

## **“COVID-19 Changes in Japan’s Social Security System: Income Security”**

*by Prof. Junko Takahata, Kyoto Sangyo University*

In her presentation Professor Takahata gave an overview on Japan’s social security system and took a closer look at the impact of the COVID-19 pandemic on the living conditions of Japanese citizens and the financial assistance that was provided, and furthermore, which issues were revealed in connection with the crises.

The Japanese social security system consists of social insurance, public assistance, social welfare, and social benefits. The centre of the social security system is the social insurance, which divides into five types of insurances. These are pension, medical, long-term care, workers’ compensation, and unemployment. All social insurances are financed by taxes, which is about 40-50% of their financial resources. All residents are enrolled in a pension and medical insurance system either in a system for employed people or the national one. Regarding the long-term care, residents are enrolled in the insurance of their municipality. In the cases of workers’ compensation and unemployment the insurances are mostly used by employed people. The public assistance system provides public assistance and its aim for a minimum standard of people living in poverty. Social welfare provides service benefits to people in weaker economic positions, such as single parenthood and disabilities. Finally, it has to be mentioned the social benefits are child related non-universal benefits.

In 2022 the total budget for social security benefits is 131.1 trillion yen. 44,9% of the budget is allotted to pensions and 31,1% to healthcare, just to name a few examples. In total, about 86% of the budget is allocated on benefits for older people. The costs of benefits however has increased, so they are currently trying to establish a social security system for all generations not only for the elderly people.

The living conditions of Japanese citizens have been affected when a state of emergency was declared in April 2020. A lot of companies set their workers on leave without laying them off. They made usage of the employment adjustment subsidy and other measures. The unemployment rate did not increase drastically because most of the workers went into non-labor force. The group of workers which were mainly affected by the job loss, was the one of female non-regular employees working for example in food services or personal services. However, most of those who were able to stay employed were confronted by a decreasing income.

The number of unemployed people who received the basic allowance, which is a benefit from the unemployment insurance, did not increase much. Since September 2020 the recipients of basic allowance have settled in the 400,000s. In comparison to the over one million recipients, which were reached in 2009 after the financial crisis, it was definitely no drastic change. This was also a result of the number of workers who went on leave during the pandemic and the specific requirements for receiving the unemployment insurance basic allowance. The number of public assistance recipients has not increased either. One of the reasons is that financial support forms were readied and provided support to people before they even got in the need for public assistance. It needs to be stated, that most people do not get public assistance granted even if it is needed because of the strict requirements.

During the pandemic there were newly introduced support measures which were utilized in addition to the employment adjustment subsidy. The employment adjustment subsidy is mainly used to maintain workers' employment because of the common long-term employment system in Japan. It is provided to employers who had to downsize their business activities and as a result put workers on leave and pay them leave allowances. Employers get subsidies for paying the leave allowances. In response of COVID-19 a special measure was the increase of the rate and amount of subsidy. A new form of work leave financial support was established because of the pandemic. The target are workers who go on leave but do not receive any leave allowances from their employers. The new financial support is received directly by employees and serves as an income security. Again, because of strict requirements there are not many workers who have the possibility to utilize this support.

Further new financial assistance measures, especially for self-employed persons, are the sustaining businesses subsidy and rent subsidy. A requirement for these measures is a decrease by 50% or more in monthly sales due to the pandemic. Furthermore, there is a fixed-sum cash benefit of 100,000 yen for each person and special benefits for recipients of child allowance and child support allowances.

The economic support measures which were established in 2007-2008 in response to the financial crisis played a major role during the COVID-19 pandemic. These measures consist of three programs: the job seeker support program, the self-reliance support program for those in need and the daily life welfare fund loan program. These programs are stated as the "second safety net." Because of the structure of unemployment insurance non-regular workers and other who lost their jobs due to the financial crises were mostly not covered by it. Its purpose is to ensure the income during short-term unemployment. It was difficult for those workers to receive public assistance benefits because of their capacity to work and degree of assets.

The job seeker support program was finally established because people asked for a daily life security program between public assistance and unemployment insurance. People who are not covered by the unemployment insurance but receive job training get benefits from the job seeker support program. The coverage is limited though. In addition to entitled income and asset requirements, recipients can only get benefits for one year. The number of users has gradually increased since the pandemic.

The self-reliance support program for those in need provides comprehensive counselling support to people who are at the critical line of poverty. The Japanese social security system was designed to provide security in the daily lives of residents with money and services. The self-reliance support program for those in need is an innovative new approach to eliminate poverty by individualized counselling support. The support provided depends on the user's situation and his needs. There are different support offers such as preparation for employment, children's studies, and improvement of household finances. Cases have increased more than three times than before the pandemic and the numbers are still climbing also for foreigners and non-regular workers.

The daily life welfare fund loan program was extended to include low-income individuals, people who are on leave from work and unemployed persons. As logical consequence the amount of money as well as the number of users have risen considerably. Those who are not covered by income security programs which are more conventional such as the job seeker

support program or unemployment insurance basic allowance, are most likely to use this program.

Professor Takahata furthermore high-lined a few issues which remain relevant for the future. The “second safety net” needs to be strengthened. If the special measures are abrogated the number of people who are in need will increase sharply. Moreover, the housing assistance should be permanent. Since the only rent assistance benefit is a form of the public assistance program in Japan, the introduction of a general housing allowance needs to be considered. And finally, when the increasing number of users of the self-reliance support program for those in need was reviewed, the pandemic revealed the need for an expand of counselling support.

Maja Pfister