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The Family and the Declining Birthrate, Pension Rights, and Child-Care Insurance in Japan

-- An Economic Perspective on Women's Work --

YOKO NAKAGAKI

INSTITUTE FOR INTERNATIONAL POLICY STUDIES

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The Family and the Declining Birthrate, Pension Rights, and Child-Care Insurance in Japan

—An Economic Perspective on Women’s Work—

YOKO NAKAGAKI

The nature of the family is undergoing dramatic change in Japan. Whereas getting married and having a family was expected behavior for the vast majority of young people in the past, contemporary Japanese are deferring until later, or even renouncing altogether, the institution of marriage. Further, expectations about marriage and family have also evolved. It has been found that women's changing consciousness toward marriage contrasts with the traditional concept held by men in Japan. Increased work opportunities for women, the rising cost of raising children and the economic gap between working and non-working women are factors affecting the birthrate. As leaving the workforce significantly impacts not only the current, but also the future, economic status of women, reconsideration of the system of pension rights is required if a higher birthrate is to be promoted. This paper calls for development of a system favorable to families and for introduction of a child-care insurance system that will be applicable to the increasing diversity in family structures in Japan.

The Increasing Number of Small Households and Instability in the Family

The family unit is becoming destabilized. Although people have high expectations of family ties, the fulfillment of these expectations is becoming more difficult.

The trend towards smaller households

Against a backdrop of a declining birthrate and an aging society, the numbers of single-person, single-parent, and childless households are all growing.

As a result, 35 of the 47 prefectures are expected to have a predominance of single-person households by 2020.¹ If “family” is defined narrowly as a group of two or more family members living together, in the near future—by choice or by fate—Japan will have a predominance of individuals who are without families.

Reducing the family unit to an unstable psychological function

Reducing the family to family ties

Meanwhile, the family unit is being reduced to a role as provider of a psychological connection through family ties (see Figure 1).

During the high economic growth period, men took salaried positions at companies, and the family unit ceased to be the center of income-producing activity. Then, as the nuclear family became prevalent, care for the elderly and support for dependents declined. There was a period before the mid-1980s when two children per couple was the norm; however, that figure has been dropping steadily ever since. As a result, child-rearing as a family function is receiving less emphasis.

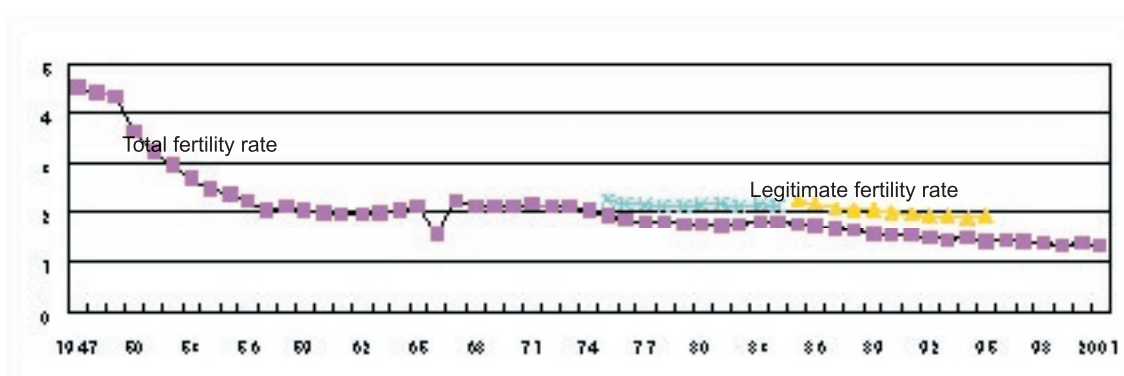


Figure 1 Total fertility rate and legitimate fertility rate

Sources:

Legitimate fertility rate: National Institute of Population and Social Security Research, 11th Japanese National Fertility Survey

Total fertility rate: Ministry of Health, Labor and Welfare, Vital Statistics of Japan

The result is that people are now looking for “stronger family ties” in the family unit as represented by “happiness” and “rest and relaxation.”² In a separate survey, about 50% responded “Definitely Yes” to the question “Do you think it is good to put family first above all other considerations?” If those who answered “More or less, yes” are included, nearly 90% are included in the “family-first” group.³ This survey also shows that almost 60% of those in the family-first group are generally satisfied with their lives, compared to less than 30% for those who are not in the family-first group.

Growing barriers to marriage and household formation

However, it is difficult to see these psychological family ties as more than a relationship prefaced on economic dependence.

During the bubble economy, for example, women were looking for men with the “big three”: height, education, and income. Height aside, men knew what they had to do to meet expectations. In contrast, it is extremely difficult to define the human qualities required to create psychological ties.

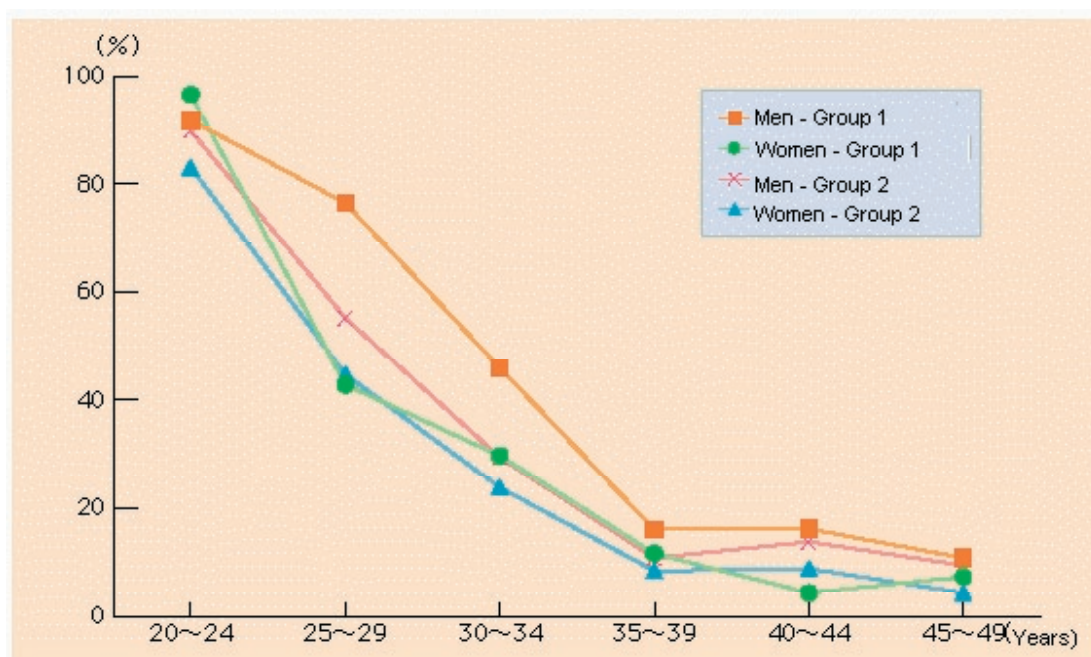
Recently more and more people are marrying late or not at all, and as of 1997, 90% of unmarried people were saying that they “plan to marry at some point.” However, half of these people said “I do not mind staying single until I find the ideal mate.”⁴

Moreover, family formation requires sufficient earning power to run an independent household, yet among young people the unemployment rate is extremely high. This is partly attributable to the protracted economic slump and partly attributable to the commitment of businesses to protect the jobs of older workers. For example, while the overall unemployment rate in 2002 was 5.4%, for those aged 20 to 24 the rate stood at 9.3%, and for those ages 25 to 29 it was 7.1%. Although they are better off than the unemployed, temporary workers are paid less and are not able to acquire the job skills that they would if in permanent employment; hence their prospects for establishing a household are slim.

The differing values held by men and women are also an issue. There is a group of men in their late twenties and early thirties whose values may be characterized by the following statements: “the oldest son has special duties different from those of the other children,” “if there are no male children, it is better to adopt a son so as to preserve the family name,” “premarital sex is wrong,” “divorce should be avoided at all costs,” “a woman’s happiness lies in marriage; she should not devote her life to working.”⁵ Within this group the percentage of men who are single is extremely high in comparison to the male population in general (see Figure 2).

This represents yet another barrier to the establishment of families. If men are chained to antiquated concepts of family while the attitudes of women are changing, forming families through marriage may be even more difficult as a consequence.

