

Key theme

Social security

Title

Prospects of the Income Distribution for the Elderly in Japan: Effect of Proposals for Pension Reform

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Abstract

The aging of the population in Japan is a serious problem, and the reform of the public pension system is a major political issue. Although the 2004 pension reform was enforced in Japan to ensure a sustainable pension system in such an aging society, people remain quite apprehensive about the pension system. They believe that the current situation wherein a considerable number of people are not entitled to pension benefits or entitled to very low benefits is not expected to improve in the future. Moreover, they have a mistrust of the pension system that is caused by many mismanaged pension records. Consequently, various sectors have created new proposals for pension reform to overcome these problems, and it has become a recent policy debate. The objective of this study is to prepare projections for the income distribution of households containing elderly people using the Japanese microsimulation model, INAHSIM (Integrated Analytical Model for Household Simulation), and evaluate the effect of the proposals on the living standards of the elderly. According to the simulation results, the problem of very low benefits for the elderly does not appear to be growing. However, changes in family cohabitation of the elderly, such as the increase in the number of people living alone, may cause a decline in their standard of living. The author points out the problems of the proposed plans and proposes a new alternative to pension reform based on this perspective.

