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Japan's Widening Income Gap Among the Elderly: necessary measures for the reconstruction of an income safety net

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Summary

1. In Japan, the income gap among the elderly population is alleged to be the main cause of the income gap among households. This paper sheds light upon the background to the large income gap among the aged and explores whether the income gap among the aged population is a problematic issue, and if so, seeks the necessary policy measures to address the issue.
2. A look at the household income gap according to the age of the household head reveals that the Gini coefficient tends to be higher among households headed by older persons. This stems from two factors, namely that the average income of high–income brackets rises among households headed by older persons and that the average income gradually declines in other households.
3. The expansion of the household income gap later in life stems most likely from a significant disparity between (1) households possessing a variety of income sources such as three–generation households, households of salaried workers and self–employed households with large business earnings and (2) households which depend upon pension benefits as their main source of income and elderly one–person households with limited income sources.
4. A closer look at how the household structure and the existence or nonexistence of jobholders affects the per–capita income of each household member indicates that there is a large gap depending upon the existence or absence of jobholders in the household. Furthermore, the per–capita income of three–generation households is not low even in cases of households with aged members who do not work, leading to a high possibility that cohabitation with child generations provides income security for aged persons with low pension benefits.
5. Considering that the income gap among the elderly population is affected greatly by the occupation and structure of households, and in particular the existence or absence of jobholders, it would

be inappropriate to focus only upon the Gini coefficient of elderly households. However, it would be necessary to take note of households in higher age groups possessing the following characteristics conducive to difficult income conditions: (1) the absence of jobholders, (2) low level of income benefits, (3) the absence of income security from cohabitation with child generations. Households which are susceptible to fall within the purview of these characteristics are elderly one–person households, and particularly female one–person households.

6. Income safety nets for the elderly are provided for by public pensions and social welfare. Even though they both provide income security, they do not necessarily serve as an adequate safety net.
7. Thus, it is necessary to discuss the reconstruction of a safety net for the elderly population with low income levels. Namely, it would be necessary to (1) carry out pension system reforms in order to secure income levels for all later in life above the current social welfare standards and (2) to reexamine the survey methods with respect to assets and dependents if the social welfare system is not utilized by those who are in need.

1. Introduction

The income gap in Japan's household sector has been expanding gradually since the 1980s. For example, the Gini coefficient (a leading index gauging the income gap) using the *National Survey of Family Income and Expenditure* of the Ministry of Internal Affairs and Communications has risen from 0.280 in 1984 to 0.308 in 2004. Other statistical data and indicators on income disparities show a similar trend (Cabinet Office (2005)).

Demographic shifts are said to be the largest factor contributing to the expansion of the income gap in the household sector. There is

a consensus among policymakers and researchers that the growing percentage of the elderly population – characterized by a large income gap – is the main cause of the expansion of the income gap among all households.

However, given the rapid aging of the population, the size of the income gap itself may develop into a problem. This paper will explore whether the income gap among the elderly population poses a problem by shedding light upon the background of the large income gap among the elderly, and if so, this paper will discuss what policy measures are necessary.

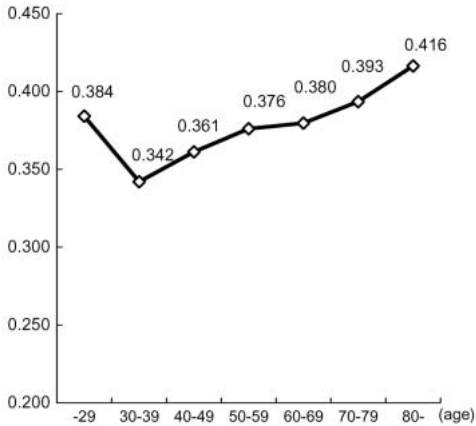
2. The current state of the income gap among the aged and its background

Firstly, this paper will provide a picture of the current state of the income gap among the aged and shed light upon the factors causing such a situation. The income gap among the elderly varies depending upon its causal factors and requires different policy responses for their solution.

(1) The Gini coefficient is higher among the elderly population

Let us see how the household income gap widens later in life. **Chart 1** shows the results of the Gini coefficients of households by the age group of the household heads on the basis of data in the *Comprehensive Survey of Living Conditions of the People on Health and Welfare*. The chart confirms that among those in the 30s or older, the Gini coefficient rises as the household head grows older.

Chart 1: The Gini coefficient (by age group of household heads)



Notes: 1. Calculated by Mizuho Research Institute (MHRI) on the basis of average household income (by age of household head and income quintile groups).
2. Includes one-person households.
Source: Ministry of Health, Labor and Welfare, *Comprehensive Survey of Living Conditions of the People on Health and Welfare (2006)*.

(2) Why is the income gap larger among the elderly?

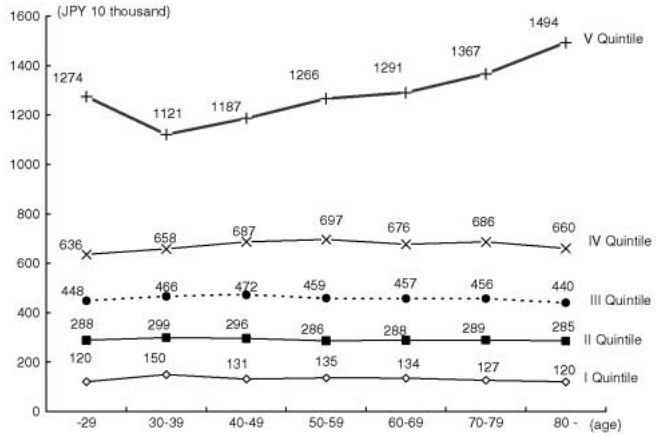
a. Income trends by income quintile groups and the Gini coefficient

Why is the Gini coefficient of household incomes higher in households headed by older persons? Even though the Gini coefficient is a useful gauge to express the income gap in numerical terms, the index alone does not provide any information on the cause of the gap (Konishi (2002)).

To ascertain the background factors which tend to push up the Gini coefficient among households headed by the elderly, **Chart 2** sets forth the average incomes of households classified by the age of the household head and income quintile groups (households divided into five groups, in the order of lower to higher quintiles). The chart shows that the average income of households in Quintile V (the highest income level group in the top 20%) rises significantly as the age of the household head climbs higher from the 30s onward. In

contrast, the average incomes of other households (Quintile I to IV) gradually fall as the household head ages – despite variations in the age at which income levels reach a peak.

Chart 2: Average household income (by the age of the household head and income quintile groups)



Source: Ministry of Health, Labor and Welfare, *Comprehensive Survey of Living Conditions of the People on Health and Welfare (2006).*

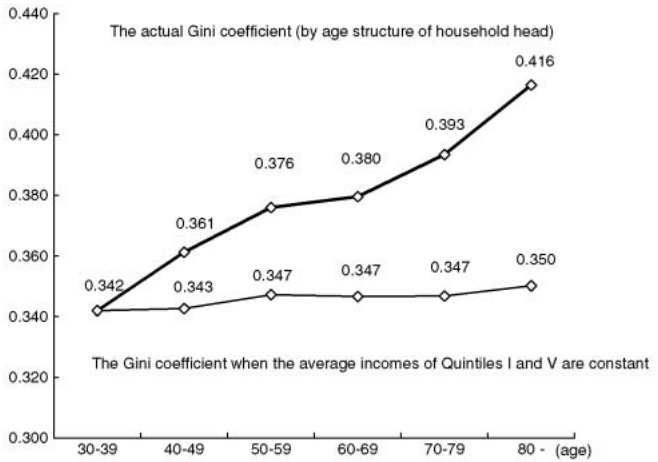
How are these tendencies related to the high Gini coefficient among elderly households? To find out, we estimated the Gini coefficients of each case when they are in their 60s (60 to 69), the 70s (70 to 79) and the 80s and older, on the assumption that the average incomes of households in the I to V Quintiles do not change from the 30s onward, and looked at the differences with the actual Gini coefficients.