This factor is expected to be push the lifelong celibacy rate up from 4.9% among those born in 1950 to 16.8% for those born in 1985.⁶



1. Graph based on Cabinet Office, Government of Japan, Survey on National Lifestyles (2001)
2. Percentage of single people by age bracket
3. Traditionalists 378 men (aged 20~49), 297 women. Liberals 505 men (aged 20~49), 694 women.
4. Group 1 = Traditionalists; Group 2 = Liberals

Figure 2 Traditional men and celibacy

Source:

Cabinet Office, Government of Japan. White Paper on the National Lifestyle (2002)

More conservative family values than Europe and the US

Japanese family values are conservative compared with Europe and the US. In Japan, only 26.5% of people approve of same-sex relations, compared with almost 80% in France and Germany, and while approval of extra-marital sex is 31.7% in Germany and 24.8% in France, the figure is a mere 7.6% in Japan.⁷ The approval rate for divorce is 46.1% in Japan, compared to 69.8% in France.

However, these trends are changing and divorce is on the rise. People who agree with the statement “people who are not satisfied with their partner should get divorced,” are now in the majority (24% “agreed”, 30.2% “more or less agreed” in 1997).⁸

One survey asked married people if they had ever considered divorce. The proportion of people who answered “I have never considered getting divorced” was extremely high among those that “married to live with the person I love,” while the proportion was low among those who considered marriage “something everyone does” and among those who married “to create a family.” These results could be taken as evidence that marriages are more stable when motivated by a desire to preserve bonds, and that the family itself is being reduced to psychological bonds.

Differing levels of spousal satisfaction between men and women

It should be noted that in Figure 3 many more men than women have “never considered getting divorced.” In another OMMG survey, more men also agreed with the statements “I am satisfied with my partner,” “once married you should stick with it,” and “if they do not live together, a man and woman cannot be considered husband and wife.”

The difference of opinion between men and women appears to be just as great with married people as with unmarried people.

Main reason for getting married	Ratio of people who have never considered getting divorced	
	Men	Women
To live with the person I love	70.0	43.3
Everyone gets married	55.8	26.3
To create a family	54.1	22.7

Figure 3 Reasons for marriage and consideration of divorce

Notes:

1. OMMG Survey
2. Survey conducted in 1999 on married men and women between the ages of 20 and 59

Instability of the family unit and a search for new bonds

Now, as ever, people look to the family for psychological stability. Yet, as that stability becomes more difficult to come by, the smaller household, the “household of one,” is becoming more prevalent, and the family is becoming more unstable.

At the same time, people are finding other means of creating such bonds, for example through relationships with pets. According to the 2000 Survey on Animal Protection conducted by the Cabinet Office, Government of Japan, a full 40% of those surveyed felt that as the birthrate declines and households become smaller, “the number of households in which the pet is considered a family member is growing,” and that “the importance of pets as companions for the elderly is growing.” This could be seen as an emerging trend towards the creation of new connections in lieu of the traditional family.

Instability in the Family and the Declining Birthrate

Staying single, marrying late, or having fewer children

The shift to the nuclear family during the high-growth period included the specialization of the role of wife as homemaker and child-raiser.

As the industrial structure shifted from agriculture, forestry, and fisheries to manufacturing and service industries, people flooded into the cities seeking work, forming new households, and raising children. Before the first oil shock, the average number of children per women (the total fertility rate) was stable at two (see Figure 1). At the same time, more married women devoted themselves exclusively to the role of homemaker (see Figure 4), and a pattern was established whereby husbands took salaried positions in companies and wives supported them in the home. Incidentally, the concept of the average household as “husband and wife with two children and only the head of the household working” was established at this time. The high-growth period was also the era in which the role of the husband as worker and the role of the wife as homemaker and child-raiser were defined.

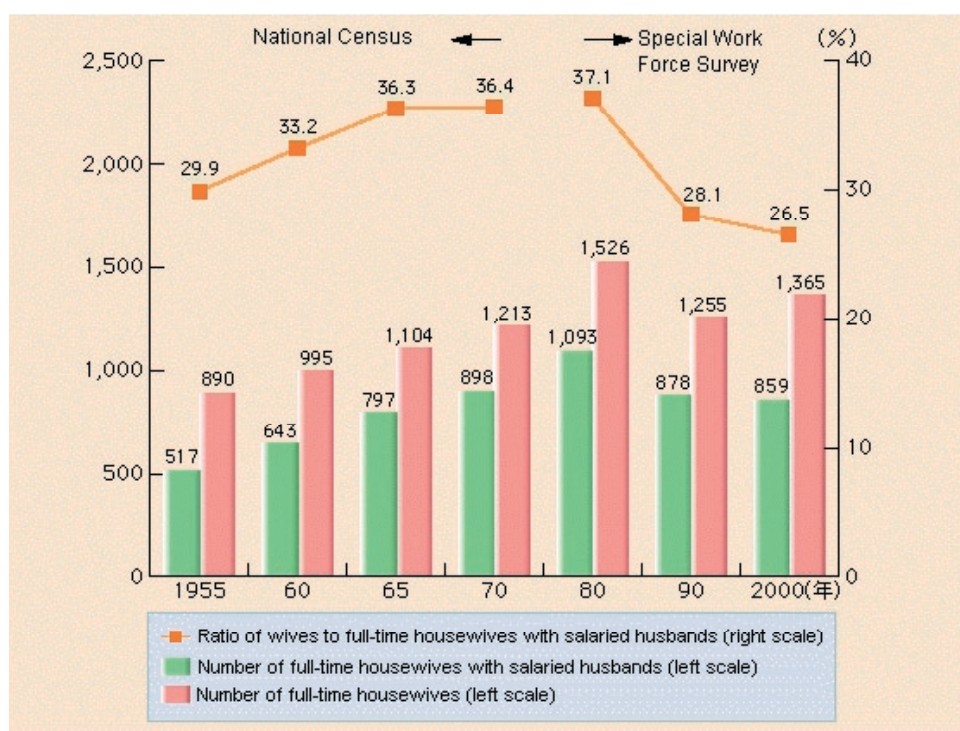


Figure 4 Households with salaried husbands and full-time housewives

Notes:

1. Based on Ministry of Public Management, Home Affairs, Posts and Telecommunications, National Census, and Special Work Force Survey
2. The numbers for full-time housewives with salaried husbands, and full-time housewives come from the National Census for the years 1955 to 1970, and from the Special Work Force Survey for the years 1980 to 2000.
3. The number of full-time housewives with salaried husbands is the number of employed husbands (not employed in agriculture or forestry) with unemployed wives. The number of full-time housewives represents the number of unemployed wives among all wives.

Source: Graph taken from Cabinet Office, Government of Japan: White Paper on the National Lifestyle (2002)

This arrangement was advantageous to companies as well. With wives responsible for the home, companies were able to compel male workers to accept working conditions that included working long hours or being transferred to different locations. During this era of mass production, the resulting structural efficiency inherent in this arrangement enabled Japan to quickly become one of the top economies internationally, and the fruits of that economic growth were returned to employees in the form of wage structures that supported families, and stable, long-term employment.

Since then, the birthrate has fallen, from a shocking 1.57 in 1989 to 1.33 in 2001 (see Figure 1). Initially, the falling birthrate was explained as a result of the increase in the number of people staying single or marrying late. In other words, married women were still having the standard two children, but the marriage rate was dropping. Since the number of children born out of wedlock in Japan is small, more people staying single or marrying late would translate directly into a lowered birthrate.⁹

Since 1990, the number of children per married woman has also dropped below two.

However, as late as 1997 couples still considered the ideal number of children to be 2.53 (although this figure too was dropping). This information clearly shows that the declining birthrate in recent years is attributable not only to changing priorities but also to factors that make it difficult to raise a family.

Reduced lifetime income for wives and the declining birthrate

While the increase in work opportunities for women has contributed to the declining birthrate, the increasing cost of raising children and the increasing economic gap between women who continue working and those who get married and become full-time housewives are also factors.

