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Japan Must Maintain Necessary Social Security Benefits while Stabilizing Social Insurance Rates

Reforms are needed in both "expanding the social insurance contribution base" and "optimization of benefit costs"

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Summary

- Under the status quo projection scenario, if the system remains unchanged, the social insurance rates will rise from 29.6% in FY2024 to 32.9% in FY2040 due to increases in medical and nursing care costs resulting from an aging population and advances in medical technology. In addition, the pension replacement rate will decline from 61.2% to 52.3% during the same period.

- In order to maintain necessary social security benefits while stabilizing social insurance rates, it is essential to expand the social insurance contribution base and optimize benefit costs. According to our estimate, if radical reforms are implemented across all areas of pensions, medical care, and nursing care, it would be possible to stabilize social insurance contribution rates at a lower level than the current rate by FY2040, ranging from 25.6% (high-growth scenario) to 29.2% (status quo projection scenario), while allowing citizens to benefit from advancements in medical care and maintain the current level of pension benefits.

- If such a roadmap can be presented, the future uncertainty of the working generation will be greatly reduced, household disposable income and consumption will increase, and a virtuous economic cycle will begin.