The results reveal that 70% of the relatively high level of the Gini coefficient (the gap between the Gini coefficient among households headed by persons in their 30s and the Gini coefficient among households headed by persons who are 65 or older) stems from the rise of the average income of V Quintile households along with the rise of the age of the household head. The decline of the average

income of I Quintile households along with the rise of the age of the household head also has a certain impact. Approximately 20% of the relatively high Gini coefficient among the elderly generation stems from these factors.

Based upon the foregoing and the assumption that the average income levels of the households in I and V Quintiles remained unchanged, an estimation of the Gini coefficient of household income by age group of the household head shows that the index does not rise much even in households headed by persons in the 30s and older (**Chart 3**). We are thus inclined to believe that the two following factors have a significant impact upon the rise of the Gini coefficient of household income among elderly households: (1) higher average income levels among households headed by older persons, and (2) the gradual fall of average household income among low–income households.

Chart 3: Simulation on the Gini coefficient of households (by age group of household heads)



Note: "The Gini coefficient when the average incomes of Quintiles I and V are constant" is based upon estimates on the assumption that the average incomes of Quintiles I and V are constant after the household head reaches the age of 30.

Source: Ministry of Health, Labor and Welfare, *Comprehensive Survey of Living Conditions of the People on Health and Welfare (2006).*

b. Which households are the high–income and low–income households later in life?

(a) "Households with elderly members" and "households headed by the elderly"

What are the specific attributes of the high–income and low–income households? The *Comprehensive Survey of Living Conditions of the People on Health and Welfare* provides detailed data on "households headed by the elderly (65 or older)". On the other hand, detailed data, for example, in terms of household occupation and structure–based data are not necessarily available with respect to "households headed by the elderly (65 or older)" which match the income data by age structure of household heads.

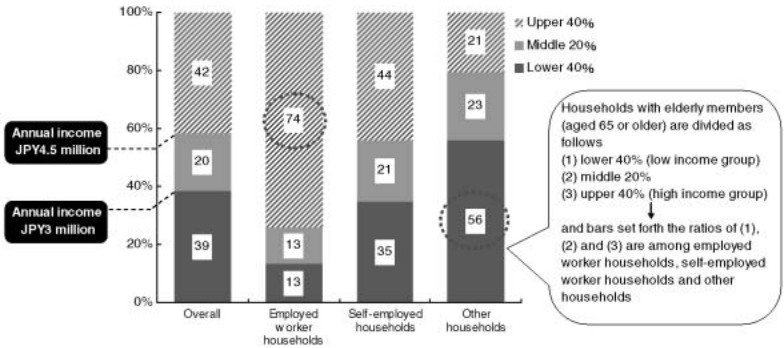
A look at the relationship between "households with elderly members" and "households headed by the elderly", shows that the latter group is part of the former group. Furthermore, a breakdown of both groups reveals that there are overlaps between "households with elderly members" and "households headed by the elderly".

(b) The high income group and the low income group in terms of household occupation

Firstly, we grouped "households with elderly members" into the lower 40% income, middle 20% income and upper 40% income groups and looked at the constituent ratios by household occupations as follows: "employed worker households", "self–employed households" and "other households" (**Chart 4**). "Employed worker households" and "self–employed households" refer to households in which the highest earner is an employed worker and households in which the highest earner is self–employed. "Other households" refer to households in which the highest earner is not working (households obtaining income from interest, house rent, dividends, pensions and annuities etc.) For example, in the case of "households with elderly members", a large portion of "other households" would be comprised of households depending upon pension benefits as their main source of income.

According to the foregoing, a large percentage (74%) of "employed worker households" fall into the upper 40% income group (referred to below as the "relatively high income group") while only 13% fall into the lower 40% income group (referred to below as the "relatively low income group"). Households which fulfill both criteria, namely "households with elderly members" and "employed worker households", fall into various cases as follows: (1) households in which the elderly household member is continuing to work and gaining income from employment as the highest income–earner in the household as well as old–age pension benefits, (2) households in which the elderly household member is receiving old–age pension benefits while continuing to work as an employed worker and the child generation living together is receiving employment income as the highest income earner, (3) households in which the elderly member is receiving pension benefits without working and the child generation living together is receiving employment income as the highest income earner. In all of these cases, "employed worker households" in "households with elderly members" are households possessing a variety of income sources, leading to the high household income in this group.

Chart 4: Distribution of households with elderly members (by household business operation and income group)



Note: 1. Since the household distribution (by household business operation and income structure) may not be derived with respect to "households with members aged 65 or older" from the *Comprehensive Survey of Living Conditions of the People on Health and Welfare*, we divided "households with members aged 65 or older" into the "upper 40%", "middle 20%" and "lower 40%" groups (more precisely, those with incomes below JPY3 million (lower 0-39%), JPY3 million to below-JPY4.5 million (middle 20%) and JPY4.5 million or above (upper 42%) using income group data presented in brackets of JPY500 thousand. On the basis of these income groups, we looked at the distribution of "employed worker households", "self-employed worker households" and "other households".

2. Since decimal points are rounded off, the totals do not necessarily add up to 100%.

Source: Ministry of Health, Labor and Welfare, *Comprehensive Survey of Living Conditions of the People on Health and Welfare (2006)*.

Turning to "self–employed households", 44% fall into the relatively high income group while 35% fall into the relatively low income group, in a similar distribution pattern with respect to overall "households with elderly members". However, in the case of "self–employed households", note that there are households with high income from relatively large business earnings as well as a fair number of households falling into the relatively low income group.

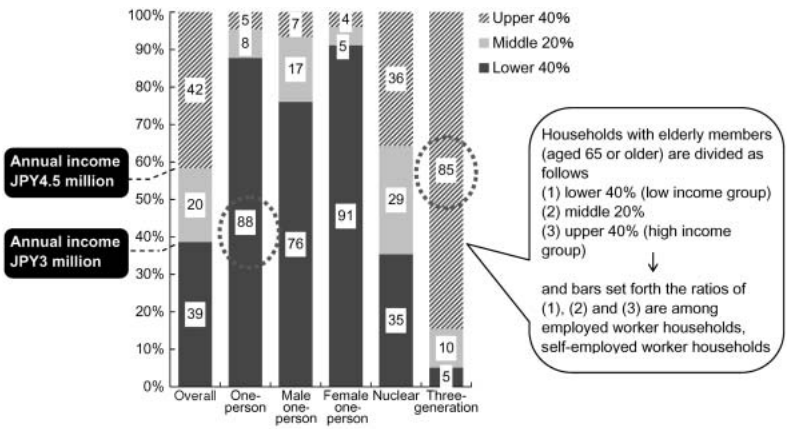
Given the large number of households whose principal source of income is pension benefits in "other households", many of these households fall into the relatively low–income group later in life, with the exception of some households with a fixed level of asset income.

(c) The high–income group and the low–income group from the perspective of household structures

In likewise manner, we grouped "households with elderly

members" into the lower 40% income, middle 20% income and upper 40% income groups and looked at the constituent ratio by household structure as follows: "one–person households", "nuclear family households" and "three–generation households" (**Chart 5**). "One–person households" refer to households with only one member, "nuclear family households" refer to (1) households comprised only of married couples, (2) households comprised of married couples and their child(ren), and (3) households comprised of a single parent and unmarried child(ren). "Three–generation households" refer to households comprised of three or more lineal generations (note 1).

Chart 5: Distribution of households with elderly members (by household structure and income groups)



Note: 1. Since the household distribution (by household business operation and income structure) may not be derived with respect to "households with members aged 65 or older" from the *Comprehensive Survey of Living Conditions of the People on Health and Welfare*, we divided "households with members aged 65 or older" into the "upper 40%", "middle 20%" and "lower 40%" groups (more precisely, those with incomes below JPY3 million (lower 0-39%), JPY3 million to below JPY4.5 million (middle 20%) and JPY4.5 million or above (upper 42%) using income structure data presented in intervals of JPY500 thousand. On the basis of these income levels, we looked at the distribution of "employed worker households", "self-employed worker households" and "other households".

2. Since decimal points are rounded off, the totals of each of the types of households do not necessarily add up to 100%.

