

Research Study

‘Good Governance’

- The Japanese Pension Records problem and part played by the Administrative Evaluation Bureau -

I. Introduction

The term ‘Good Governance’ can be interpreted in various ways. One of the main interpretations would be the provision of good public services with transparent decision-making and implementation of policy without corruption or mal-administration.

It is commonly believed that the Japanese administration performs its duties to a high standard and that civil servants are loyal and law-abiding. In fact Japan has claimed to have the lowest level of corruption of any administration. But in early 2007, the Japanese government suffered its first-ever experience of a serious problem, in relation to its pension records. It transpired that there were some 50 million pension records lacking a ‘personal identification number’. Hence large numbers of people who had paid pension contributions were unable to receive the appropriate pension due to lack of an ID number.

This imbroglio was caused by a combination of mal-administration and error in practical procedures, dereliction of duty of care for the pension records and lack of good governance in the organization of the Social Insurance Agency (SIA), the governmental organ in charge. In order to solve the problem the Cabinet issued two special directives to the Administrative Evaluation Bureau (AEB) of the Ministry of Internal Affairs and Communication (MIC). Firstly, the AEB was to gain a comprehensive overview of the whole problem in order to clarify its history and development, and identify where responsibility lay; secondly, to provide sincere redress to those who had lost their pension records. The government allocated responsibility for resolving the problem to the AEB, exploiting two of its existing functions, ‘administrative evaluation and inspection’ and ‘administrative counseling and mediation’.

This short study describes the important new duties assigned to the AEB, which has been fulfilling the role of receiving citizen’s grievances in Japan, how it has been implementing these new duties, and its still ongoing difficulties.

II. Background to the pension problem

1 The Japanese Public Pension System

(1) Structure

Public pension schemes in Japan comprise the National Pension (Basic Pension), the Employees' Pension (Kosei Nenkin Hoken, Seamen's Insurance, etc.) and the Mutual Aid Pension schemes. The National Pension provides a basic pension for every Japanese national and resident in Japan (aged 20 to 59) under the universal coverage principle, while the Employees' Pension and Mutual Aid Pension provide pensions which are supplementary to the National Pension, in proportion to the individual's remuneration.

