

エディトリアル

ESRI International Collaboration Project 2019/20

Research on the Fiscal and Social Security System beyond 2025,
-Design to Reconstruct the Sustainable System based on Market Mechanism-
Final Reports of Working-Group for the Sustainability of Security of the People
and Related System after 2025 in Japan.

By Shinji YAMASHIGE*

As the population in Japan has been ageing and declining, more and more Japanese people (especially, the young people) have come to feel uneasy about their future. The most challenging period, from the viewpoints of population ageing, is considered to come after 2025 when all the baby boomers become over-75 years of age. In this period, a smaller number of young people need to provide money and labor to support a larger number of elderly people under the social security system in Japan. The sustainability of the social security system is in question, which seems to be one of the reasons for why people have anxiety about the future.

In order to find ways to meet the challenge, Japanese researchers got together to grasp the current conditions of the social security system and envisioned the Japanese society after 2025. In our final workshop, as an ESRI International Collaboration Project, we invited three international researchers to have their views on the sustainability of the social security system. They shared with us their research in their own countries and other countries (e.g., OECD countries) and provided useful comments on our papers. Two of them contributed short papers to this volume, which allow us to have international perspectives over the issue.

Our Papers in This Volume

Our papers in this volume are organized into the following two parts:

Part I: Strengthening Healthcare and Long-Term Care Sector

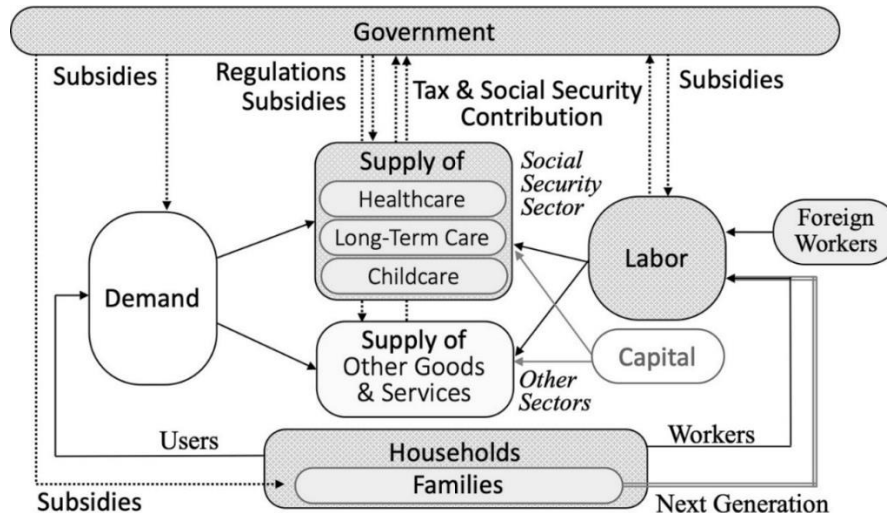
Part II: Strengthening Families and Workforce

In considering the sustainability of the security of the people, we paid attention to the supply side of the social security. The most important element is what we call the “social security sector” in

* Shinji Yamashige: Professor, School of International and Public Policy and Graduate School of Economics, Hitotsubashi University.

which healthcare, long-term care, and childcare services are provided.¹ Figure 1 depicts the social system concerning the provision of services for social security. People in households demand social security services together with other goods and services. Households also provide workers to the social security sector. In the labor markets, care providers compete with others to employ workers.

Figure 1: Conceptual Diagram for the Supply-Side of Social Security



Many care providers (e.g., hospitals, nursing home, childcare centers) are now having difficulty in hiring workers because wages and working conditions in the social security sector are not favorable ones compared with those in other sectors. For the sustainability of social security, it is important to keep quantity and quality of workers in the social security sector in competition with other sectors. The social security sector in Japan has been heavily regulated and subsidized by the government, as seen in Figure 1. Finding out the current conditions of the healthcare and the long-term care sector and searching for ways to strengthen them are the basic themes in Part I.²

One fundamental reason for the difficulty in hiring care workers in the social security sector is the decline in the workforce due to the low total fertility rate. Papers in Part II deal with questions

¹ In Figure 1, the public pension, one of the important elements of Japan's social security system, is missing because it does not require much labor nor capital to provide services as in other care services in the social security sector. By the same reason, none of our research analyzed the sustainability of the public pension system, except some discussion on the fertility decisions to have children who supply the pension to the elderly people under the pay-as-you-go system in Japan. Needless to say, it does not mean that sustainability of public pension is unimportant.

