
Social Security Abroad

Children's Allowances in Japan*

Following 10 years of debates, legislation setting up a Japanese system of children's allowances became effective January 1, 1972. Previously, Japan and the United States were the only industrial nations that did not include a national system of cash allowances for children among their social security programs. The stated goal of the new allowance system is to "lead to the healthy upbringing of children and to the stability of life at home." In fact, the motivations have been complex, involving population and welfare concepts. The Japanese birth rate dropped off after World War II, and labor shortages now exist in some industries. Proponents of the law hold the view that the cash allowances will serve to stimulate the birth rate. Acceptance of this view by the Government represents a reversal in its population control policy.

The income ceiling for eligibility under the new system is high enough to bring in virtually the entire labor force, but the small amount of the allowance will make it most meaningful to the lowest earners. For the unemployed, the full cost of the benefits is to be borne by national and local authorities.

A majority of the larger companies already privately pay a "family allowance" to dependents of workers as a fringe benefit. This payment has been part of the traditional paternalistic attitude of the employer and a symbol of his responsibility for the welfare of his permanent employees. As in most other countries with national children's allowance programs, the new benefit is financed primarily through employer contributions. Employers opposed to the new program have maintained that they will now be assessed twice.

The cash allowance is nominally means-tested—that is to say, an income ceiling of 167,000 yen¹ a month is established. About 96 percent of all

Japanese taxpayers earn less than that amount. In effect, then, virtually the entire labor force will meet the income requirement.

The benefit starts with the third child, if the children are all under age 18. The recipient children must be of compulsory school-attendance age—under age 15. In other words, the family (or guardian) must have three children under age 18 in order to receive a benefit for the youngest who must be under age 15.

Because an increasing proportion of both boys and girls are continuing schooling beyond age 14, a liberalization of the age requirement is anticipated. The labor-force participation rate of young people aged 15–19 has decreased from 46.7 percent for boys and 46.8 percent for girls in 1962 to 35.7 percent and 34.8 percent, respectively, in 1970. Enrollment at the secondary school level has increased proportionately.

The benefit is fixed at a flat rate of 3,000 yen per month. This represents about 4 percent of the average monthly earnings in manufacturing (71,000 yen).

For industries employing about one-fifth of the workers in manufacturing, however, average pay is less than 55,000 yen a month; the allowance represents 5.5 percent of earnings in these industries. For the casual day laborer in agriculture, the benefit is equal to a 7.7-percent increase.

The new allowance will be particularly beneficial to families where a woman is the breadwinner. Like women in many other countries, Japanese women tend to be in low-paid jobs in the manufacturing and services sectors and in wholesale and retail trades. For them, the benefit will represent a significant increase in income. The 3,000 yen allowance amounts to 13 percent of the average monthly wage of a sewing-machine operator, for example.

For employed persons, 70 percent of the cost of the new allowance will be met by the employer, 20 percent from general revenue, and 10 percent from local government. For the unemployed or needy nonemployed (such as an aged grandmother caring for three or more children) the ratio will be two-thirds from general revenue and one-third from local government. Benefits for the unemployed are to be paid entirely from public funds.

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¹ One U.S. dollar equals 308 yen.

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TABLE M-4.—Selected social insurance and related programs: Contributions and taxes collected, 1939-72

[In thousands]