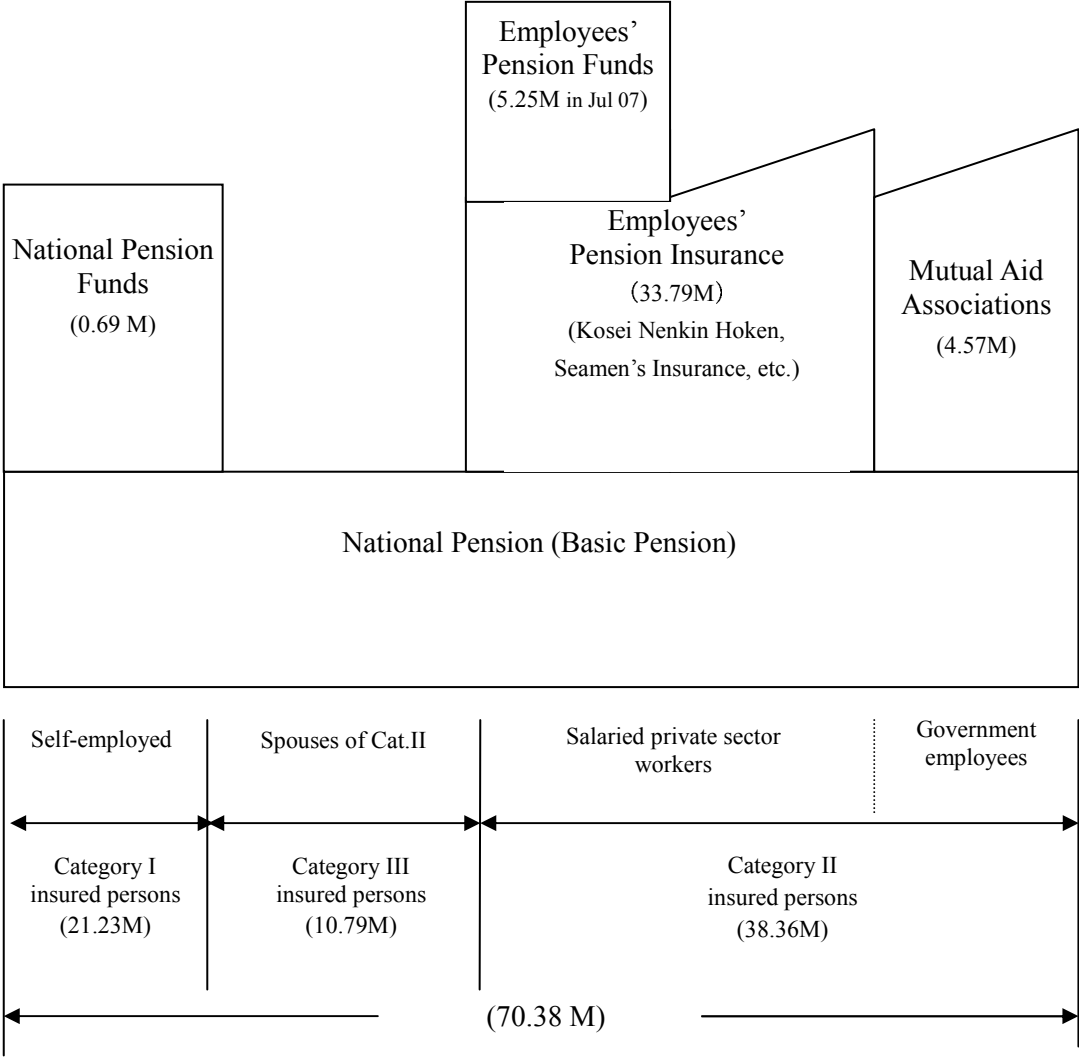
Private-sector salaried workers participate in the Kosei Nenkin Hoken (Employees' Pension Insurance). Specific work-based insurance schemes include Seamen's Insurance for ship-board workers, and Mutual Aid Associations for public service workers such as national and local government employees. The National Pension Fund was established in 2003 for the self-employed, on an optional basis, to provide a supplementary pension to the basic pension for the self-employed. Similarly, Employees' Pension Funds supplement the Employees' Pension. Thus the Japanese pension system has a 2-tier structure (or 3-tier in places). At the end of March 2007, 70.38 million people participated in the National Pension and 38.36 million in the Employees' Pension schemes. (see Chart I)

The contribution amount for the National Pension is ¥14,100 per month (for fiscal 2007), with some exemptions. Participants must pay by themselves through bank, post office and so on. On the other hand the contribution for the Employees' Pension Insurance is shared by the employee and employer equally and is paid by the employer.

(2) History

The pension system dates back to the ancient Roman period. It was designed as maintenance for retired or disabled soldiers or their bereaved families. In Japan, conscription was introduced in the early Meiji period and a pension system was established for veterans in 1875. It required no individual contributions, and was totally financed by the government. The scheme was then extended to the civil service in 1884.

Chart I: Structure of the Japanese Pension System



*note : Pension Bureau, Ministry of Health, Welfare and Labor figures, end of March 2007, M= 1 million

The first pension system for private sector employees was introduced for seamen in 1939. For other workers, the Kosei Nenkin Hoken (KNH, Employees' Pension Insurance system) was enacted during the second world war, in 1942 under the Pension Insurance Law for Workers. Until 1961, self-employed people engaged in agriculture, forestry or fishery, the unemployed, persons with no occupation and employees of small firms were still excluded from the social security pension system. The Kokumin Nenkin (the National Pension) Law was enacted in April 1961 and from then on all citizens were covered under social security. Participation in the National Pension scheme became compulsory for everyone, even for jobless persons, between 20 and 59 years old.