According to one hypothesis, woman who work throughout marriage, child-bearing, and child-rearing will have a lifetime disposable income of ¥469 million, whereas this figure drops to ¥310 million for woman who leave the workforce and remain unemployed. The decision to continue working or not can cost ¥160 million in lifetime disposable income. (see Figure 5.) The cost of sending a child to a private college is estimated at ¥2.4 million.¹⁰

Units: ¥100 million

	Lifelong disposable income per household	Lifelong disposable income of women	Annual Income	
			Husband Alive	Husband Deceased
Continues working	4.69	2.11	0.38	0.19
Retires then returns	4.40	1.82	0.35	0.19
PT after retired	3.41	0.82	0.28	0.18
Fully retired	3.10	0.47	0.27	0.18

Figure 5 Women's employment patterns and lifetime disposable income

Notes:

1. Based on the Gender Equality Bureau, Influence Research Committee, Report on Lifestyle Choices and the Tax, Social Welfare, and Employment Systems (2002)
2. Assumes that women graduate from a junior college, go to work at age 20, and have their first child after marrying a 30-year-old university graduate at age 28. They have their second child at age 30. They are widowed at age 75, and die at age 84.

Thus overall a woman's decision to continue working has a huge impact on household finances, particularly given the costs of child-rearing. Furthermore, more women marry in geographical areas where their opportunities for full-time work are not reduced by marriage (Figure 6), and this indicates that the barriers to earning income thrown up by marriage, childbirth, and child-rearing are prime factors in the declining birthrate.

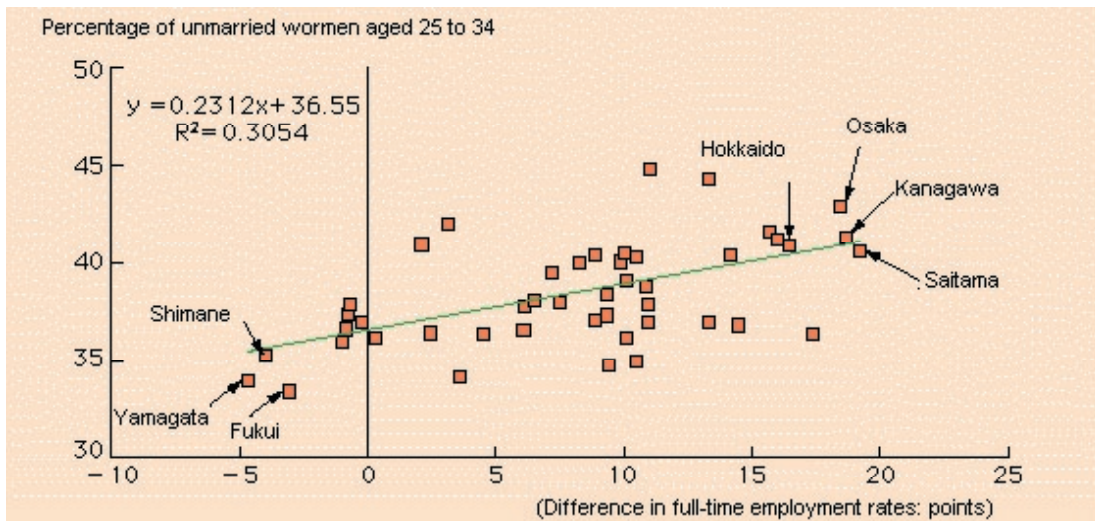


Figure 6 Marriage rates and barriers to full-time work

Notes:

- 1) Based on Ministry of Public Management, Home Affairs, Posts and Telecommunications, Workforce Demographics Survey (1997) and National Census (2000)
- 2) Difference in rates of full-time employment = percentage of single women working full-time – percentage of married women working full-time
- 3) Data for Tokyo is not shown in the figure, since Tokyo constitutes a special case. (In Tokyo: percentage of unmarried women = 52.1%, difference in rates of full-time employment = 16.1%)

Source: Graph taken from Cabinet Office, Government of Japan: White Paper on the National Lifestyle (2002).

As Figure 6 clearly shows, in cities marriage tends to restrict opportunities for full-time work, with the result that small households are prevalent.

At this point it is useful to look at the connection between the formation of families and working wives. In nuclear family households, where grandparents cannot be relied on for help with child-rearing, the wife cannot easily continue working in the early stages of child-rearing. In many cases the wife goes back to work only when the children have grown older. According to a survey on employment trends, around 70% of women in the workforce aged between 30 and 44 worked part-time in 2000. Part-time employment is a practical choice for women whose children are older and who want both to work and be a homemaker. However, compared to full-time employment, there is still a difference of more than ¥100 million in lifetime income. This difference is contributing to the declining birthrate.

Wives in extended-family households can get extra help in caring for children while working, and the percentage of these women that continue working between childbirths is high. Yet, this type of household is gradually disappearing.

Within this trend towards small households, there will be fewer nuclear family households and more single-parent households. Presently, single mothers are having difficulty balancing work and child-rearing and earning enough to raise children because women can often only find part-time work and can earn no more than ¥1 million per year. Approximately 80% of single mothers do not receive child-support.

The amount of lost income discourages women from having children, and the difficulty women have in raising children alone and finding work that pays adequately shows the limitations of the family in bearing the full weight of responsibility for child-rearing.

Fuller lifestyles, reduced resources, and the declining birthrate

In nuclear family households in particular, many women stop working to raise children, and the amount of the husband's time spent at work each day is extremely high, even by international standards (see Figure 7).



Figure 7 Japanese husbands and child-rearing

Notes:

1. Based on OECD “Employment Outlook 2001” (for all countries other than Japan) Figures for Japan: Ministry of Public Management, Home Affairs, Posts and Telecommunications “Basic Lifestyle Survey Report” (1996)
2. In the “Basic Lifestyle Survey Report,” the term “income-producing labor” refers to a job, while the term “work in the home” includes housework, nursing care, and shopping.
3. Proportions of income-producing labor and work in the home by husband and wife (in one week)
4. Except for Japan, work for wives refers to full-time work. For Japan, it includes all work arrangements. For husbands, it is the average for all work.
5. For countries other than Japan, the survey included parents with children under five. In Japan, it included parents with children under six.

Source: Cabinet Office, Government of Japan: White Paper on National Lifestyle (2002)

Ultimately, if no-one is working full time, as per the male work model, the family will not be provided for. On the other hand, a person who does work full-time will not be able to participate adequately in child-rearing or other home activities. This is why women must make a choice between home and work.

However, if Figure 7 is recast using actual hours worked, a different picture emerges. The total number of hours of housework and paid work per household is not that high (see Figure 8). The number of paid work hours for husbands is high, but the number of hours worked in the home is not high in comparison with the hours worked in the home by husbands in other countries.

Time	Housework + child-rearing + paid work				Paid work
	Couple	Husband		Wife	Husband
Canada	21.2	10.2	<	11.0	6.3
UK	20.4	9.5	<	10.9	6.3
Sweden	20.0	10.1	>	10.0	6.4
Germany	20.0	9.6	<	10.4	6.1
Austria	19.6	9.1	<	10.5	6.9
Australia	19.6	9.0	<	10.6	6.1
Denmark	19.0	9.6	>	9.4	7.2
Italy	19.0	8.4	<	10.6	6.6
Finland	18.5	9.0	<	9.6	6.1
USA	18.0	8.8	<	9.2	6.2
Japan	17.6	8.2	<	9.4	7.6
Holland	16.0	8.1	>	7.9	5.2

Figure 8 Housework hours and paid work hours per couple

Source: Data used in Figure 7.

It is useful to compare lifestyle choices around the world. The percentages of Japanese whose favorite activities are “playing sports,” “shopping,” “watching sporting events,” and “watching television” are high; however, a remarkable number of people chose “sleeping” instead. It is safe to infer from these statistics that the hectic pace of life is the result of a crowded lifestyle, and that this hectic pace may play a large role in the declining birthrate.

	UK	France	Germany	Italy	Japan	US
Drinking champagne	6	8	5	3	1	6
Eating chocolate	9	12	5	8	2	7
Going out with friends	22	26	25	20	21	16
Playing sports	7	6	8	9	15	6
Sex	31	30	33	38	7	33
Shopping	8	5	5	10	13	14
Sleeping	4	4	8	4	20	5
Watching sporting events	3	2	3	2	8	3
Watching TV	5	4	3	2	7	4
Working	3	2	3	3	4	4
Surfing the Internet	2	1	2	1	2	2
Total	100	100	100	100	100	100

Figure 9 Lifestyle choices around the world

Source: Durex World Survey (2001)

Differences in parental economic status and the next generation

As described earlier, the income of single mothers is low. As the family unit becomes destabilized, single-mother households are expected to become more common. Meanwhile, the seniority pay-scale system is falling out of favor, and a clear trend towards merit-based pay-scales is emerging. Young people, too, are increasingly opting for a series of non-permanent positions in lieu of a career path that involves permanent employment at one company. The gap in personal skills development will grow, which suggests that the difference in income levels will probably increase as well.