Period	Retirement, disability, and survivor				Hospital insurance under OASDHI 1 2 3	Unemployment		
	Old-age and survivors insurance 1 2	Disability insurance 1 2	Federal civil service 3	Railroad retirement 4 4		State unemployment insurance 5	Federal unemployment taxes 7	Railroad unemployment insurance 8
Fiscal year								
1939-40	\$604,694	-----	\$131,880	\$120,067	-----	\$853,955	\$107,523	\$49,167
1944-45	1,309,919	-----	486,719	285,038	-----	1,251,958	184,344	131,993
1949-50	2,106,368	-----	662,262	550,172	-----	1,094,406	226,306	18,855
1954-55	5,087,154	-----	469,858	600,106	-----	1,142,009	279,986	23,720
1959-60	9,482,685	\$987,079	1,509,695	606,865	-----	2,164,757	341,108	161,912
1960-61	11,292,676	1,022,002	1,745,883	670,713	-----	2,361,279	345,356	161,308
1961-62	11,454,643	1,020,866	1,759,409	664,218	-----	2,709,253	452,638	155,259
1962-63	13,327,762	1,076,621	1,884,796	671,534	-----	3,005,409	945,367	157,682
1963-64	15,502,726	1,143,161	2,036,419	593,477	-----	3,043,408	846,567	156,056
1964-65	15,857,212	1,175,244	2,182,203	635,545	-----	3,046,428	814,891	152,300
1965-66	17,865,947	1,558,652	2,277,013	683,458	\$908,797	2,961,878	561,014	148,411
1966-67	22,567,002	2,249,397	2,469,071	776,493	2,704,884	2,911,247	596,773	145,665
1967-68	22,662,430	2,699,868	2,807,751	814,327	3,557,662	2,597,675	600,980	139,591
1968-69	25,952,737	3,532,434	2,996,184	884,746	4,477,012	2,555,110	633,178	134,400
1969-70	29,954,873	4,141,358	3,733,048	916,832	4,846,096	2,558,065	769,639	130,898
1970-71	31,915,231	4,569,470	4,611,334	980,394	4,961,234	2,574,410	964,435	127,828
1971								
February	3,839,937	494,232	298,951	167,957	539,617	218,158	490,105	5,535
March	2,736,821	416,296	347,576	86,877	450,724	18,990	12,265	26,202
April	3,483,561	476,000	359,837	9,526	470,000	360,508	80,132	485
May	3,889,510	526,428	651,393	164,492	585,142	718,276	150,659	6,419
June	2,598,030	386,577	610,693	68,041	418,451	28,038	6,911	24,142
July	2,363,751	323,970	745,078	16,147	345,934	238,547	49,190	667
August	3,911,251	495,761	351,871	104,243	533,103	491,419	92,165	6,376
September	2,604,965	399,548	320,890	67,039	419,640	19,354	4,349	24,042
October	2,052,626	278,683	320,533	10,283	299,636	127,445	27,101	682
November	2,622,130	324,181	358,901	159,927	350,743	319,227	61,761	7,184
December	1,796,307	245,456	317,161	82,746	234,322	18,177	5,083	22,561
1972								
January	2,505,025	345,352	357,423	6,432	381,566	(10)	98,159	547
February	3,879,734	450,070	328,950	164,734	497,076	(10)	282,821	6,852

¹ Represents contributions of employees, employers, and the self-employed in employments covered by OASDHI under the Social Security Act, on an estimated basis, with suitable subsequent adjustments. Data for earlier years reflect former appropriation bases. Includes deposits by States under voluntary coverage agreements. Employee-tax refunds deducted. Excludes transfers from general revenues.

² Excludes transfers between OASDHI system and railroad retirement account under the financial interchange provisions of the Railroad Retirement Act.

³ Includes foreign service retirement. Represents employee and Government contributions. Employee share includes voluntary contributions to purchase additional annuity. Government share includes Federal and District of Columbia agency contributions and, beginning 1968, Federal payment for current unfunded liability.

⁴ Beginning 1959, net of tax refunds. Contributions for hospital insurance of railroad workers are collected and reported with railroad retirement contributions initially and are transferred once a year (usually in August) to the hospital insurance trust fund, data for that month only are adjusted by the Treasury source to reflect the transfer.

⁵ Excludes reimbursement from Treasury general funds for cost of benefits for persons not insured for cash benefits under OASDHI or railroad retirement. Includes contributions for hospital insurance coverage of railroad workers under the Social Security Amendments of 1965, (principal amount only).

⁶ Represents deposits in State clearing accounts of contributions plus penalties and interest collected from employers and contributions from employees (3 States in recent years). Excludes contributions collected for deposit in State temporary disability insurance funds. Data reported by State agencies.

⁷ Represents taxes paid by employers under the Federal Unemployment Tax Act. Beginning 1961, net of tax refunds. Includes tax proceeds for financing temporary extended unemployment compensation programs.

⁸ Beginning 1947, also covers railroad temporary disability insurance.

⁹ Includes adjustment of estimated collections to actual for May.

¹⁰ Data not available.

Source: Monthly and Final Statement of Receipts and Expenditures of the U.S. Government and other Treasury reports, unless otherwise noted.

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The Ministry of Health and Welfare is to administer the program and be responsible for the collection of contributions. The actual disbursements will be made by local authorities, who will also determine eligibility.

The allowance represents a new direction in the government's population policy: from one of limiting population growth to one of encouraging it. There is belief in some Government circles that a family allowance system will in-

crease the birth rate. (The rate per 1,000 persons was 34.3 in 1947 and it had declined to 18.5 by 1969.)

Increasing labor shortages, especially at the more skilled levels, have caused growing concern. In addition, an unfavorable demographic pattern is anticipated as the ratio of contributors to beneficiaries declines as a result of the declining birth rate and extended life expectancy. The introduction of children's allowances appears to be the first step in providing for additional manpower needs in the future.