(3) Administrative arrangements relating to Pensions

(a) Kosei Nenkin Hoken(KNH, Employees' Pension Insurance system) related affairs

When the KNH was first enacted in June 1942, the Pension & Insurance Division of the Insurance Bureau of the Ministry of Health (MOH, later as of 2001, the Ministry of Health, Labor and Welfare, MHLW) had overall responsibility for KNH in central government. At the local level, there were the Prefectural Social Insurance Division of every prefecture and its subordinate organ, the Social Insurance Branch Office (Hoken Shuchosho Office). The latter were responsible for registering companies in the scheme and overseeing the enrollment of employees; the collecting of pension contributions also came under the jurisdiction of the Social Insurance Branch Office.

The Social Insurance Agency (SIA) was established as an external organ of MOH to handle practical pension –related matters in July 1962. Thus the Office of Pension & Insurance (the re-named Pension & Insurance Division of MOH) was relegated to the Social Insurance Agency. In October 1962, the Social Insurance Branch Office was re-named the Social Insurance Office and individual pension records were managed by the Pension & Insurance Affairs Division of the SIA.

As of February 1988, the SIA started an online service and accordingly all the pension records were entered directly onto the Social Insurance Office computer without need of written notice.

Regarding the KNH affairs, as of April 2000 central government took over direct responsibility for this, hence the Prefectural Agency Delegated Functions (Kikan Inin Jimu) was disbanded. Simultaneously a Regional Social Insurance Bureau was set up for the first time in each prefecture, while the Social Insurance Office, previously the subordinate organ of the Prefectural Social Insurance Division was allocated to the Regional Social Insurance Bureau of the SIA. Thus, KNH-related affairs are currently under the responsibility of the Regional Social Insurance Bureau and the Social Insurance Office of the SIA at local level.

(b) National Pension (Kokumin Nenkin) related affairs

The National Pension Law was enacted in April 1959 and a Pensions Bureau was established in MOH with overall responsibility for national pension administration. Similarly to the KNH, a Prefectural National Pension Division was established in each prefecture and all matters relating to

national pension at local level were delegated to the governor of the prefecture and mayor of the municipality. Thus the enrollment of citizens in the pension scheme and collection of contributions for the running year came under the jurisdiction of the municipality, while the management of individual pension records and collection of the previous year's pension were under the jurisdiction of the Prefectural National Pension Division.

As of April 1965, pension records came to be managed by the Administration Division, Pension & Insurance Department of the SIA. Once the online service started in February 1984, the Social Insurance Operations Center of the SIA took over the management of all pension records.

In April 2000, national pension-related affairs under the jurisdiction of the Prefectural National Pension Division were transferred to the Social Insurance Office of the SIA. In addition, collection of National Pension contributions under municipal jurisdiction was transferred to central government and these matters have been handled by the Social Insurance Office of the SIA since April 2002. However, enrollment in the pension scheme has remained with the municipality as a Statutory Entrusted Function.

(4) The Social Insurance Agency (SIA)

As we have seen, the Social Insurance Agency was established as an external organ of the Ministry of Health (presently the Ministry of Health, Labor and Welfare, MHLW) in July 1962. The Agency is responsible for the administration and operation of the Japanese social insurance system. The Agency comprises the General Affairs Department and the Administration Department as its headquarters, the Social Insurance College as the staff training institution and the Social Insurance Operations Center as the nexus of the nationwide pension operation. As for local organization, there are 47 Regional Social Insurance Bureaus located at prefectural level, 265 Social Insurance Offices and 71 supplementary Pension Consultation Centers throughout the nation, serving as front-line offices.

III. The Exposure of Pension Records Problem

1. Preserving Pension Records

Up till December 1996, every pension scheme and every municipality needed a number in order to identify the records. When those on the register changed their address, occupation or surname it

indicated that their categories of national pension or pension scheme had changed, hence accordingly they would be given a new number. Thus an individual might come to possess more than one number relating to his or her pension. Pension records were registered according to each scheme's management number rather than according to the identity number of the individual utilizing the schemes.

When the KNH was first enacted in June 1942, people's records were kept on a ledger. From October 1957, the written system was complemented by punch-card record-keeping. When the SIA was established in 1962, a written system in combination with magnetic tape was used instead of the punch-card system. Then as of February 1986, pension records began to be kept online. Thus pension records have been transferred into state-of-the-art media.