Meanwhile the influence of the parents’ economic status on their children’s education continues to grow. A child’s level of academic ability will depend on whether or not the parents can afford tutoring at a cram school. The same differences in economic status responsible carry over into the next generation.

Thus the next generation will be affected by the destabilization of the family unit—both in terms of the declining birthrate and of the magnification of differences in the relative abilities of the next generation.

Economic Evaluation of Women in the Workforce

Women's level of satisfaction with married life is generally low. One reason for this may be that the full-time employment of men enables them to provide for the household, but does not allow for an equitable division of responsibility within the home (see Figure 7). Hence, it is difficult to evaluate fairly the impact on society of the work carried out by women.

Two observations are made in this section. First, the difference in wage levels between men and women who choose to work full-time is shrinking (see Figure 1); however, it is difficult to assess the value of the work done in the home, as child-rearing and homemaking do not generate money directly. Secondly, most women returning to work after having children work part-time, and the situation for part-time workers is markedly less favorable than for the labor force in general.

The difficulty of evaluating work within the home

What are the implications of housework for full-time housewives whose husbands work for a salary?

The work of the housewife can be divided into two components: support for the efforts of the externally employed husband, the so-called “supportive wife” component, and work done to raise the quality of home life, namely the housework component (see Figure 10).

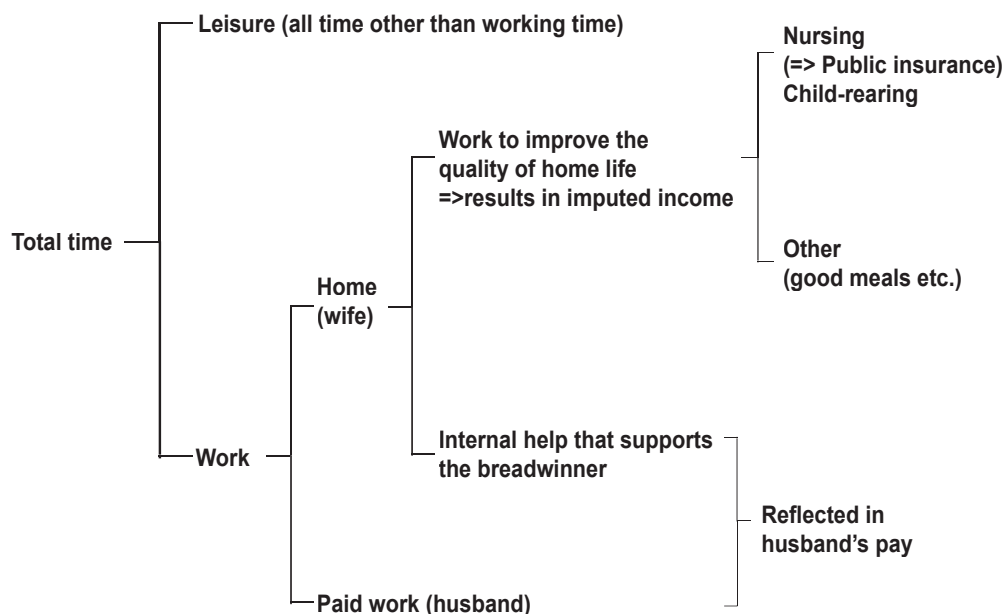


Figure 10 The concepts of paid work and housework

The “supportive wife” component is assumed to be reflected in the husband’s income. In other words, a portion of the husband’s pay is the result of the wife’s work. The other component, on the other hand, is not directly connected to the earning of money. However, services provided in the home generate what is called imputed income. For example, the imputed income of a French dinner cooked at home would be the cost of that same dinner if consumed at a restaurant. This means that the full-time housewife’s contribution to household finances is equal to a portion of the husband’s income + imputed income.

Yet, these amounts are difficult to monitor. As a result, it is difficult for society and the family to assess the labor of the housewife fairly. This inability to assess performance in the home fairly has an adverse effect on the wife’s satisfaction with married life and may thus destabilize the family.

There is also the question of caring for the elderly and raising children. This does not contribute to the husband’s income, as described above, and thus must be included in the category of “work done to raise the quality of the home life.”

Yet, with the introduction of social insurance, care of the elderly is now considered the obligation of society. Under the insurance system, service and benefit levels are based on personal contributions, and consumers can select their own services with foreknowledge of the personal contributions required. Similarly, the introduction of nursing insurance takes nursing care out of the home and provides an opportunity for an objective assessment of its economic value.

However, this concept has not taken root with child-rearing. It is generally believed that the full-time housewife should dedicate herself to child-rearing as her most important duty. This makes it difficult to assess the value of child-rearing fairly and may be a major factor in the anxiety full-time housewives feel regarding child-rearing.

The downward spiral of part-time work

Part-time work is becoming more common for women once their children are a little older and they have more time. This trend represents an effort to shore up household finances in the face of the waning job security and sluggish income growth that have been experienced since the collapse of the bubble economy in the 1990s. Businesses like part-time workers because they are cheap and make for an adjustable workforce. While there is a dearth of full-time employment opportunities, there is an over-abundance of part-time opportunities.

However, wages for female part-time workers are continuing to decline against wages for full-time female workers (see Figure 11). The wage gap between full-time male workers and full-time female workers is closing, and as a result, the wages for part-time female workers versus full-time male workers are not changing much. Wages for part-time female workers are usually 40% that of full-time male workers.

	Comparison of Wages for Part-time Female Workers	
	Full-time female worker = 100	Full-time male worker = 100
1992	71.8	44.6
1993	70.1	43.7
1994	70.6	44.3
1995	70.4	44.5
1996	69.3	44.0
1997	68.0	43.4
1998	68.4	44.3
1999	67.3	44.0
2000	66.9	44.3
2001	66.4	43.4

Figure 11 Comparison of hourly wages for full-time work and part-time work

Source: Ministry of Health, Labor and Welfare, Wage Structure Survey

This situation exists—despite rising trends in part-time wages—because many married women seek to keep their annual income below ¥1 million by restricting their work, as a result of the current tax and social welfare system and family allowances provided by companies (see Figure 12).

Specifically, the upper limit for the deduction for spouses is ¥1.03 million; the upper limit for dependants and spouses in the national pension plan and similar services is ¥1.3 million; and many businesses set the upper limit of their family allowance to either ¥1.03 or ¥1.3 million. Thus, the wives of salaried workers are restricting their working hours to remain within these limits. This explains the relatively slow growth in part-time wages.

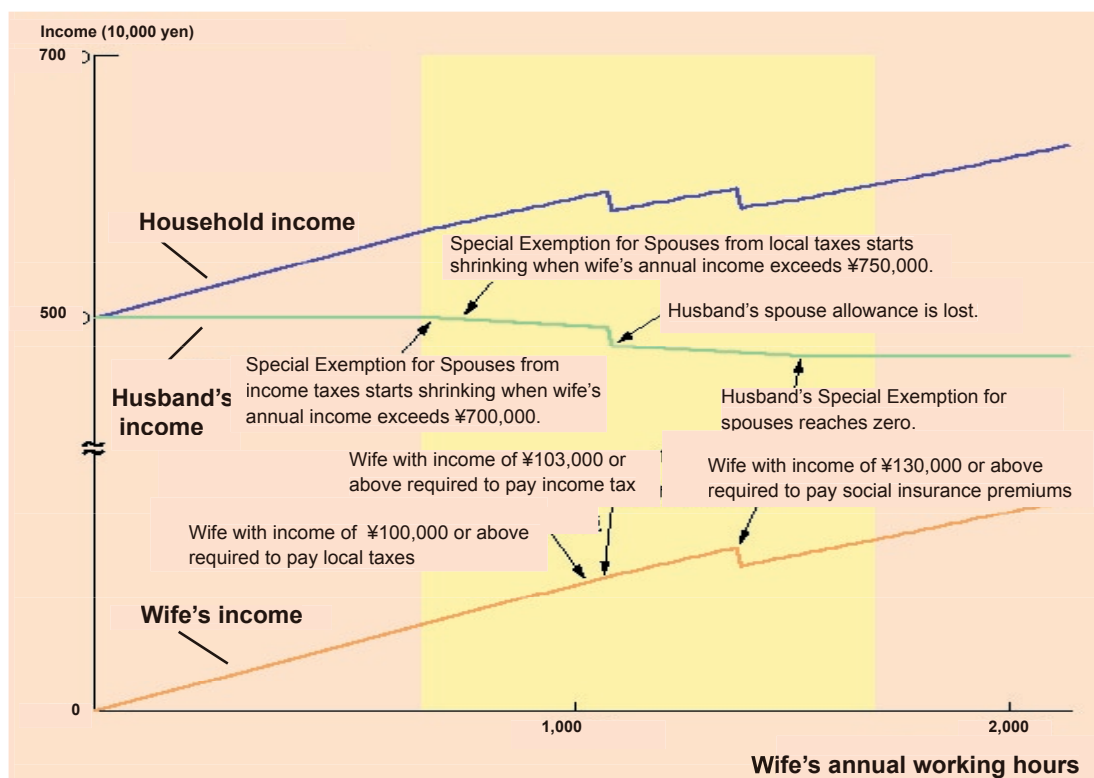


Figure 12 Household income for households with working wives

Notes:

1. Ministry of Health, Labor and Welfare, “Basic Survey of Wage Structure,” (2000), “Monthly Labor Statistics Report,” (December 2000), “General Survey of Work Hours and Other Labor Statistics,” (1997), Social Insurance Agency, “Annual Report” (1999)
2. Pension payments were calculated from premium payments, and were deducted from income.

Source: Cabinet Office, Government of Japan, White Paper on National Lifestyle (2002)

With the introduction of the special deduction for spouses in 1987, the ¥1.03 million barrier disappeared from the tax system. Nevertheless, part-time wages for women as of 1995 were still overwhelmingly in the ¥0.9 to ¥1 million range despite the change, due in part to misunderstanding, and few women earned more than ¥1 million. However, while the majority were still in the ¥0.9 to ¥1 million range, there was a notable increase in the number of women earning ¥1 to ¥1.1 million, according to a 2001 survey, which indicates the relative importance of the ¥1.3 million barrier.

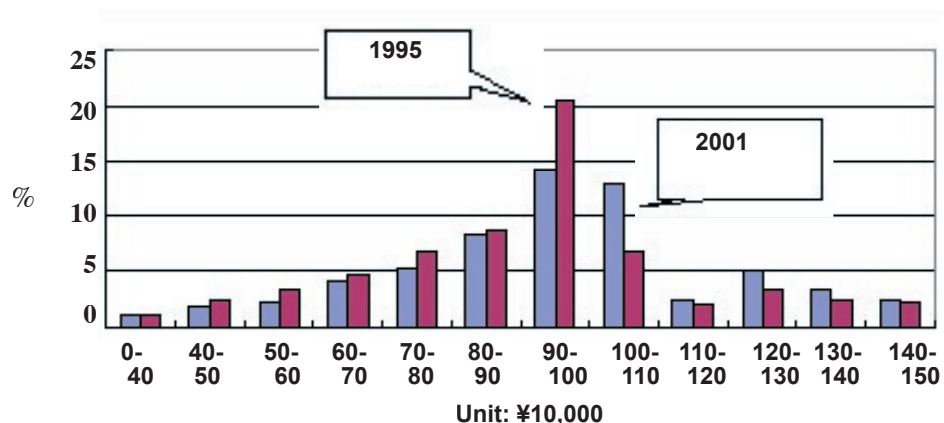


Figure 13 Income distribution for female part-time workers

Source: Ministry of Health, Labor and Welfare, Comprehensive Survey of Part-time Workers

In other words, women who are working to contribute to the family are ironically met with difficult conditions that make it less advantageous to do so.

The likelihood of raises or promotions for part-time workers is also low. The disparity between full-time wages and part-time wages grows with the number of years of service; naturally, the proportion of part-time workers who are not content with this disparity is greater among part-time workers who have worked for longer. Of part-time workers with ten to 19 years of service, the majority are not satisfied with this situation. While more women are going on to higher education, the value of their work is not recognized after they return from temporary leave to get married and have children. Their options are also limited to part-time work, where there is little chance for raises or promotions, and this may be one cause of the increasing number of women who choose not to get married and have children, and of dissatisfaction with married life itself.

Solutions for the Future

The male work model does not permit division of responsibility within the home, and as a result, women are left with two choices: forego children and continue working full time, or work in the home and work part-time when possible. It is difficult to economically assess work within the home and part-time employment—work done mostly by married women. Meanwhile, there is no surplus of resources for today's families, even by international standards.

For women confronting these inconsistencies surrounding the family, dissatisfaction with married life is relatively high. This factor further accelerates the shift towards small households and destabilizes the family.

To make it easier to form families, the economic value of women's work within the home and part-time work should be established, and it should be possible to share the responsibilities of earning income and working within the home.

The following points are important to achieving this.

1) The tax and social welfare systems should include, to the degree possible, an economic assessment of work done in the home. This will result in higher value placed by families and society on work done in the home.

2) Just as with nursing care, the society should provide assistance for child-care, assistance made necessary by the faltering child-rearing capacity of families. The economic value of child-rearing should be established.

3) The economic disincentive to working part-time should be abolished because part-time work is compatible with working in the home. Equal pay for equal work should be established as a basic rule.

Economic Assessment of Work Done in the Home and the Tax and Social Welfare Systems

Work done in the home and the basic and special exemptions for spouses

Work done in the home and taxation

Work done in the home by wives is reflected in the income of the husband and in imputed income for the home.

Taxes on the husband's income could be said to be taxation of the combined contributions of the husband and the wife, but imputed income is not taxed.

The basic and special exemptions for spouses

The subject that often comes up in relation to work done in the home and the tax system is the basic and special exemptions for spouses. Tax exemptions are tied to the wife's income, the idea being that when the wife of a salaried husband has little or no income, the husband's ability to pay taxes is decreased. In addition to the basic exemption for spouses (with a flat exemption for spouses with annual incomes from ¥0 to ¥1.03 million) there is the Special Exemption for Spouses, which uses a sliding scale (see Figure 14).

Work done in the home and the basic and Special Exemptions for Spouses

As was described above, the income produced by the husband and wife as a team is taxed as the income of the husband. However, they are possibly paying more than they would if a progressive tax schedule was applied. In this light, the basic and special exemptions for spouses can be looked at as an effort to correct this inequity. Yet, this interpretation is shaky, considering that these exemptions for spouses are applied universally, even if the income tax rate were as low as 10%.

On the other hand, imputed income is not taxed because it is simply too difficult to calculate.

