 7% to 10% which is yet to be discussed among the parties in power, the Ministries concerned and it must be deliberated further at the various committees of the Diet before the contemplating amendment of the sales tax rate will be enacted). But, the Ministry of Health, Labor and Welfare asserts and maintains that the proceeds from the increase of the sales tax is to be designated as a priority policy for the enhancement of the quality of the services and sustainability of the system. The ministry of finance asserts and maintains that the fundamental policy for the increase of the sales tax is designed for the strengthening of the fiscal condition of the nation although some of the proceeds from the increase of the sales tax could be appropriated for the betterment of social security policies and system. Professor Yoshikawa who chaired for the National Conference on the Social Security and System stated strongly at one of the closed sessions of the Conference that the priority should be defined in terms of appropriating the proceeds of the increase of the sale tax which should be for the enhancement of the social security policies and system on the account of the fact that the default of payment of the premium for the system of long-term care insurance for the elderly is at the verge of collapse unless the further financial injection into the system of the long-term care services for the elderly is to be safeguarded by the public funds. Also, he said that the unstable condition will apply to other areas of the social security policies and programs. The ministry of the finance is said to be very clever to manipulate the public by implying that the increase of the sales tax for the enhancement of the social security

policies and system is necessary but the increase of sales tax should not be appropriated totally to the improvement and restructuring of the social security policies and system. The ministry of finance maintains that the fundamental policy should be aimed at the restructuring and strengthening of the fiscal condition of the nation by not leaving the debts to the next generations.

Some experts including academicians state that Japan's universal social security policies and system which covers all of so-called social security policies and systems in the universal pension scheme, long-term care insurance system for the elderly and universal medical insurance system and other kinds of the services systems, have been kept viable due to the continued financial injection by tax paid moneys by the government even for the system which is classified as "co-sharing system"(concept of insurance system by paying the premium or financial contribution to the fund of the system by each party involved).

It is pointed out that due to the financial restructuring of the fiscal policy that the government under Koizumi Cabinet pushed aggressively as a priority policy to make the primary balance to be sound which has been carried out for the last few years, in particular, in the area of social security policies and programs, which is said to have raised the voice of reviewing the sustainability and viability of the system with the desired quality of the services to be in place. This policy has placed the destiny of the social security policy and programs in the hands of the players of the fiscal policies rather than the policies which should be developed through collaborative and cooperative way among the ministries concerned. This situation has raised the issue of raising the current percentage of the sales tax to the higher percentages and the proceeds from the increase of the percentage of the sales tax should be appropriated to the social security policies and programs but the ministry of finance kept its stance that the plan for the increase of the percentage of the sales tax is aimed for the soundness of the primary balance of the fiscal policy of the nation.

The serious concerns are growing within the higher echelon of the ministry of health, labor and welfare that the social security policies and programs for

its implementation each year are going to be dictated by the players of fiscal policies, authority of which is bested with the ministry of the finance who is in charge. This makes it difficult for the ministry of health, labor and welfare to develop flexible and appropriate policies and programs to implement as they hope to do. It is the bureaucratic fights between the two ministries as to which ministry is to be in charge when it comes to the matter of the appropriation of the budget for the social security policies and programs. It is pointed out that other factors are also creating a negative situation for the improvement of the social security policies and programs. It is being demonstrated by the employers of business corporations who are reluctant to bear the sharing of the higher cost of the financial contribution to the fund of the social security system on the account of the fact that the extra financial burden on the part of the employers will have the negative impact on the balance sheet of the corporations. It is also pointed out that the current demographic situation is also contributing to the weakening of the financial resources of sustaining the social security policies and programs to be adequate to provide the better services.

In the nations of Scandinavia and Europe, the majority of the nations, in particular, in Scandinavian, have historically maintained that the policy of the social security system should not be used as a political issue and the consensus is well established that the social security policy and system should not be used as means to divide the nation. It is pointed out in Japan the matter of social security policy and system has been confronted with the bureaucratic fights among the central ministries concerned for their fights to capture the larger share of the fiscal budget for the advancement and promotion of the policies and programs of each ministry without many collaborative and cooperative efforts made among the ministries concerned.

Ministry of Health, Labor and Welfare is now faced with the pressing issue of how to take the leadership to be actively involved with the process of developing the policies and programs through the enhancement of their influence in participating in the fiscal policy which will enable Ministry of Health, Labor and Welfare to promote and enhance the social security policies and programs with the necessary financial resources behind them.

Needless to say, the development of the better social security policies and system must be established if the nation is to remain as a strong and prosperous one. In this regard, the attempt made under the leadership of the former Prime Minister Fukuda to call and form “the National Conference on the Social Security Policy and System” which involved with many experts and ordinal peoples as the participants in the process of reviewing the past and the current social policies and programs and assess and recommend what kinds of the social policies and system will be the best one to meet the emerging needs of the times ahead is regarded as a very important step to pave the way for the betterment of Japan’s social security policies and system.

The writer thinks it is important that the development and implementation of the social security policies and system must go through the democratic process with the participation of all peoples and in that process the matter of transparency must be clearly maintained; it requires the development of the democratic process with transparency. It should not be left to the sole hands of the bureaucratic organizations and politicians. It should be” the policies and system which is to be developed and established by the peoples, of the peoples for the peoples” (人民による、人民の為の、人民の社会保障政策)。.

Yusuke Kataoka

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April 21, 2009