2 . The exposure of Pension Records Problem

In February 2007, the SIA announced that for unknown reasons, on 1 June 2006 there were 50.95 million pension records lacking a 'personal identification number', as revealed by an internal survey requested by opposition members of parliament. The identification number integrates each individual's contribution data with each of the three major public pension schemes. Where records were found to be lacking the number, the individuals concerned were unable to receive the appropriate pension, even if they had been paying their contributions properly.

With the introduction of a personal identification number system giving one number to each person, in January 1997 the SIA notified the population about the personal ID number and conducted an inquiry as to how many members of the public possessed more than one number in relation to the pension records prior to December 1996. It was found that around 300 million pension numbers in the computer of the SIA needed matching with individual people.

The SIA promptly began the work of matching numbers to people but more than 50 million records still required to be integrated as of June 2006. The important factors for the purpose of identifying an individual are 'name', 'date of birth' and 'sex'. Out of 50 million records some 5.24 million names could not be specified, nor date of birth in about 30 thousand cases. In addition, in the case of the Mutual Aid Associations for government employees, some 1.81 million records could not be integrated with a personal identification number.

The SIA's findings were confirmed by the members of the population directly affected. It transpired that as of 1 April 2007 there were 49.49 million records without a personal identification number. Compared to the figure for 1 June 2006, it could be said the number of unsound records had decreased by 1.46million (3%) in 10 months. However, on the first day of opening a special telephone consulting service for the pension records problem the SIA took half a million calls and clearly people's anxiety was considerable.

3 . The measures taken by the government

The government put out a request for the cooperation of private companies, labor unions, local authorities, banks, 'Certified Social Insurance and Labor Consultants' and so on. In the meantime, they mass-mailed 'special instructions for checking your pension' to the public, to induce people to check their pension records one by one.

Furthermore, in June 2007 the government set up an Examination Committee for Pension Records Problem at MIC in order to determine the cause and those responsible (see Chapter IV). The Committee was chaired by a former prosecutor-general and included 6 other professionals in various fields, lawyers, academics, Certified Social Insurance and Labor Consultants. The Committee's mandate was to investigate not only the cause of problem but also possible structural problems within the SIA. The location of the Committee within the MIC's Administrative Evaluation Bureau(AEB) was a natural choice in view of the Bureau's original 'administrative inspection and evaluation' functions.

The government then set up a Third-party Committee to Check Pension Record to provide redress for the victims (see Chapter V), and a Commission of Inspection of Public Pension Service and Social Insurance Agency, to check how the SIA set about resolving the problem. Furthermore, a Conference of Concerned Ministers including the Prime Minister was held at intervals to draw up guidelines for the resolution of the problem.

IV. The Administrative Evaluation and Inspection function of AEB and The Examination Committee for Pension Records Problem

1. The Administrative Evaluation and Inspection of AEB

One of the main functions of the Administrative Evaluation Bureau (AEB) of the Ministry of Internal Affairs and Communication (MIC) is Administrative Evaluation and Inspection. Despite being part of government, thanks to its expertise in evaluation and inspection as well as its quasi-independent status the AEB is able to scrutinize the legitimacy, appropriateness and efficiency of operations and their management by the ministry or agency concerned in order to promote resolution of important administrative issues and ensure the implementation of administrative reforms. If necessary, the Minister of MIC makes a recommendation for corrective action to the concerned Minister.

The AEB investigates actual situations and evaluates facts using its nationwide network of 50 branch offices (regional Administrative Evaluation Bureaus and District Administrative Offices). It carries out administrative evaluation and inspection at specific intervals, and covers all administrative areas.

The AEB has undertaken inspections of the SIA several times in the past and of its handling of pension records. Following is an outline of recent Administrative Evaluation and Inspection of the pension system.

□ Administrative Evaluation and Inspection of the National Pension scheme (Kokumin Nenkin) in 2004

This Evaluation and Inspection was launched in response to criticism in the Diet of the new legislation relating to pensions. The SIA came in for particular censure, its weak system of operation having been highlighted in the media, especially its lack of efficiency at initiating people into the National Pension scheme, resulting in insufficient numbers being as yet enrolled, as well as its lax methods of collecting contributions. Accordingly the AEB embarked on an Administrative Evaluation and Inspection of the Ministry of Health, Labor and Welfare (MHLW) and the SIA, coming up with its first set of recommendations in October. Then, through the nationwide network of AEB field offices, they investigated the day-to-day operation of the Regional Social Insurance Bureaus and the Social Insurance Offices and produced a second set of recommendations in December.