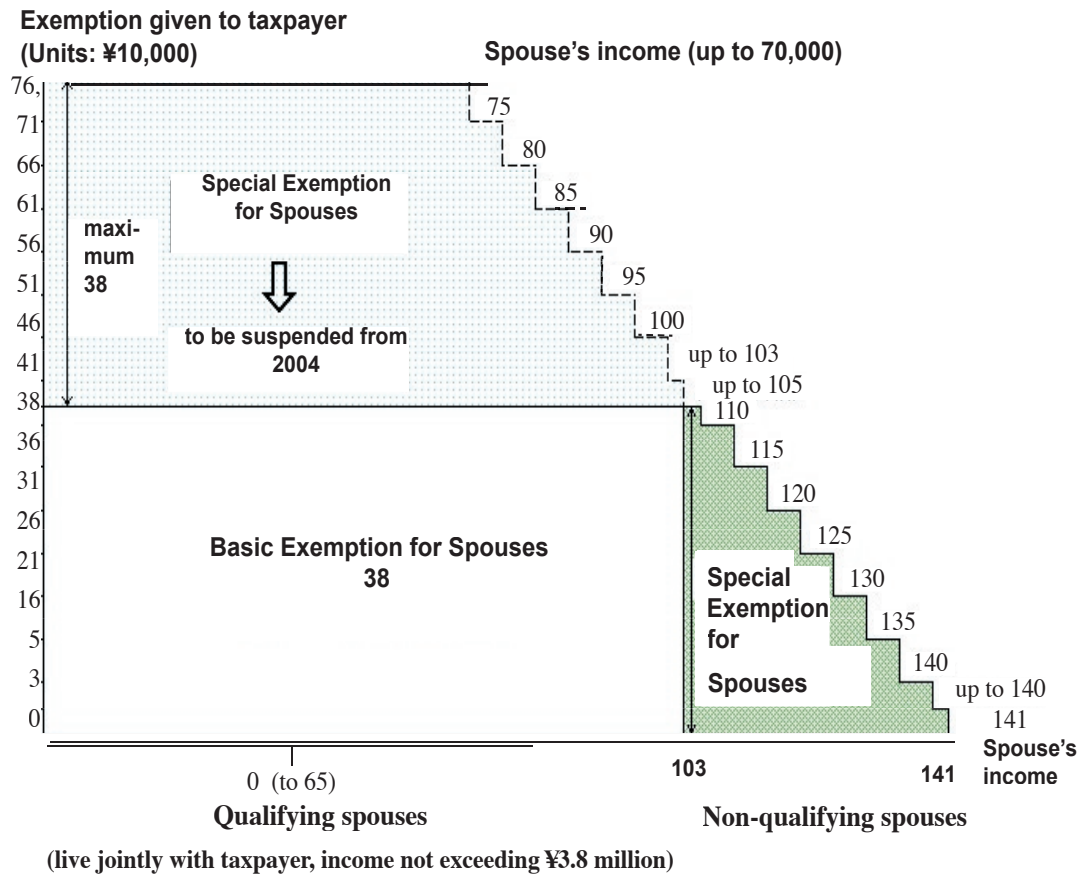


Figure 14 Exemptions for spouses and the Special Exemption for Spouses

Source: Ministry of Finance website

In any case, the tax burden on the husband's income is reduced through the two exemptions for spouses, based on the assumption that the wife is an economic burden in the same category as children.

What this comes down to is that society does not assign the proper value to the work of the wife within the home, and this may lead to inaccurate valuation within the family.

Policy implications

Against this background, the Special Exemption for Spouses was abolished and will be removed starting in 2004. The special exemption was introduced during the sweeping changes to the tax system in 1987 to ameliorate the suppressive affect on working wives that occurred when a wife's income exceeded the ¥1.03 million limit and resulted in a large tax increase for the husband. However, the introduction of the "vanishing exemption" portion shown in Figure 14 would have been sufficient to achieve this goal. However, the introduction of the "additional" portion also increased the difference between the tax rate when both exemptions for spouses were applied and when they were not. The fact that the combined exemptions for spouses was bigger than the exemption for dependent children implies that the economic burden imposed by the wife is greater than that of the children.

So the cancellation of the additional portion will be a big step forward. Yet the basic exemption for spouses remains. If the value of the wife's work (including imputed income) were fairly evaluated, would this be necessary? At present, tax deductions for people are being simplified. A system that makes a blanket decision about the economic strengths and weaknesses of people based on age or sex has a direct impact on the family structure. As shown earlier, old values are a barrier to marriage, and they reduce satisfaction with married life, which tends to destabilize the family unit. Likewise, any system that tries to mold the family unit into a certain shape leads to destabilization of the family unit. From this point of view, even more drastic revisions are in order.

Assessment of work done in the home and the pension system

Tertiary-insured system

Let us take a look at the pension system.

The wife of a salaried worker becomes tertiary-insured if she makes less than ¥1.3 million a year and works less than three-quarters of a full-time schedule. In this case, she does not have to make premium payments for pensions or health insurance. As an employee, the husband is the secondary-insured (see Figure 15). The pension paid to the secondary- and tertiary-insured is based on the total premiums paid by the secondary-insured. The husband receives the basic pension plus the proportional pension, and the wife receives the basic pension.

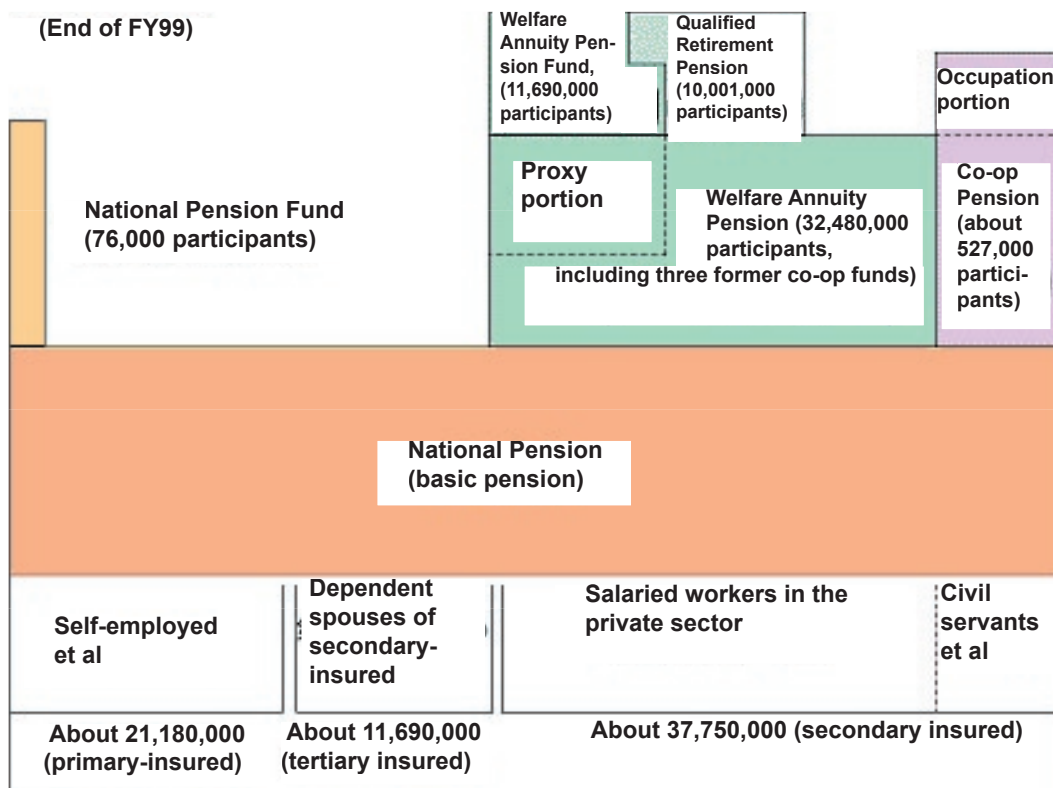


Figure 15 The pension system

Source: Ministry of Health, Labor and Welfare website

The tertiary-insured system was introduced as part of the system reforms of 1985 to secure pension rights for women, including full-time housewives. Thereafter more and more married women began working part-time, but notably restricting their work load to come in under ¥1.3 million per year and avoid the increased company insurance premiums that accrue when annual income exceeds that amount (see Figure 12). The secondary-insured pay pension premiums for tertiary-insured, and the secondary-insured group includes married women who work and single-women and single-mother households. The inequity for these women is often a subject of discussion (see examples 1 and 2).

Example 1: Current System

Full-time housewives married to salaried workers

Amount	Husband	Wife
Proportional pension	¥85,500	
Basic pension	¥67,000	¥67,000

Example 2: Current System

Single women and other categories

Amount	
Proportional pension	¥85,500
Basic pension	¥67,000

Monthly Wage (husband)	¥390,000
Premium	¥53,000
Pension	¥219,500

The premium is the same, but the pension amount differs.

Monthly Wage	¥390,000
Premium	¥53,000
Pension	¥152,500

Wives who work in the home and the tertiary-insured system

How does this system assess the work of women in the home?

The fact that the tertiary-insured receives a basic pension might lead one to believe that the system acknowledges the wife’s contributions to the husband’s wages from which the premiums are paid. If so, it does not make sense that the pension received by a household consisting of a salaried husband and a full-time housewife should be more than that received by a working woman who is single, since the single working woman pays just as much in premiums as the husband.

The premium also does not take imputed income into account.

Even if the pension amount received by the wife represents a social assessment of the value of child-rearing, it is still inequitable when compared to single-mother households, where one person has to raise the children and bring in the income.

Proposed reforms

The Research Committee on Pensions and Responding to Changes in the Lifestyle of Women established in the Ministry of Health, Labor and Welfare discussed the various problems related to women and the pension system. Their December 2001 report discussed the taxation of imputed income, and it stated, “the opinion that households where one parent works are more able to pay premiums than households where both parents work, considering the imputed income generated by work done in the home, needs to be examined in greater detail.”

In other words, a consensus on imputed income is difficult to come by, so it is hard to take into consideration at this time. This supports the opinion made throughout this paper that work that does not generate cash income, like work done in the home, is difficult to assess fairly. In particular, the amount of imputed income each household receives varies widely, and much of it cannot be evaluated objectively, such as home-cooked meals or the atmosphere in the home. Thus, it is unlikely that imputed income will be figured into calculations of insurance premiums as part of near-term system reforms.