Source: Ministry of Health, Labor and Welfare, *Comprehensive Survey of Living Conditions of the People on Health and Welfare (2006).*

Note that a large percentage (85%) of "three–generation households" belongs to the relatively high income group. Overall, the average profile of "households with elderly members" is as follows: income (JPY5.14 million), number of household members (2.74), average number of jobholders (1.13). On the other hand, the average profile of "three–generation households" is as follows: income (JPY9.30 million), number of household members (5.28) and number of jobholders (2.58), providing us with reasons to believe that the large amount of household income stems from the large number of jobholders. In other words, the high level of income per household among "three–generation households" stems most likely from the fact that these households have various income sources such as the child generation's earned income in addition to the elderly member's pension income.

In contrast, a large percentage (88%) of "one–person households" belongs to the relatively low–income group. Furthermore, in terms of female "one–person households" comprising 75% of "one–person households", more than 90% belong to the relatively low–income group. One reason may be the difficulty of these households to secure various income sources in comparison to other households, since they have the smallest number of household members. In fact, the average number of jobholders in elderly female one–person households is 0.18, revealing that pension benefits are the sole source of income among these households. In addition, the lower level of public pension benefits for women in comparison to those for men may also be a background factor for a large number of "one–person households" falling into the relatively low–income group.

Turning to "nuclear family households", while 36% fall into the relatively high income group, another 35% also fall into the relatively low income group. This is, most likely, a reflection of the disparity in the number of jobholders and incomes per household among households comprised solely of married couples, households comprised solely of married couples and their unmarried (child)ren" and households comprised solely of a single parent and his/her

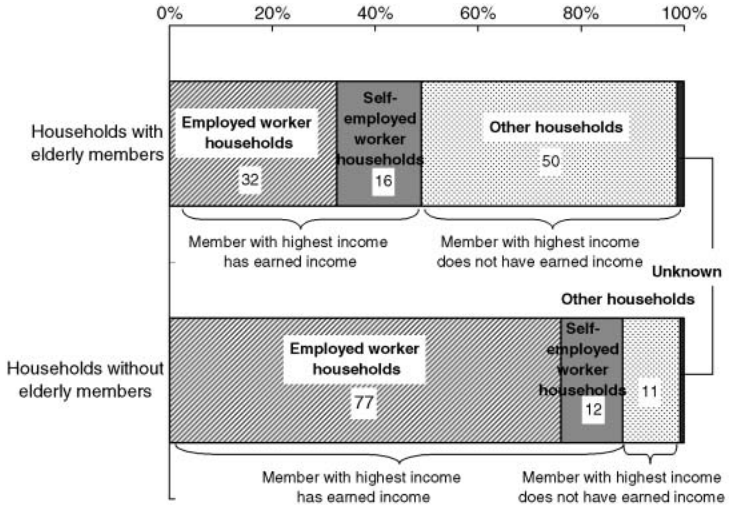
unmarried child(ren).

(d) A wide gap in constituent ratios according to household occupation and household structure

As observed above, income conditions of "households with elderly members" vary greatly depending upon household occupations and household structures. **Charts 6 and 7** compares "households with elderly members" and "households without elderly members" in terms of the constituent ratios of subgroups categorized according to household occupation and structure.

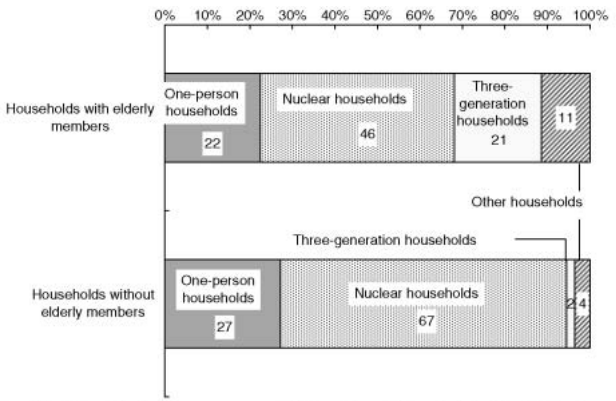
In terms of household occupation, approximately 50% of "households with elderly members" are comprised of "employed worker households" and "self–employed households" combined. On the other hand, "other households" also make up for approximately 50%. This represents a sharp contrast from "households without elderly members" in which "other households" only account for 11%. In terms of household structure, even though there are no major disparities in the ratio of one–person households in "households with elderly members" and "households without elderly members", "households with elderly members" are characterized by a large percentage (21%) of "three–generation households" with large per–household incomes. Compared with "households without elderly members", there are large disparities among "households with elderly members" in terms of household occupation and structure.

Chart 6: Breakdown of households with elderly members (by household occupation)



Note: The "elderly" refers to persons aged 65 or older. "Households without elderly members" = all households minus households with members who are 65 or older.
Source: Ministry of Health, Labor and Welfare, *Comprehensive Survey of Living Conditions of the People on Health and Welfare (2006).*

Chart 7: Distribution of households with elderly members (by household structure)



Note: The "elderly" refers to persons aged 65 or older. "Households without elderly members" = all households minus households with members who are 65 or older.
Source: Ministry of Health, Labor and Welfare, *Comprehensive Survey of Living Conditions of the People on Health and Welfare (2006).*

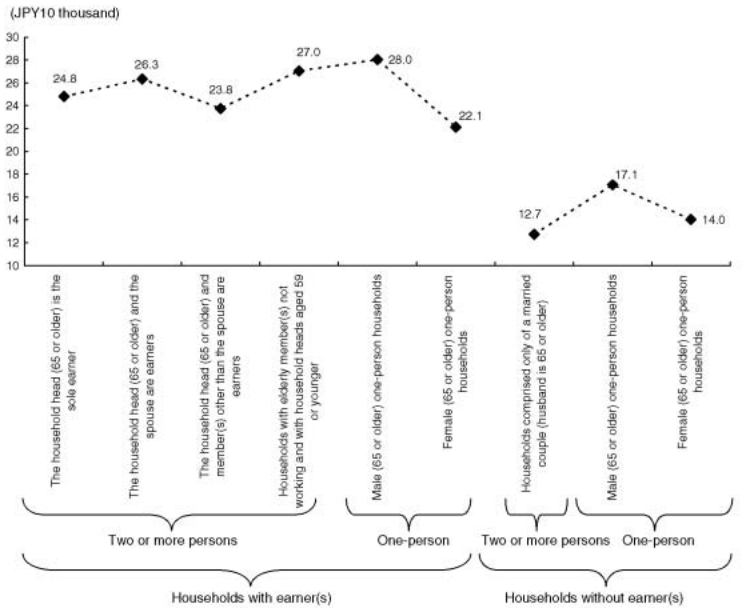
(e) Background factors driving the expansion of the income gap later in life

Summarizing the discussions thus far, the expansion of the income gap later in life may be attributed to (1) the existence of various households in terms of household structure and occupation, and (2) the large gaps in income conditions in terms of household structure and household occupation. In particular, the existence of "three–generation households" possessing various sources of income such as pension benefits and earned income of the child generation is a plausible factor pushing up the average income level of the relatively high income group. Meanwhile, we are inclined to believe that "one–person households", making up 20% of "households with elderly members", are pushing down the income levels of the low income group and serving as a factor widening the income gap later in life, as a result of (1) the limited number of members who are capable of working, (2) the small percentage of the foregoing who are actual jobholders, and (3) the public pension benefits of women (making up a large percentage of one–person households) generally being lower than those of male one–person households and married–couple households.

c. Is the income gap per household feeding through to the per–capita income gap?

So far, we have looked at the background factors leading to the widening income gap later in life by using income data per household. However, note that per–household incomes of large "three–generation households" are naturally larger and per–household incomes of small "one–person households" naturally turn out to be smaller. If there are no significant disparities in per–capita incomes among households with different household occupations and structures, the income gap later in life on a household basis would only be a façade.