In the first set of recommendations, it was suggested that the SIA make use of the Basic Residents'

Register, a database of information on citizens, in order to check those not yet enrolled into the National Pension scheme. Through this network it was possible to access personal information especially on young people who had attained the designated age for contributions (20 years) and new participants in the National Pension scheme coming over from the Kosei Nenkin Hoken due to changing jobs, or Category II spouses who had recently married and quit their job. On investigation of the provision of information to each participant on their pension status, the AEB found that some 18.80 million people had more than one pension number. The SIA planned to clear up these anomalies when on reaching the age of 58 participants applied to its window to confirm their pension status.

□ Administrative Evaluation and Inspection of Kosei Nenkin Hoken scheme in September 2006

The main points of the recommendation were 1) there should be effective and proper identification of firms which should have enrolled but had as yet not done so; 2) there should be promotion and guidance on enrollment to non-participating firms; 3) collection of contributions should be guaranteed by all firms in the scheme; 4) social insurance and employment insurance collection schemes should be merged.

Regarding 1), the SIA needed to ascertain how many firms defined to be in the scheme were not participating. Firms employing full-time staff or employers with more than 5 full-time staff were required by law to participate in the Kosei Nenkin Hoken scheme. Contribution amounts should be shared between employee and employer equally and be paid by the employer.

According to the recommendation, the SIA were to coordinate their records with other MHLW departments' employment insurance records, or check the Ministry of Justice database of registered corporations which was more or less fully computerized by the end of 2005.

2. Process and conclusions of the Examination Committee for Pension Records Problem

The Examination Committee for Pension Records Problem held numerous discussions and working-group sessions during the course of its investigation of the pension records management system and of the administrative procedures and methods of securing compliance of the SIA. Committee officials and AEB staff collaborated in field research, making visits to 19 Regional

Social Insurance Bureaus and 11 Social Insurance Offices of the SIA and taking testimonials from witnesses, including executives and former employees of the SIA, engineers in charge of the computer system and even the then Deputy Vice-Minister of the MHLW.

After a 4-month investigation, in October 2007 the Committee produced its Report of over 700 pages. The Report's findings may be summarized as follows;

(1) Looking at matters directly, the MHLW and the SIA were found to have failed in three fundamental respects: lack of responsibility in the creation, preservation and management of the pension records which are very important for people as they have contributed over a considerable period of time and rely on their pension in old age; failure to recognize inaccuracies in the pension records; the SIA's over-optimistic assumption that "mistakes can be corrected when the benefit payments start".

(2) 50.95 million records had not been integrated with each individual's data in the sample investigated.

(3) The direct cause of the problem were that mistakes were frequently made when inputting individuals' data into the computer; the system for cross-checking was inadequate; there was evidence of incompetence in the internal audit and inspection system; a blind eye had been turned to embezzlements by SIA staff.

(4) From an indirect point of view however, deficiencies in the organizational governance of the SIA lay at the root of the problem. Moreover the 3-tier structural context within which it operated was inherently flawed in that relationships between national headquarters and the Regional Social Insurance Bureaus, executive and the labor union, the MHLW and the SIA and so on were not healthy.

(5) Responsibility for the occurrence of the problem lay on all the staff of the SIA while major responsibility for the organizational issue was down to the succeeding executives. The executive and the Minister of MHLW being the managing body for the SIA should also bear full responsibility. The SIA's labor union had mounted a spurious campaign against introducing the online system. The system engineer and some SIA staff were also implicated as they had recognized the existence of anomalous data and kept quiet. Needless to say, the staff who had appropriated people's pensions should be prosecuted by law.

The Examination Committee put forward certain proposals for consideration regarding the governance and management of the SIA, the computer system for keeping pension records, the prevention of embezzlement, and the external audit system.