So what should be done?

The Ministry of Health, Labor and Welfare released the Substance and Direction of the Pension Reform Framework in December 2002. This report was created as a platform for discussing pension reforms for 2004. It included the following proposals regarding the tertiary-insured.

i) Proposal on Separation of Pension Rights for Husbands and Wives

The secondary-insured will continue to pay insurance premiums in proportion to the amount of remuneration; however, the benefit should be treated as if the household income was divided.

ii) Proposal on Adjustment of Premiums

Tertiary-insured should be required to pay a premium in some capacity.

For the employee group, the benefit principle (premiums of fixed amounts) is combined with the principle of the ability to pay (fixed-rate premiums).

The insurance premium for the tertiary-insured should only be assessed on secondary-insured who are with a tertiary-insured—not on the entire employee base—and the rate should be fixed.

iii) Proposal on Benefit Adjustment

Tertiary-insured will not be required to make insurance premium payments, but the basic pension benefit should be reduced.

iv) Proposal on the Reduction of the Tertiary-Insured

The number of people that qualify as tertiary-insured should be restricted through introduction of a national pension for short-term workers.

Separation of pension rights

Implications for households with full-time housewives

Let us look at the first proposal to separate pension rights for husbands and wives. This is illustrated in example 3.

Example 3: Separate Pension Rights

Full-time housewives married to salaried workers

Amount	Husband	Wife
Proportional pension	¥42,800	¥42,800
Basic pension	¥67,000	¥67,000

Monthly Wage (husband)	¥390,000
Premium	¥53,000
Pension	¥219,500

The difference between this and Example 1 is the proportional portion for husbands and wives.

Example 1: Current System (repeated)

Full-time housewives married to salaried workers

Amount	Husband	Wife
Proportional pension	¥85,500	
Basic pension	¥67,000	¥67,000

Monthly Wage	¥390,000
Premium	¥53,000
Pension	¥219,500

In other words, looking at total household finances, the premiums and the benefits do not change. The burden on the employed person does not change. What changes is the amount paid to the husband and wife. The amount paid to each person should be based on the contributions by the wife to the husband's income, and this should be decided separately for each home (in example 3, it is distributed 1:1, but this should not be applied universally).

This separation of pension rights will be useful in that it clarifies the social assessment of work done in the home by housewives, and it gives the wife's right to a pension a proper basis.

Implications for double-income households

Taking this concept further, what about the contributions of the husband to the wife's income in a double-income household? There are also various arrangements for the division of labor within the household. Where both people are working, the pension derived from their income should be combined and then divided based on the situation at home.

Under the current system, example 4 applies to a pension for a couple where the husband makes ¥260,000 per month and the wife makes ¥130,000, but this would fall under example 5 if they were combined and divided in half.

Example 4: Current System

Double-income households

Amount	Husband	Wife
Proportional pension	¥57,000	¥28,500
Basic pension	¥67,000	¥67,000

Husband	
Monthly Wage	¥260,000
Premium	¥35,300
Pension	¥124,000
Wife	
Monthly Wage	¥130,000
Premium	¥17,700
Pension	¥95,500

Example 5: Separation of pension rights

Double-income households

Amount	Husband	Wife
Proportional pension	¥42,800	¥42,800
Basic pension	¥67,000	¥67,000

Husband	
Monthly Wage	¥260,000
Premium	¥35,300
Pension	¥109,800
Wife	
Monthly Wage	¥130,000
Premium	¥17,700
Pension	¥109,800

Notice that the amount of pension a full-time housewife receives with the separation of pension rights is ¥109,800 (example), which is higher than the amount she received under the current system with a monthly income of ¥130,000, which is ¥95,000 (example 4). If the separation of pension rights is applied only to full-time housewives, the premiums paid by working housewives is lost to them. Thus the separation of pension rights must be applied equally to double-income households.

Implications for divorcees

Under the current system, divorced full-time housewives are only entitled to the basic pension (¥67,000 per month, the same as the wife in example 1). This figure is extremely small considering that women re-entering the workforce are mostly part-time workers. It is also uncertain how the pension should be handled in the separation of assets as part of the divorce.

Introduction of the separation of pension rights would allow the divorcee to receive ¥109,800, the same as the wife in example 3, which is a big improvement.

Implications for widows

On average, Japanese husbands are two years older than their wives. Yet the average life span of women is seven years longer than that of men. This means that, on average, a wife will spend her last nine years as a widow.

The elderly wife of a former salaried worker can select one of the following three options for receiving pension benefits (the survivor's pension system).

1. Wife's basic pension + $\frac{3}{4}$ of the husband's proportional pension
2. Wife's basic pension + wife's proportional pension
3. Wife's basic pension + $\frac{1}{2}$ the husband's proportional pension + $\frac{1}{2}$ the wife's proportional pension

In most cases, however, the wife's proportional pension is relatively small or non-existent, so the first case is by far the most common. The standard benefit amount in this case, based on example 1, is ¥67,000 + ($\frac{3}{4}$ x ¥85,500), which is better than the ¥67,000 currently given to divorcees.

This system is said to strongly favor marriage, but it does not even come close to being a fair assessment of the wife's labor. As a result, there is no way to show that divorcees provided less support to the working husband during the premium payment period than women who stayed married throughout.

Assuming that the wife worked enough to receive a proportional pension, as in example 4, and that she outlives her husband, the ¥67,000 pension she receives based on her own premium payments plus the ¥28,500 is still less than the ¥67,000 plus three-quarters of ¥57,000 for survivors, which makes her own premiums a waste of money.

This inconsistency is also solved by the separation of pension rights. In other words, if the separation of pension rights is going to be implemented, the abolition of the elderly spouse portion of the survivors pension system should be considered.

Revision of the definition of tertiary-insured

So far, this discussion has focused mostly on the separation of pension rights; however, the tertiary-insured qualifications and the ¥1.3 million income and 3/4 work hours restrictions also merit further attention. The position expressed in this paper is that premium payments can be assessed on imputed income. Moreover, wives should pay insurance premiums from any cash income that they have. Naturally, the costs to employers and other factors are factored in, it would seem practical at this point to reduce the number of tertiary-insured.

Towards a system favorable to families

Rethinking the Restrictions on Separate Pension Rights and the Role of the Public Pension

Even these reforms will not resolve the essential difficulty of assessing imputed income and the essential inequities in terms of burdens and benefits between unmarried households and households with people in the tertiary-insured category. If imputed income is figured in, it makes most sense to require the tertiary-insured to make individual payments.

As stated earlier, it will not be easy to work out the proper premium for such income. The suggestion of setting a fixed amount temporarily is also a problem. The primary-insured group is made up of all others besides salaried workers and their spouses, and this group has a fixed payment and fixed benefit for the basic pension amount; however, the balance between the two is often a point of discussion.

In the Ministry of Health, Labor and Welfare proposal, the proposal seeking a specific tax for tertiary-insured (proposal 2) does not consider fixed premiums, but instead presents two proposals for fixed rates on the employee group. Yet, in a system where the entire employee group supports the tertiary-insured, there is a problem of inequity for single people. The other proposal of fixed-rate premiums for secondary-insured who have a tertiary-insured spouse has an implementation problem in that the company is paying the employer's portion along with the husband's premium, which makes the employer responsible for processing and paying the wife's portion. This issue makes it difficult to form a consensus.

Essentially, as long as the system is designed around the concept of the salaried worker and the dependent spouse, it will never truly become a safety net for new families, no matter what changes are made.

Therefore, separate pension rights reform should be considered as just the first step in breaking away from a system premised on one family structure that was popular during the high economic growth period.

Taking the discussion of imputed income further, if this is difficult to calculate, then the public pension system should be reviewed to see if radical reforms can be implemented, such as turning the system into a basic safety net for the entire population, regardless of work or family arrangements, and entrusting the extra portion for the elderly to individual efforts. More specifically,

1. The basic pension amount should be based on a fixed payment and fixed benefit, regardless of family or work arrangements (the premium for full-time housewives should be paid by the husband, taking into consideration imputed income and contributions to the husband's income).
2. The proportional component and the employee pension insurance benefit component should be privatized.
3. The portion of public funds used to fund the basic pension should be increased.