Chart 8: Actual per–capita income on a monthly basis (by household structure and the existence or absence of earners)



Note: When converting income on a household basis to a per-capita basis, the division of household income by the number of household members may not be accurate due to economies of scale. Thus, to calculate actual per-capita income, we divided actual household income by the square root of the number of household members in accordance to research by the OECD and the *National Survey of Family Income and Expenditure*.
Actual per-capita income = actual household income ÷ square root of the no. of household members.

Source: Ministry of Internal Affairs and Communications, *National Survey of Family Income and Expenditure (2004)*

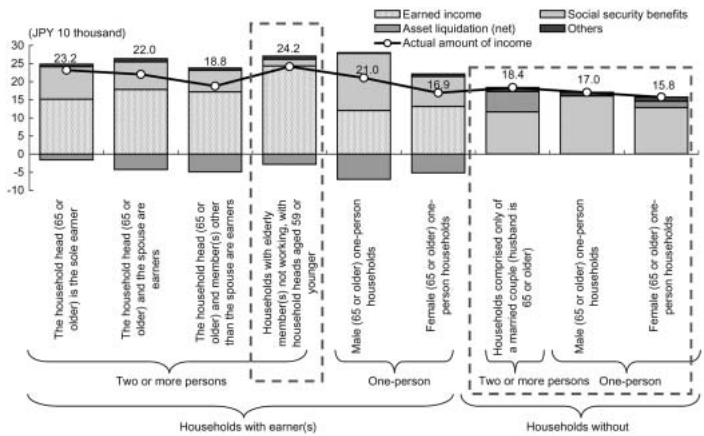
Thus, **Chart 8** looks at the per–capita actual income (such as salaried income and business revenues, income from side jobs and social security benefits) regardless of the size of the household and the existence or absence of jobholders in the household. We calculated the actual income per household member by dividing the average income of households by the square root of the average number of household members, on the basis of data from the *National Survey of Family Income and Expenditure*.

According to **Chart 8**, the per–capita actual revenue level of the

elderly differs greatly depending upon the existence or absence of earners in the household. Households with earners receive actual monthly incomes ranging from JPY221 thousand to JPY280 thousand per person. In the case of households without earners, the level of actual revenues which are highest among elderly male one–person households is only JPY171 thousand. Actual revenue among elderly households comprised of unemployed married couples is JPY127 thousand and JPY140 thousand with respect to elderly female one–person households.

The existence or absence of earned income may lead to a gap in savings toward the future. **Chart 9** sets forth the actual income (actual revenues plus liquidation of assets) of households along with its breakdown. The chart reveals that households with jobholders are building up their assets while households without jobholders are dissaving.

Chart 9: Monthly incomes actually obtained by households with elderly members and their breakdown (per–capita)



Note: 1. The method employed in Chart 18 is used to convert household income to a per-capita basis.
2. "Income" refers to the sum of actual income (the total of income leading to the increase of assets in real terms such as earned income from work, operational income, income from on-the-side jobs, property income and social security benefits) and the net amount of asset liquidations.
3. For a definition of net asset liquidations, refer to footnote 10.
Source: Ministry of Internal Affairs and Communications, *National Survey of Family Income and Expenditure (2006)*

It should be noted that the elderly who are not working at present and only receive low pension benefits are not necessarily falling into low–income conditions. **Chart 9** above sets forth the breakdown of incomes among households headed by persons who are 59 or younger and have household members who are 65 or older. While the amount of per–capita social security benefits in such households is only JPY19,000/month (total households: JPY39,000/month), the per–capita income of these households is JPY242,000, and higher than other elderly unemployed households. Many households falling into this category are most likely households in which the unemployed elderly (65 or older) live with the child generation. This indicates the possibility that cohabitation with the child generation possessing earned income is serving to provide income security for the elderly who do not have much pension benefits.

(3) How should we assess the large income gap later in life?

Based upon the discussions thus far, the large income gap later in life reflects the fact that many in Japan continue to work late in life and that there are large disparities in income conditions in old age depending upon the existence or absence of earned income. Considering the urgent necessity to secure the elderly labor force in Japan, one should not jump to the conclusion that the income gap later in life is a negative factor.

As far as income conditions later in life are concerned, the existence of households possessing overlapping traits of households which are prone to difficult income conditions is a far more serious problem than the breadth of the income gap indicated by the Gini coefficient. These traits refer to the following overlapping characteristics of the relatively low income group observed in the previous section: (1) the absence (or scarcity) of earned income stemming from the small number of jobholders, (2) the low level of pension benefits, and (3) the absence of income security through cohabitation with the child generation.

One–person households comprised of elderly women are most likely to possess more than one of these traits (**Chart 10**). Given the

smaller average number of jobholders in these households (0.18 persons) compared with other households, the great majority of these households do not have earned income. These households receive relatively smaller amounts of public pension and annuities on an annual basis (JPY1.27 million). Moreover, given their single marital status, they do not enjoy income security stemming from cohabitation with the child generation. According to the household distribution (by income group) of elderly female one–person households, elderly male one–person households and households headed by elderly persons (income per household member), the peak of per–capita income of households headed by elderly persons is JPY1–1.5 million whereas the peak among elderly female one–person households is JPY500 thousand–JPY1 million, revealing that income levels among elderly female one–person households tend to be lower than other households (**Chart 11**).

The number of elderly one–person households has been climbing in recent years and is predicted to follow an upward curve in the future. Given the possibility of a sharp rise in number of elderly persons faced with the risks of low income, it would be necessary to reexamine whether the current safety net is adequate. In the following chapter, we shall discuss the current measures and challenges in order to minimize the low–income risks which occur later in life.

Chart 10: Types of households and low–income risks

Low-income risks	One-person households		Nuclear households			Three-generation households
	Male	Female	Married couple	Married couple and unmarried child(ren)	Single parent and unmarried child(ren)	
① Lack of jobholders, leading to the absence / lack of income from work	○ (average no. of jobholders: 0.28)	○ (average no. of jobholders: 0.17)	△ (average no. of jobholders: 0.51)	× (average no. of jobholders: 1.63)	× (average no. of jobholders: 1.04)	× (average no. of jobholders: 2.58)
② Low level of pension benefits	△ (public pension/ annuity benefits per household JPY1.6 mil)	○ (public pension/ annuity benefits per household JPY1.27mil)	× (public pension/ annuity benefits per household JPY2.57 mil)	× (public pension/ annuity benefits per household JPY2.41 mil)	○ (public pension/ annuity benefits per household JPY1.24mil)	○ (public pension/ annuity benefits per household JPY1.36 mil)
③ Absence of income security from cohabitation with spouse or child generation	○	○	△ (depends upon the circumstances)	△ (depends upon the circumstances)	△ (depends upon the circumstances)	×

Notes: 1. In the chart above, the symbol "○" indicates a high possibility that the relevant household is subject to low-income risks, the "△" indicates that the relevant household may be subject to low-income risks depending upon the circumstances, and the "×" indicates a low possibility of such risks.

2. In ①, the state of earners per household is represented by the following symbols: "○" = the average number of jobholders per household is less than one-third of the average of households of elderly members (1.13), "△" = one-third or higher but lower than average, "×" = higher than average.

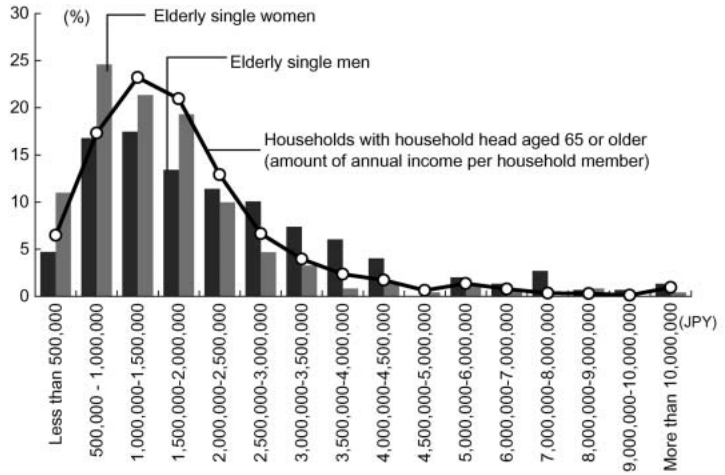
3. In ②, the state of public pension/annuity benefits per household is represented by the following symbols: "○" = the average amount of public pension/annuity benefits per household is far less than the average of households with elderly members (JPY1.89 million), "△" = close to the average, "×" = substantially higher than average.