V The Administrative Counseling and Mediation of AEB and the Third-party Committee to Check Pension Record

1. The administrative counseling and mediation of AEB

Citizens may have a complaint or opinion regarding national government administration but be unaware of whom to consult. Alternatively they may have consulted the relevant governmental authority but remain dissatisfied with its explanations or response. In such situations, MIC's Administrative Counseling system provides citizens satisfactory solutions and a fast and efficient means of accessing government.

Administrative Counseling covers complaints regarding national administrative organs, incorporated administrative agencies etc. For each complaint received, an office of the AEB studies the background, the relevant laws and regulations, and ways of dealing with the cause of the complaint. If the complaint is found to be justified, and if it is deemed necessary, the AEB makes inquiries with the relevant authorities in order to gain a better understanding of the administrative action that might have given rise to the case. Thus the office seeks a satisfactory solution by mediating with the relevant authorities from a fair and neutral standpoint. In most cases, satisfactory solutions are obtained by simply forwarding citizens' grievances to the appropriate government office. Sometimes, mediation is reinforced by guidance from the MIC as to how to resolve the grievance.

The MIC mediates solutions between the complainant and an administrative agency by encouraging the agency to act voluntarily to bring the matter to a satisfactory conclusion and not by initiating remedies itself or ordering the authorities to take corrective action. Mediation is reasonably effective for the following reasons: (1) Mediation does not carry any binding force, therefore triggers less psychological resistance from the offices concerned, but rather it encourages voluntary action for correction or improvement (2) Since mediation aims at providing a there-and-then remedy to citizens in distress and does not necessarily require any clarification of the rights or

obligations of the parties involved, it is easier for the offices concerned to implement any necessary remedies quickly and flexibly.

The AEB has a main office and 50 field offices across the country, and citizens can file their grievances by visiting the counseling window in the AEB office, by telephone, mail, facsimile or internet. The AEB has set up 22 general administrative counseling stations in department stores and similar facilities in major cities across the country in order to receive citizens' complaints jointly with officials from other government and local government departments, legal experts and others. Some of these are open daily and others intermittently.

Apart from the AEB, administrative counselors who are commissioned by the Minister of the MIC also receive complaints. They are knowledgeable private citizens, and hold regular counseling sessions in the municipal office or community halls, or the circuit counseling service in their districts.

The various contacts-points for administrative counseling receive as many as 180,000 complaints, opinions, requests, and other comments a year. Taking a fair, neutral position, the MIC carries out mediations between the relevant administrative organizations and the complainants in order to effect settlements as well as to promote the improvement of administrative programs and their management.

Example of improvement based on administrative counseling

□ Improving the Payment of Scholarships for students

Mr A had two sons who were university students and both had been loan-granted scholarships from the Japan Student Service Organization (JASSO, an Incorporated Administrative Agency). JASSO paid out the scholarships monthly on the middle day of each month, but not in April. The grant for April was paid together with May's. Because the Japanese academic year starts in April and the need for financial assistance was greatest at the beginning of the year however, Mr A wanted to be paid his sons' scholarships as of April.

→ → The problem was resolved as follows:

The AEB received Mr A's complaint and referred it to the AGRPC. The AGRPC held a mediation

session and found that the reasons JASSO paid April's grant together with May's were 1) the JASSO scholarship was designed to assist deprived students with an excellent academic record. However if the students failed their examinations, that meant they would lose their eligibility for the grant. 2) Universities usually set their year-end exams in March or April. Hence JASSO preferred to pay out the grants after receiving notice that a student had passed, to avoid the extra work of requesting refunds.

JASSO does pay out loan-grants in April to postgraduate students who may have a greater need to cover living expenses. However undergraduate students and their guardians also need to purchase textbooks and all kinds of other things at the beginning of the academic year. Thus the AGRPC recommended that JASSO take the necessary steps to pay all the scholarships monthly, thereby improving cooperation with universities and other concerned.

2. The establishment of the Third-party Committee to Check Pension Record (TPC) and its practice

(1) Resolution for the people whose pension records have disappeared

Apart from investigating the causes of the pension problem, the government had another important mission in relation to the problem, namely redress for its victims.