² One way to improve the fiscal sustainability of the social security system is to reduce the demand for social security services. For example, increasing the co-payment rate (i.e., reducing the subsidies to users in Figure 1) in the insurances for healthcare and long-term care. In our discussion, to enhance the sense of security of the people, we mainly focused on the supply side of social security (i.e., right side of Figure 1), which can be seen as the unique characteristics of our research in this volume.

concerning how we can strengthen our workforce to have a more resilient social security sector.³ The key elements are formal and informal childcare services, and public support for families. One of our papers in Part II also examines effects of increasing foreign workers as a way to strengthen the workforce.

Let me introduce each paper briefly. In Part I, we look at the supply side of the healthcare and long-term care sector in relation to other sectors. From 2018 to 2040, the government expects to increase by 0.2 million workers in the healthcare sector and 1.7 million workers in the long-term care sector, under the tight fiscal constraint. A question is whether or not the government will succeed in realizing its plan.

Based on the data of “Survey of Physicians, Dentists and Pharmacists” between 1996 and 2016, **Takahashi** tries to clarify changing characteristics of medical doctors in terms of age, sex, location, and clinical department. He argues that providing adequate medical services may become difficult in the future because of the changing nature and preferences of young doctors. The paper stresses the importance of finding strategies to prepare for the work-style reform in the healthcare sector starting from 2024.

Concerning the supply of healthcare after 2025, **Mizushima, Noguchi and Kawamura** analyze possibilities of maldistributions of medical doctors among clinical departments and among regions. By carefully analyzing the choices of physicians in different categories, the paper tries to clarify preferences of medical doctors, which are important to have sufficient supply to meet the demand for healthcare.

Yamada and Ishii pay attention to the care workers in the long-term care sectors. Based on the analyses of Japan’s Employment Status Survey, they identify basic characteristics of long-term care (LTC) workers. The paper shows the diversity of the care workers and succeeds in characterizing them. The paper clarifies the importance of male workers and of raising wages of workers in the Japanese long-term care sector, which competes in the labor market with other sectors.

The competition in the labor market is analyzed more extensively in the paper by **Kimura**. It provides simulation analyses to gain a better understanding of the workforce in healthcare and long-term care sectors and argues that their expansion in response to the increase in the elderly population can reduce economic growth by relocating workers from other industries, which may provide more robust contributions to economic growth. The model explicitly considers the competition between the healthcare sector and other sectors in the labor market.

Papers in Part II analyze decisions of families and workforce. **Ueno and Usui** examine the decisions and welfare of the elderly. One of their choices is to provide childcare services to their grandchildren. In the past, preschool kids were often taken care by their grandparents or by their parents;

³ Next generation (i.e., children) born in families in Figure 1 not only supply future labor to the social security sector, but also pay taxes and social security contributions to finance social security payments, including public pension.

but now, more and more parents are using the formal daycare services. The paper shows the impact of grandparents' providing care of their grandchildren on their labor supply and mental health with some comparison to the case in which they provide care to their elderly parents.

Asai and Jibiki investigate the effects of an increase in the subsidy for the private childcare providers on the employment and quality of childcare workers. The subsidy is designed to increase as the average experience of care workers goes up, and their analysis shows the expected positive effects on their wage and average experiences. The result suggests that the subsidy for childcare services can contribute to increase the supply and quality of the care workers.

Fukai and Kondo analyze the parents' demand for childcare services in response to changes in user fees. The paper shows that an increase in user fees has little effect on neither the use of childcare nor the labor supply of parents. It is suggested that the result may be caused by the excess demands in childcare markets due to the growing demand for the daycare services for children. The paper is unique in our research as it analyzes the policy affecting the demand side of the childcare services but also analyzes its effects on the labor supply. Because the fees for childcare services have recently decreased, the paper implies that Japanese government's attempt to support families with children is not small.

Yasuoka provides theoretical analyses of our fertility decisions. Because the low fertility is the source of population decline and the shrinking labor supply, how society can encourage parents to have children is an important question. The paper shows that higher uncertainty about the future can reduce the number of children that parents want to have. It is consistent with the recent decline in the fertility rate under the rise in anxiety of the young generation. It also shows that public policies to reduce uncertainty in the future income (e.g., subsidies for elderly workers) can increase the fertility rate.