4. Since income security from cohabitation in the case of nuclear households depends upon the employment conditions of the elderly members' spouse and child(ren), conditions regarding nuclear households "depends upon the circumstances" ("△"in ③).

5. The numerical values in the chart above are based upon the *Comprehensive Survey of Living Conditions of the People on Health and Welfare (2006)*

Source: MHRI.

Chart 11: Distribution of households in terms of income groups



Source: Ministry of Health, Labor and Welfare, *Comprehensive Survey of Living Conditions of the People on Health and Welfare (2004).*

3. Income, assets and employment status of elderly households with low–income risks

(1) How large are the low–income risks of elderly one–person households?

How large are the risks of elderly one–person households falling into low income conditions? In this paper, we shall define low–income risks as conditions in which "the income per member of the household is equivalent to or lower than 50% of the average per–capita income of all households".

Since the average amount of income of all households is JPY5.63 million and the average number of family members is 2.74 according to the *Comprehensive Survey of Living Conditions of the People on*

Health and Welfare, the average per capita income would be JPY3.4 million when taking into consideration the economies of scale stemming from the difference in number of family members (Case (1) in **Chart 12**). 30% of elderly one–person households only have income levels of JPY1.70 million, or 50% of the average per capital income of total elderly one–person households. Even when disregarding the economies of scale, the percentage of low–income elderly one–person households would be 13% (Case (2) of **Chart 12**).

The percentage of the low–income risk group would vary depending upon the definition (level of income) of the relative low income group. However, considering that a certain percentage of elderly one–person households falls into the relatively low income group and that elderly one–person households will continue to increase, the absolute number of elderly one–person households facing low–income risks will also increase.

Chart 12: Low–income risks of elderly one–person households

	①	②	③ (②×0.5)	④
	Average income per household	① converted into per-capita income	50% of ②	Percentage of elderly one-person households with low incomes (50% or lower than average per-capita income)
Case (1)	JPY5.63 million	JPY3.40 million (equivalence scale 0.5)	JPY1.7 million	30%
Case (2)	JPY5.63 million	JPY2.05 million (equivalence scale 1.0)	JPY1.03 million	13%

Note: 1. In Case (1), per-capita income is calculated by dividing household income by the square root of the number of household members. In Case (2), per-capita income is calculated by dividing household income simply by the average number of household members (2.74)(in this case, economies of the scale of households are disregarded).

2. Given the availability of the number of households in terms of annual income (in brackets of JPY500 thousand) in the *Comprehensive Survey of Living Conditions of the People on Health and Welfare*, the percentage of households subject to low income risks is estimated by the following method:

* No. of households with household incomes less than JPY1.7 million: no. of households with household incomes less than JPY1.5 million + no. of households in the JPY1.5 million – JPY1.7 million bracket on the assumption that households in this category are dispersed evenly in the JPY1.5 million – JPY2 million bracket.
* No. of households with household incomes less than JPY1.03 million: no. of households with household incomes less than JPY1 million + no. of households in the JPY1 million – JPY1.03 million bracket on the assumption that households in this category are dispersed evenly in the JPY1 million – JPY1.5 million bracket.

Source: Ministry of Health, Labor and Welfare, *Comprehensive Survey of Living Conditions of the People on Health and Welfare (2006).*

How do the single elderly perceive of their economic conditions? According to a survey by the Cabinet Office, 25.9% of single persons aged 65 or older said that they were "concerned" about their economic livelihood (note 2) in 2005.

In particular, note that a large percentage of respondents cited concerns regarding their economic livelihood in a certain type of household. According to a survey conducted by the Cabinet Office in 2002, the percentage of single elderly persons who cited concerns regarding their economic livelihood was only 17.3% in the case of "single elderly persons who were bereaved". In contrast, the percentage of those citing economic concerns reached 36.2%, almost double the former, among "single elderly persons separated from their spouses". The difference in living conditions depending upon marital relations stems from the fact that single elderly women who were bereaved may receive a certain amount of survivors' pension (note 3) while the pension benefits of divorced women tended to remain at a low level since those divorced before April 2007 were not allowed partial entitlements to the former spouse's Employees' Pension. Furthermore, even in the event a divorced woman seeks to reenter the labor market, the job–seeker would find it difficult to gain positions as regular employees if the job–seeker has no work experience before marriage or had left the company at the time of marriage or childbirth. Thus, both the savings rate and pension benefits among divorced women would tend to remain low. In view of forecasts on the rise of the percentage of those who do not marry throughout their lifetime, the increase of divorces and the rise in number of youths who work as non–regular staff, it is quite likely that households with the potential risks of falling into low income conditions later in life are increasing.

(2) Asset holdings among elderly one–person households

Elderly one–person households with low income levels would still be able to improve their living standards if they hold large amounts of financial assets, by liquidating their assets. Furthermore, economic conditions would vary greatly depending upon whether or

not they own their own homes.

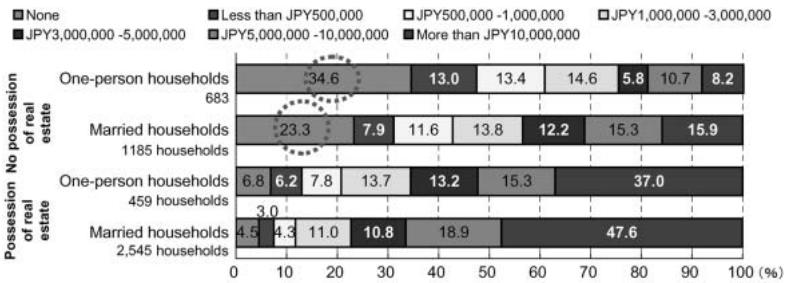
According to the Ministry of Internal Affairs and Communications, average total asset holdings among one–person households aged 65 or older are as follows: JPY40.67 million, of which JPY14.06 million are financial assets and JPY26.61 million are real assets. On average, one–person households aged 65 or older hold a certain level of assets.

However, it should be noted that there are far greater disparities in asset holdings than the gaps in income among elderly households which arise out of the income gap earlier on in life and the resulting gap in savings rate. Thus, even if total asset holdings of one–person households aged 65 or older, turn out to be relatively large when averaged out, there would be significant disparities, with a considerable number of elderly one–person households possessing neither financial assets nor real assets.

A look at the amount of savings (financial assets) of households receiving old–age pension benefits (65 or older) reveals that households without real estate holdings possess smaller amounts of savings in comparison to those households which possess real estate (real assets) (**Chart 13**).

Furthermore, regardless of whether households possess real estate, savings levels of one–person households generally tend to be lower than married households. The percentage of "households without savings" is the highest among "households without real estate", with the percentages among one–person households and married households being 34.6% and 23.3% respectively. While the percentage of households with savings equivalent to or higher than JPY10 million is highest among "households with real estate", note that married households make up almost half (47.6%) of this group and that the percentage of "one–person households" in this group is 37.0% (**Chart 13**).

Chart 13: Household savings of (65 or older) categorized in terms of real estate ownership



Note: Total savings of recipients of pension benefits (by ownership of real estate and type of household).
Source: Ministry of Health, Labor and Welfare, *Nenkin Seido Kiso Chosa (Basic survey on the pension system) (2006).*

(3) The employment environment for the elderly

A look at the employment conditions of elderly women reveals a large gap (14–18% pt) between the potential labor force participation rate (note 4) and the actual labor force participation rate from the age of 55 to 60. This provides us with reason to believe that there are many women in their late 50s and 60s who are giving up employment even though they wish to work. Considering that approximately 20–25% of unemployed women aged 55 or older cite the necessity to earn incomes as the reasons for wishing to work according to the Ministry of Internal Affairs and Communications, Japan faces the challenge of securing work opportunities for women of this generation.