According to the laws relating to pensions, if there are no official records of your contributions in the SIA, you will not be entitled to receive a pension. However, in view of the exceptional circumstances, the government considered it necessary to exercise flexibility in order to help those affected. Hence the Third-party Committee to Check Pension Record (TPC) was set up at the end of June 2007 to examine and deliberate on individual eligibility to receive a pension according to related documents and circumstances.

The TPC was established not in the SIA but in the AEB of the MIC because it was thought that another key function of AEB, "Administrative Counseling and mediation", could be utilized for the unprecedented assignment.

(2) The Third-party Committee to Check Pension Record (TPC) and AEB

The TPCs are panels following the council system established by Cabinet Order as of the end of

June 2007. Experts from the legal sector, academics, pension specialists such as Certified Social Insurance and Labor Consultants, Certified Public Tax Accountants, ex-local servants and so on are appointed to these panels.

The Third-party Committee to Check Pension Records comprises a Central Committee and 50 Local Committees. The role of the Central Committee is to formulate basic policy for mediating complaints relating to pension records and to give mediation such as can form precedents for examining individual complaints. The role of the Local Committees is to examine each case and give mediation. Local Committees are located in branch offices of the AEB, regional AEBs and District Administrative Evaluation Offices, and their staff performs their duties as staff of those local offices.

In individual cases the staff of the Local Committee assess each case with reference to all the documents and circumstances presented by the complainant, taking hearings from the complainant and witnesses if necessary, and submit a report on the case to the panel of the Local Committee for its consideration. Drawing on these reports from the staff and applying basic policy and precedents set by the Central Committee, the Local Committee then discusses whether to accept the complainant's allegation. A database system connecting all Local Committees to standardize decision-making has been constructed by Central Committee.

3. Operation of the Third-party Committee to Check Pension Record (TPC)

(1) Making Complaints to the TPC

As previously mentioned, people with faulty pension records should make initial inquiries to their local Social Insurance Office of the SIA. If the complainant receives the negative reply of 'no records' from the office, has no receipts nor other relevant evidence, and still protests that he/she owns pension records, then he/she can apply for an investigation by the TPC through the Social Insurance Office or a Pension Consultation Center.

Once the complaint is received by the local Social Insurance Office, the application for investigation is sent to the local TPC together with the all the records (evidences) which the SIA has. The TPC examines with scrupulous fairness the complainant's application and supporting information and evidences and pledges to help him or her. The evidences presented by complainants

might be the family account-book, diary, pay slip, tax documents, any documents relating to income tax, copies of their employer's pay roll or personnel record, and so on.

As soon as a decision has been made, the TPC conveys this to the complainant. In the meantime, if the TPC acknowledges the complainant's eligibility to have his or her pension records corrected, the Minister of MIC suggests the correction to the Director of the SIA. The Director of the SIA respects the mediation and corrects the complainant's pension records, ensuring that the proper pension is then payable to the complainant.

(2) Numbers of applications received

Since its inception, up till 8 February 2009, the TCP has received 91,641 applications via the Social Insurance Office and the Pension Consultation Centers. Out of these, up till 17 February 2009, 456 cases promptly received correction at the Social Insurance Office. Where case-files were sent to the TPC, 19,911 cases received mediation and records were corrected, 29,845 cases were refused correction of the records. 2,285 cases were discontinued by complainants, and there remain 37,626 cases as yet untouched.