An alternative way to increase the labor supply in Japan is to increase foreign workers. **Kitao and Yamada** provide simulation analyses on the effects of increasing them. The results show that an increase in low-skilled foreign workers can mitigate the increase in the wage of the low-skilled workers, which in turn contributes to lowering the fiscal burden. The effects crucially depend on the number of foreign workers. Although increasing foreign workers has some positive effects on the economy and public finance, considering the various costs of increasing them, the government needs to design effective immigration policies to enhance foreign workers in an efficient and equitable way.

Our arguments end with my closing chapter which overviews basic facts about sustainability of the Japanese social security and ways to improve it. Based on the discussion we had in the working-group, I emphasize that strengthening the supply side of the social security system and making the society more resilient are the key to improve sustainability of the social security in Japan.

International Perspectives

In our final workshop, we invited three researchers from Europe to have international perspectives on the issues we discussed.

Dr. Stefanie König⁴, a researcher in ageing and health policies, pointed out the importance of understanding the decisions of the elderly. For example, prolonging the working lives of the elderly is an effective way to maintain their health conditions and income. A question is how we can encourage them to stay working. She suggested that, for the elderly, satisfaction from work rather than money is an important motivation to keep working. Health conditions and labor supply of the elderly people are important elements in the social security. Her comments made us realize the importance of having a good understanding of the behavior of the elderly in designing a sustainable social security system, as economists tend to believe that monetary incentives are the key to encourage people to work.

Dr. Frederik Schut⁵, a researcher in health economics and policy, argued that the sustainability of the long-term care system is a problem not only in Japan but also in many advanced countries. Dr. Willem Adema⁶, a specialist in family policies, stressed the importance of allowing women to stay in the labor markets even after they give birth to children. Their argument can be found in the two short papers in Part III.

Schut compares the Japanese long-term care system with the “expensive” Dutch system. The paper stresses the importance of culture and social norms to understand the nature of the social security system. The current Dutch government’s attempts to improve the sustainability of the system are mostly to reduce the demand for the formal long-term care services. The supply of domestic care workers should not be a problem as long as wages are adequately paid. As many papers in this volume suggests, it will not be a wise policy to minimize the wages for the care workers to reduce the cost for the social security because it can reduce both the quality and resilience of the social security system. The social security system in the Netherlands has tried to find ways to reduce use of costly care services to improve its sustainability.

Adema compares the family policies in Japan with those in other OECD countries. Although family policies are heavily dependent on culture and the social norms of each society, they should be redesigned in response to socioeconomic changes. The paper stresses the importance of roles played by women, who provide labor and give birth to children. Women are indeed in the center of our discussion on how we can strengthen the supply side of the social security system. Family policies in Japan need to be enriched to make Japanese society more resilient.

⁴ Researcher at University of Gothenburg in Sweden.

⁵ Professor of Health Economics and Health Policy at Erasmus University in Netherlands.

⁶ Senior Economist at Social Policy Division of OECD in Paris.

Further Research

The papers in this volume allow us to consider what we should do to strengthen the social security sectors and families to improve the sustainability of social security in Japan. The answers to the question above, however, are not yet clear. Our research in this volume is just the beginning of our search for the answer. We hope that our papers can contribute to stimulating and enriching research on this important issue.

Although members of our working-group had difficulty in meeting under the COVID-19 pandemic, thanks to the spread of online meetings we could participate in the discussion from anywhere in the world. Some of our members participated in the workshop from North America and international researchers made presentations and comments from Europe in the final workshop.

The new technologies have allowed us to overcome difficulties and should be utilized to overcome the challenges endangering the sustainability of social security in Japan. Our attention in this volume was mainly “people.” Although the social security sector is basically a labor-intensive sector, machines (i.e., “Capital” in Figure 1) and technologies can help people to provide services. When workforce is shrinking, utilization of them need to be seriously considered and research to identify its effects need to be expanded.

There is, however, good reason why the social security sector is so labor intensive. The most important input is high-quality workers. Most of us probably do not want let robots and AI provide most care to our children and people who need healthcare and long-term care. The research to strengthen workers in the social security sector will not lose its value and should be developed further.