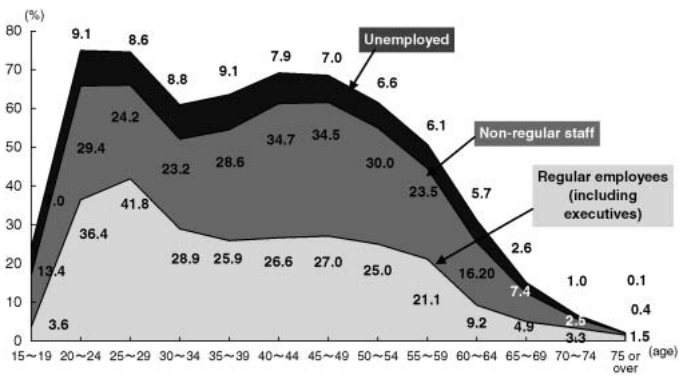
The low employment rate among elderly women stems primarily from the reluctant stance among companies toward elderly employment. The second plausible reason is the difficulty for women to find work again as regular employees given the hurdles toward accumulation of work experience and occupational capacities after retirement due to childbirth and childcare.

According to the *Konenreisha shugyou jittai chosa* (Survey on employment of the elderly) conducted by the Ministry of Health, Labor and Welfare in 2004, only 10.9% of companies said that they

intend to increase employment of the elderly aged 60 or older. Thus, given the reluctant stance among companies toward elderly employment and the difficulty to work as regular employees in old age, it would be necessary to keep working from a young age in order to secure employment later in life.

Having said so, many women retire at the time of childbirth and childcare. The female labor force participation rate forms an M–shaped curve with a double peak – peaking once in the late 20s and once again in the late 40s. The M–shaped curve of the female labor force participation rate stems from the fact that many women retire sometime around the early 30s to the early 40s due to childbirth and childcare and the female labor force participation rate recovers again when they reenter the work force once again in the late 40s. However, note that the breakdown in terms of type of employment differ in the two peaks. The female labor force participation rate peaks again in the late 40s because women who retired due to childbirth and childcare seek employment again in the form of part–time workers and other forms of non–regular staff. Meanwhile, in terms of regular workers only, the female labor force participation rate peaks around 25~29 and declines along with the aging of the work force (**Chart 14**).

Chart 14: The female labor force participation rate (by age bracket)



Note: The "unemployed" refers to persons without jobs who wish to work and are jobseekers who are actually engaged in job-seeking activities.
Source: Ministry of Internal Affairs and Communications, *Employment Status Survey (2002)*.

The tendency among companies to view the period of unemployment in a negative light is one of the reasons for the difficulty for women to reenter the work force as regular workers after retiring in the past due to childbirth and childcare. According to the "*Kigyo no saiyo no arikata ni kansuru chosa*" (survey on hiring by corporate enterprises) conducted by the Cabinet Office in 2006, 46% of corporate enterprises judge job–seekers with long unemployment periods as persons with tenuous work motives, persons out of touch with society or persons with outdated capabilities.

In general, women tend to stay out of the labor force for a prolonged period because many women retire at the time of childbirth and childcare. Hence, they tend to have difficulties in building work experience and occupational capabilities. Under the current situation where many companies view this in a negative light as shown above, women still face high hurdles when seeking reemployment.

4. The current state and future tasks regarding income security in old age

In Japan, the principal social security systems to avoid low income conditions in old age are the public pension and social welfare systems. Japan's public pension system is comprised of the old–age pension, disability pension and survivors' pension and old–age income security is provided mainly by the old–age pension and the survivors' pension. Even though the social welfare system is not limited only to income security in old age, 44% of recipient households in FY2006 were elderly households, portraying that the social welfare system plays a large role in providing income security for the elderly.

The following section explains the current state of public pension and social welfare benefits which provide income security in old age

and discusses the role of the social security system as an effective safety net to address the low income conditions of the elderly.

(1) The public pension system

a. The public pension system is the main pillar of income security in old age

In Japan's public pension system, the old–age pension is designed to supplement the decline in capacity to work due to aging and provide stability in life after retirement. The survivors' pension provides stability in livelihood for survivors.

According to the *Comprehensive Survey of Living Conditions of the People on Health and Welfare (2006)* by the Ministry of Health, Labor and Welfare, public pension benefits make up approximately 70% of the average income per household of elderly households (note 5). Moreover, the fact that approximately 60% of elderly households depend solely upon public pensions and annuities as their source of income, indicates the important role of the public pension in life after retirement.

On the other hand, given the structure of Japan's public pension system in which the pension contributions paid by the current generation serve as the principal source of pension benefits for the elderly generation, pension benefit levels are gradually declining along with the aging of the population and falling birthrate. Even so, public pensions are still serving their role in providing stability in life after retirement since a significant erosion of the average amount of pensions is not yet evident because the average period of pension participation is growing longer along with the lapse of time since the creation of the pension system.

b. The problem of those without pensions or low pension benefits

Since the respective amounts of pension benefits are determined according to the time span and amount of pension contribution payments during the working years, the failure to pay pension

contributions for a prescribed period of time during one's working years would render one without a pension in the future. Furthermore, the payment of pension contributions for a shorter–than–necessary period of time would result in low levels of pension benefits.

As a general rule, those who enroll solely in the national pension system pay a prescribed amount of monthly contributions (note 6) and continue to pay pension contributions for a period of 40 years from the age of 20 to 60. When a person fulfils pension contribution payments for a period of 40 years, he/she would be entitled to receive the full amount (JPY792 thousand (note 7) per year or JPY66 thousand per month) of the Old–age Basic Pension. If the period of contribution payment is shorter than necessary, the amount of pension benefits would be reduced accordingly. As a general rule, a person would not be entitled to receive pension benefits if the period of contribution payment falls short of 25 years. Moreover, since low–income persons are exempt from payment of all or part of their pension contributions and the amount of pensions would be deducted with respect to the period of exemption, these persons are likely to receive only low levels of pension benefits.

For those enrolled solely in the Old–age Basic Pension, the maximum amount of benefits would be JPY66 thousand/month for one–person households and JPY132 thousand for married households. The average amount of monthly pension benefits as of the end of FY2005 is JPY58 thousand for men and JPY49 thousand for women. The distribution of monthly Old–age Basic Pension benefits (by gender) reveals that male recipients receiving more than JPY60 thousand/month make up more than 60% of total pension recipients while female recipients receiving more than JPY60 thousand/month only make up approximately 30% of the total, indicating that a large number of women receive low levels of pension benefits. Therefore, in the case of households which only receive Old–age Basic Pension Benefits and do not have other sources of income or financial assets which may be liquidated, income levels would fall far below average consumption

expenditures (one–person households: JPY140 thousand/month, married households: JPY230 thousand/month (2006)) of elderly households (unemployed persons aged 65 years or older).

Income from pension benefits are considerably larger with respect to those who were salaried workers of private–sector companies and were enrolled in the Employees' Pension since they are entitled to receive both Old–age Basic Pension Benefits and Old–age Employee Pension Benefits. However, since the level of benefits of the Old–age Employees' Pension is determined in accordance to the length of employment (length of enrollment) and the level of wages (the amount of contribution payments), the average amount of benefits of persons aged 65 or older is JPY 197 thousand for men and JPY112 thousand for women, revealing that the average amount of benefits received by women is less than 60% of men's benefits. For the average female recipient of Old–age Employees' Pension Benefits, the level of benefits falls short of the average amount of consumption expenditures per month of elderly one–person households (JPY140 thousand). This stems from the short length of average employment and the low level of average wages. That said, in the event the husband is the sole earner at the time of his death, three–fourths of the husband's Employee's Pension Benefits are paid to his wife as Survivors' Employees' Pension Benefits.