Social Support for Child-Care/Introduction of Child-Care Insurance

The importance of socializing child-care

The current nursing care insurance system is still in the trial and error phase, but it is important to note that nursing care was socialized due to the limits of family resources. As stated several times earlier, this is an economic assessment of nursing care.

Child-care should receive the same type of support. There are many arguments against such a plan, such as “child rearing is the parent’s responsibility,” and “my children are mine.” Of course there is no intention of denying parental responsibility. Yet a declining birthrate and population reduction are facts of life, and it is also true that children are the wealth of a society. It is important to clarify the commitment of the entire society to support parents and others who have the most responsibility for raising children.

This should be implemented by giving direct support to all people involved in child-care, whether the mother is working or not. Doing so will show the gratitude of society to people who raise kids completely on their own, and the necessary services will be provided for those who need child-care assistance, which will act to preserve the family.

Response to the Varied Views on the Restoration of the Birthrate

As the birthrate drops, discussion of the subject is heating up.

The maintenance of socio-economic power, the restoration of Japanese traditions, support for families who want to have children but who do not have the resources, realization of women’s rights—these are the focus of some discussions. Many of these views conflict, and this is one barrier to a decisive policy on recovery of the birthrate.

Here are several examples. To accommodate women’s rights and maintain socio-economic power, women will have to give birth and raise children while continuing to work as a major part of the labor pool, and to do this, child-care services and flexible work arrangements are required. If both parents should be involved in child-rearing during early childhood, child-care by both parents should be supported through increased cash allowances that show the economic value of child-rearing, and an environment that makes it easier to go back to work after raising a child. To create a society where families who so desire can enjoy working and raising their children—despite the sacrifice to economic growth—the promotion of work-sharing will be

effective. To allow all women to have children regardless of familial or financial conditions, a society should be created that provides support for infertility, regulates abortion, eradicates social discrimination against children born out of wedlock, and provides financial incentives to have and raise children.

In the end, there has been no clear direction for assistance related to child-care, and instead issues have been ruled by the greatest common denominator. Unfortunately, it may well be impossible for Japan to achieve a consensus on this problem. If no consensus is reached, it will be difficult to change from the status quo to a position that accommodates a diversity of lifestyles.

From this point of view, financial support should be radically increased for all people who raise children and for child-rearing as an activity. Given the present situation, the best solution would be to construct a system that provides options for support, either in the form of cash or benefits.

Child-Care Insurance

Child-care insurance should be public insurance in which all people can participate, just like nursing care insurance.

Basic structure

The insurance system should be one that the entire public can participate in, and should provide a range of services that people can choose from when they have a need for child-care services. Services should be provided unconditionally, whether the mother works or not and irrespective of whether the parents have a high income. There are also people that do not require outside services. This is why economic support for child-care as an activity should also be provided in the form of cash payments.

The merits of an insurance system

One merit of an insurance system is that the relationship between premiums and benefits is clear. It is important to show that society as a whole should support child-care and that services and cash benefits represent that support.

Some criticize insurance and other systems that provide support based on the needs of the parents and others on the demand side, saying that it is meaningless if the supply of services is inadequate. However, with the rising costs of publicly provided child-care services, supplementing the demand and creating service options is necessary to create supply-side competition that will increase the chance of obtaining better services. Essentially this means introducing a voucher system.

Centralized management of revenue sources, public pensions, and nursing care insurance

If the insurance system was set up independently, people who did not intend to have children and people who have already had children would not participate. Incentive for all people to continue paying into the system must be provided, and a practical solution would be to collect all payments for public pension and nursing insurance together. The ratio of financial support for the elderly versus children is markedly biased towards the elderly in Japan, when compared with other countries, and this ratio needs to be rethought (see Figures 16 and 17). Since increased support will be needed for pensions and nursing insurance in the future, a consensus should be easy to achieve. Revision of all tax exemptions for people is also important for revenue sources. Naturally, this also requires revision of the roles of government agencies and their involvement in the tax and social welfare systems.

Country	Ratio of services for the young to services for the elderly
United Kingdom	0.50
US	0.30
Denmark	1.37
Finland	0.94
Norway	0.83
Sweden	0.92
France	0.48
West Germany	0.20
Japan	0.18

Figure 16 Services for the young and the elderly, an international comparison (1992)

Source: Figures for both Scandinavian and G5 Countries are taken from Esping-Anderson, "Social Foundation of Post-Industrial Economies."

Rank	Support for general households	Support for double income households
1	Belgium	Sweden
2	Germany	Denmark
3	France	Finland
4	Norway	Norway
5	Italy	France
6	Austria	Belgium
7	Denmark	Germany
8	Ireland	Italy
9	Sweden	Netherlands
10	Finland	Austria
11	Netherlands	Ireland
12	Canada	UK
13	UK	Canada
14	Switzerland	Japan
15	Japan	Australia
16	Australia	Switzerland
17	New Zealand	USA
18	USA	New Zealand

Figure 17 Policies of general support for families and support for double-income families (1985-2000)

Source: Gender Equality Bureau, Influence Research Committee, "Report on Lifestyle Choices and the Tax, Social Welfare, and Employment Systems."

Correcting the Gap between Full-timers and Part-timers

As stated earlier, the majority of women work part-time after raising their children, and conditions for part-time female workers are markedly worse than for full-time male workers. In the end, once women stop working full-time to get married or have children, they are not fully appreciated, whether they work exclusively in the home or whether they try to re-enter the workforce.

Underlying this problem is the fact that Japanese companies have made decisions about wages that are not based purely on productivity, because the full-time male employees have for a long time been the sole source of financial support for the family. Yet, changes can be seen in the customary Japanese systems, such as long-term employment and seniority, and the shift to a performance-based wage system for full-time male employees may improve the position of part-time workers. This opportunity should be used to do away with the de facto gap between the part-time and full-time labor markets.

Theoretically, the achievement of equal pay for equal work would resolve this problem. In other words, society should ideally pay wages commensurate with results, regardless of the person's part-time or full-time status at home or in the office.

To create such a society, the government must make the tax and social welfare systems neutral with regard to working style.

In addition, more options must be provided to the Japanese labor market, where there are currently only two extremes to choose from. Such choices would include jobs with responsibilities that could be done for shorter periods of time (say by short-term, full-time employees), more options for moving from part-time to full-time positions, and equal treatment for part-time and full-time workers.

This is a problem not only for married women but for all individuals. In other words, full-time work is necessary to maintaining an independent household, but this makes taking care of children and the elderly difficult, and with households continuing to get smaller, it will become harder to have a family.

To create a society that allows people to have families, flexible work arrangements are necessary to permit work in the home along with work that provides sufficient income.

In an age where company-specific skills lose their value, and the building of self-selected work skills is the best guarantee for the future, the introduction of a variety of work arrangements is very important, because it will allow people to increase their marketability while working at a company, or even during long absences.

Conclusion

The family unit established by Japanese society during the high economic growth period was one in which the man had to put work before everything else, and any work not recognized economically by the market was done by women.

Clinging to this system will further reduce the size of households and destabilize the family.

To make way for diversified work styles and lifestyles, it is vital that the labor market be easier to enter by providing equal pay for equal work, and that child-care be supported by the entire society.

The discussion about the declining birthrate is heating up, but the inability to achieve a consensus on the concept of the ideal society is without doubt the barrier to success for a declining birthrate policy. Yet it is probably impossible to get everyone to agree to the same ideal, considering the diversity of values. This is precisely why a child-care insurance system that makes allowances for many possibilities is called for.

Notes

- 1 National Institute of Population and Social Security Research, *Household Projections for Japan* (March 2000 estimates).
- 2 Cabinet Office, Government of Japan, Survey on National Lifestyles (2002).
- 3 Cabinet Office, Government of Japan, National Survey on Lifestyle Preferences (2001).
- 4 National Institute of Population and Social Security Research, National Fertility Survey, 1997.
- 5 In a survey of single working women in their thirties, 90% said that they “wanted to marry,” but 30% said that they “did not want to live together, even if married.” (OMMG, 1998).
- 6 Median value taken from the 2002 estimate by the National Institute of Population and Social Security Research.
- 7 Dentsu Communication Institute, “Comparison of Values Internationally,” (FY01).
- 8 Cabinet Office, Government of Japan, “Survey on Gender Equality in Society” (1997).
- 9 Only 1.6% of the total births, as of 2000.
- 10 The Foundation for Children’s Future, “Survey on the Cost of Raising Children.”

About the author

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