While the foregoing paragraphs pertain to the amount of pension benefits of pensioners, the existence of persons without pensions is also a serious problem. According to estimations by the Social Insurance Agency, even by taking advantage of the voluntary coverage system and paying the maximum possible amount of contributions on a voluntary basis, 1.18 million people would be left without pensions (as of April 1, 2007). A breakdown by age group is as follows: under 60 (0.45 million persons), 60–64 (0.31 million persons) and 65 or over (0.42 million persons). Furthermore, there are 0.37 million persons who do not currently satisfy pension qualifications because they do not satisfy the minimum contribution period of 25 years but may satisfy the requirements to receive

pension benefits by paying in the requisite contributions. From a different perspective, since these people (0.37 million) would be left without pensions if they do not pay the contributions, the number of persons without pensions may reach 1.55 million in the future.

Even though Japan's pension system possesses an important role in life after retirement, it is not necessarily a secure safety net to supplement the decline of working capacity in old age, as shown by the fact that there could be more than 1 million elderly persons left without pensions.

(2) Social welfare

a. The structure of the social welfare system

Being a safety net for peoples with low incomes regardless of their age, the purpose of the social welfare system is to secure minimum living standards and to assist the self–support of those who are indigent even by making full use of their assets and abilities. The basic level of benefits is set so as to ensure the minimum standard of living. The shortage falling below the minimum living standard calculated by subtracting income from work and pensions etc. is provided for by social welfare.

Investigations are conducted regarding deposits and savings in order to find out whether welfare recipients are making full use of their assets and capabilities. In the asset investigation, the availability of assistance by relatives (potential caregivers) is also taken into consideration in addition to income from work and social security benefits such as pensions. Furthermore, since savings & deposits, insurance refunds and proceeds from sales of assets such as real estate are also deemed as income, social welfare benefits will not be paid in the event the total amount of these asset holdings surpasses a certain level.

b. The actual state of social welfare benefits

According to the *Hihogosha zenkoku issei chosa (The nationwide survey on social welfare recipients)* conducted in 2005 by the Ministry

of Health, Labor and Welfare, of the 1.476 million welfare recipients in Japan, 556 thousand are aged 65 or over (37.7%). Of the social welfare recipients aged 65 or over, 47.1% are recipients of pension benefits and 52.9% are not covered by pensions, revealing that the Social Welfare System provides relief to the pension–less. Furthermore, note that the percentage of persons without pensions has been growing every year since 1998 (45.9%). The amount of monthly pension benefits per person is JPY45,918 for those who receive both social welfare and pension benefits.

Of the elderly (aged 65 or over) one–person households receiving social welfare benefits, 159 thousand households (15.1% of one–person households) are male and 236 thousand households (8.4% of one–person households) are female (**Chart 15**).

In FY2008, the basic assistance for elderly (65) one–person households is JPY80,820/month (approximately JPY970 thousand/year, hereinafter referred to as "Social Welfare Level 1") in the 23 wards of Tokyo and surrounding areas (Class 1 Region – 1) and JPY62,640/month (approximately JPY750 thousand/year, hereinafter referred to as "Social Welfare 2" in regional counties (Class 3 Region – 2). Looking at the income conditions of one–person households aged 65 or over (by gender) in the *Comprehensive Survey of Living Conditions of the People on Health and Welfare*, income levels of 18.2% of male one–person households fall below Social Welfare Level 1 (JPY970 thousand) and 12.4% fall below Social Welfare Level 2 (JPY750 thousand), more or less close to the social welfare ratio (A/B) in **Chart 15**. Therefore, this provides us with reason to believe that among male one–person households, most of those with incomes falling below the basic assistance level are actual recipients of social welfare.

In contrast, income levels of 32.9% of female one–person households fall below Social Welfare Level 1 (JPY970 thousand) and 21.5% fall below Social Level 2 (JPY750 thousand), surpassing the actual social welfare ratio of 8.4%. This provides us with reasons to believe that a large percentage of female one–person households aged 65 or above are not receiving social welfare benefits even if

their income levels fall below the amount of basic assistance.

Chart 15: The social welfare ratio and low–income ratio of one–person households aged 65 or older

	No. of households on social welfare (A)	No. of one-person households (B)	Percentage of households on social welfare (A/B)	Percentage of households with incomes equal to or below Social Welfare Level 1 (JPY970,000)	Percentage of households with incomes equal to or below Social Welfare Level 2 (JPY750,000)
Male one-person households	158,939	1,051,207	15.1%	18.2%	12.4%
Female one-person households	235,574	2,813,571	8.4%	32.9%	21.5%

Note: The percentage of households with incomes equal to or below social welfare levels is estimated on the basis of the distribution of income groups.
Source: Compiled by MHRI on the basis of data releases by the Ministry of Health, Labor and Welfare and the Ministry of Internal Affairs and Communications.

Looking at the state of social welfare applications, we found that not many applications are withdrawn or rejected in contrast to the number of applications. However, considering the requirements for prior investigations on assets and the support by relatives (note 8) with support obligations, there may be cases where potential recipients are giving up applications or are not familiar with the details of the social welfare system. There may be households with income levels falling below the amount of basic assistance who would be eligible to receive welfare benefits if they file social welfare applications.

(3) The need to reconstruct an income safety net for the elderly

As explained above, Japan currently provides income security for the elderly through (1) the public pension system which is designed to supplement the decline of working capacity due to aging and to provide livelihood stability for survivors and (2) the social welfare system which is designed to provide assistance to the indigent without pensions and those who only receive low pension benefits.

Even though both systems play limited roles in providing income security, the reconstruction of an income safety net for the low–income elderly is necessary, considering that there are many who still live below the basic assistance level.

Admittedly, there are concerns that a simplistic easing of social welfare requirements would lead to moral hazards such as the reluctance to work among persons possessing the capacity to do so. That said, given the difficulty to achieve self–sustenance by working in old age in the case of the elderly, social welfare would have to take the form of cash benefits to supplement their cost of living. In view of the foregoing, it would be necessary to reexamine the way in which investigations regarding assets and caregivers are conducted.

Furthermore, reconsiderations are necessary also in view of the fact that the basic assistance for a one–person household (aged 65) is JPY81 thousand/month, which surpasses the full amount of benefits of the Old–age Basic Pension (based upon 40 years of contribution payment) which is JPY66 thousand/month. This is not to suggest that it would be necessary to lower the level of social welfare benefits to the level of Basic Pensions. Rather, it is necessary to carry out pension system reforms to ensure minimum income levels above the current level of social welfare for all in old age through the implementation of measures to eradicate pension–less or low–pension conditions for the elderly.

In the following section, we shall discuss the necessary reforms of the pension system to keep the elderly from falling into low–income conditions in terms of (1) the Basic Pension (the current national pension) and (2) the income–related component (the current Employees' Pension and the Mutual Aid Pension).

a. The Basic Pension

The financial resources of the current basics pension are pension contributions and state contributions (taxes). Under the current efforts to gradually increase the portion funded by state contributions, the respective ratios of the two portions are evolving from what were once two–third pension contributions and one–third

state contributions in the past to reach a ratio of one–half each by FY2009.

By paying contributions for a period of 40 years, the full amount of the Basic Pension (JPY66 thousand/month) is paid from the age of 65. The amount of the Basic Pension is subject to reductions corresponding to the period of non–payment. Furthermore, while the system provides for exemptions to contributions in cases of low income prior to retirement, pension benefits are reduced for the period of exemption.

As of the end of FY2006, there are 3.4 million persons who have failed to pay in pension contributions and 5.28 million persons who are exempt from or are postponing contribution payments. While the system allows delayed payment for those who have not paid contributions (up to a period of two years) and those who are exempt (up to a period of 10 years), in the event contributions are not paid, pension benefits will be reduced for exempt persons and pension benefits will not be paid for the non–payment period for others. Thus, even though circumstances differ depending upon the payment of contributions before and after the non–payment period, as of the end of FY2006, at least 8 million persons may eventually fail to receive the full amount of pensions in the future.

The problem of the elderly without pensions or the elderly with only low pension benefits stems from a system funded by contributions and in which benefits are paid in accordance to the period of contribution. Therefore, the problem may be avoided by funding the Basic Pension entirely by taxes (state funds). In the event the Basic Pension is funded entirely by taxes, contribution payments would be rendered unnecessary and thus the eligibility to receive benefits would be based upon other factors such as the length (years) of residence in Japan.

Among the most predominant potential resources to fund the Basic Pension plan is the consumption tax hike. If the new pension system is to be funded by a consumption tax hike, the allocation of burdens would be fairer since the burdens would correspond to consumption. Looking elsewhere for sources of pension funds,

measures such as the revision of the inheritance tax (4.2% as of 2006) and the revision of the exemption of the elderly with high incomes from public pensions would be able to win public acceptance. Furthermore, given the reduction of pension contributions borne by corporate employers along with the 100% tax funding of the Basic Pension, corporations could be expected to bear the burden of part of the financial resources of the Basic Pension.

The success of funding the Basic Pension entirely by taxes would depend greatly upon the transitional measures corresponding to past payments of contributions and the financial resources for the state burden. However, considering the importance of a tax–funded Basic Pension system as a means to guarantee minimum living standards for the elderly, further deliberations are necessary in order to draw up a reform plan in view of public approval and feasibility.

b. The income–related component of the pension

Under the current system, the income–related portion of the pension is provided for by the Employees' Pension in the case of employees of private–sector companies and the Mutual Aid Pension in the case of government employees and teachers of private schools. The Mutual Aid Pension is scheduled to be unified with the Employees' Pension from April 1, 2010.

Persons who are younger than 70 and whose scheduled working hours are at least three–fourths of regular employees are qualified to enroll in the Employees' Pension. Since part–time workers are not eligible for enrollment, they must pay for their own national pension contributions as Category I insured persons of the National Pension in the same way as self–employed persons. Note, however, that a part–time worker satisfying requirements as a dependent spouse would be deemed as a Category III insured person and would not have to pay contributions by oneself. However, in either case, the pension benefits of part–time workers in old age would be comprised only of the Basic Pension. Even if a part–time worker is only enrolled in the Basic Pension, a household would be able to secure a certain amount of pension benefits if the spouse is enrolled in the

Employees' Pension. In addition, Survivors' Employees' Pensions would be paid to the survivor after the death of the spouse.

Let us compare the amount of future pension benefits (monthly basis) of an average–wage regular worker with that of an average–wage part–time worker. The total amount of pension benefits combining the Basic Pension and the Employees' Pension would be JPY170 thousand for men and JPY146 thousand for women. In contrast, part–time workers who only receive the Basic Pension and do not enroll in the Employees' Pension would only receive a maximum of JPY66 thousand with respect to both men and women.

The wage level of part–time workers calculated on an hourly basis including bonus payments is only 50%–60% of regular workers. Therefore, the lifetime wages of part–time workers with 25–hour work weeks would be less than 30% of regular workers (**Chart 16**). Furthermore, in cases where a worker does not enroll in the Employees' Pension and is only entitled to receive the Basic Pension in the future, the worker would be subject to the risks of low income not only during the working years but also later in life.

While the expansion of the Employees' Pension to cover part–time workers is scheduled from September 2011, the coverage is limited in terms of the years of continuous employment, labor hours and wage levels. However, the expansion of the coverage would not have much effect since the number of newly–covered part–time workers would only be approximately 100 thousand to 200 thousand workers, or a mere 1–2% of the number of part–time workers without the limitations (9 million workers) according to the Ministry of Health, Labor and Welfare.

Assuming that a part–time worker with a 25–hour work week enrolls in the Employees' Pension, the amount of monthly pension benefits would be JPY94 thousand for men and JPY89 thousand for women (**Chart 16**). In addition to the necessity to stem the unfair wage gap between regular workers and part–time workers and to recruit part–time workers as regular workers, it would also be necessary to reexamine the expansion of the coverage of the Employees' Pension to part–time workers as a means to ensure the

impartiality between regular and part–time workers and to avoid the risks of low income in old age.

Chart 16: Difference in amount of pension benefits stemming from styles of employment

	Styles of employment (20 – 59)	Monthly pension benefits (JPY)	%	(Reference) Lifetime wages (JPY)	%
Male	Regular employee	170,000	100.0	230 million	100.0
	Part-time worker (not enrolled in Employees' Pension)	66,000	38.8	60 million	26.9
	(enrolled in Employees' Pension)	94,000	55.3		
Female	Regular employee	146,000	100.0	180 million	100.0
	Part-time worker (not enrolled in Employees' Pension)	66,000	45.3	50 million	29.4
	(enrolled in Employees' Pension)	89,000	61.4		

Notes: 1. Monthly pension benefits as of FY2008 are calculated from lifetime wages calculated on the basis of average wages (by gender, age group, years of continuous employment, regular/part-time worker).
2. The lifetime wages and pension benefits of part-time workers are calculated on the basis of a 25-hour work week.
Source: Compiled by MHRI on the basis of data releases by the Ministry of Health, Labor and Welfare.

Furthermore, note that Category I insured persons (mainly self–employed persons, freelance workers and students as well as their spouses) currently do not have income–related pensions. Even though Category I insured persons are eligible to enroll in the National Pension Fund and the defined contribution pension fund as additional pensions on a voluntary basis, not many are actually enrolled. As of the end of March 2007, there were 20.91 million Category I insured persons (excluding those enrolled on a voluntary basis). Of those enrolled in the National Pension Fund (693 thousand persons as of March 2007) and the defined contribution pension fund, 38 thousand persons were Category I insured persons (as of the end of March 2008). Admittedly, not all the 20 million–some persons will be limited to the Basic Pension in the

future since those who are currently Category I insured persons may have enrolled in the Employees' Pension in the past. However, it is worthwhile to consider the expansion of the enrollment of Category I insured persons in additional pensions as a measure for the low–income elderly.

5. Concluding remarks

Looking forward, approximately 30% of Japan's population will be comprised of persons aged 65 or older in 2025 as a result of a rapid aging of the population. In the face of such an extreme aging of the population, Japan must examine policy measures to cope with the expansion of the income gap among the elderly stemming from the increase of elderly persons with low incomes. In addition to the review of the pension system and the social welfare system set forth in this paper, it would also be necessary to map out a medium– to long–term vision of the Japanese society including (1) the social security system such as the healthcare and nursing care systems in which benefits grow along with aging, and (2) the tax system in order to ensure financial resources amid the shrinking proportion of the working–age generation.

In this paper, we also pointed out that the large income gap among the elderly in Japan must not be discussed in oversimplified terms since it is a reflection of the fact that many people continue to work late into their lives and therefore that it is necessary for those aged above 60 to participate in the labor market. However, under the current circumstances, job opportunities to gain earned income are not necessarily available for all. Even if it were possible to keep working above the age of 60, the elderly may find it difficult to find jobs fulfilling their wishes and qualifications. For example, an elderly job–seeker may only find part–time jobs even if they wish to work on a full–time basis.

With respect to elderly female households which possess multiple characteristics of households likely to fall into difficult income conditions later in old age, the creation of an environment enabling women to work on a continuous basis and to obtain lifetime wages equivalent to male workers in the future may prevent women from falling into low income conditions later in life.

While the improvement of social security benefits is necessary as a means to address the issue of the low–income elderly, the upgrade will turn out to be limited given the decline of the dependency ratio and the existence of fiscal restraints. Thus, it will be an important task to improve the work environment so that workers can continue to work on a continuous basis over a prolonged period.

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Notes:

1 Households other than "one–person households", "nuclear households" and "three–generation households" are categorized as "other households".
2 Total of "a little concerned due to absence of leeway in living conditions" and "very concerned due to difficult living conditions"
3 Cases where the husband was enrolled in the Employees' Pension or the "Mutual Aid Pension".
4 The potential labor force participation rate refers to the labor force participation rate when including those who are not currently engaged in job–seeking activities but have the potential wish to work. Potential labor force participation rate = (labor force population + non–labor force population possessing the wish to work) / population aged 15 or older.
5 Refers to either households comprised solely of persons aged 65 or over or households comprised of persons 65 or older plus unmarried persons below the age of 18.
6 National Pension contributions for FY2008 are JPY14,410/month.
7 The amount in FY2008.
8 Lineal relations, brothers and sisters or blood relations within third degree approved by the family court as possessing special circumstances.

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