(3) Strengthening the organization of the TPC

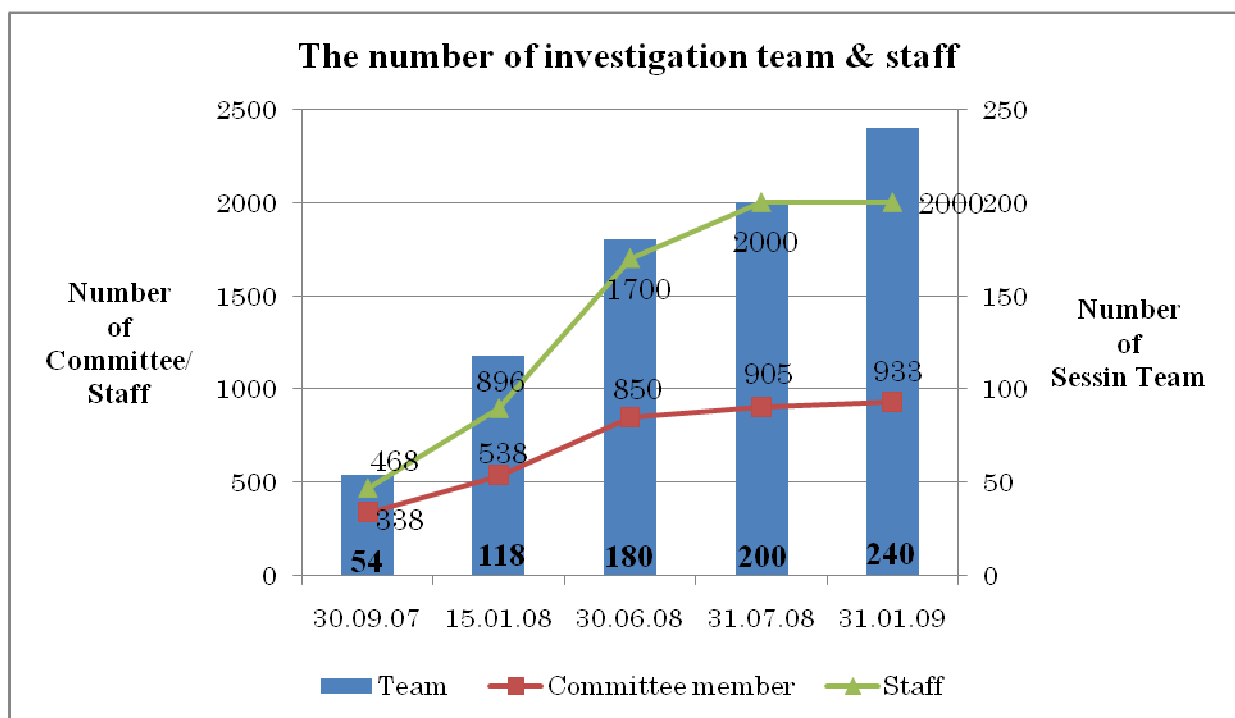
According to the cabinet order for the Third-party Committee to Check Pension Records, the Central Committee is composed of less than 31 members (panels) and is located in the head office of MIC. The Local Committees are composed of committee members (panels) as listed below according to the estimated number of applications and are located in the regional offices of AEB.

Number of Committee (panel) members by region

Local Committees	Number
Tokyo	less than 101,
Saitama, Aichi, Osaka, Kanagawa	less than 61
Hokkaido, Miyagi, Fukuoka, Chiba, Niigata, Shizuoka, Kyoto, Hyogo	less than 41
Other prefectures	less than 21

In addition to members of committees (panels), the figures are compounded by TPC's

investigation team and staff as in the diagram below.



*note: include part-time staff commuted to the value of full-time staff according to the 40 hour week.

4. Issues still outstanding following establishment of TPCs

As we have mentioned, it has been 18 months since the TPC system was set up and the number of complaints has reached over 90 thousand. The organization and staff of the TPCs have been fully-stretched trying to cope with this extraordinary number of cases.

In the meantime, a new problem has surfaced in that it is now certain that pension records in the Kosei Nenkin Hoken have been manipulated. Even though the matter is still under investigation, ex-staff of the SIA have confessed to intentionally changing the records to augment figures for contributions from companies in the scheme. The massaging of the figures is perceived to have been done systemically. The Minister of MHLW has set up an investigating team answerable directly to him.

In early 2009, yet another problem has arisen. It relates to those whose claims have been approved by the TPC or SIA, yet they are having to wait an inordinately long time for their pension records to be amended, resulting in postponement of their pension payment. The delays have been caused by a

drastic increase in the number of records requiring correction at the Social Insurance Operations Center of the SIA which handles the pension records. As of January 2008, Operations Center had 19 thousand records on its books with a prospective 3 month turnover for completing procedures in order for the correct pension to be payed out. By November 2008 however this figure had multiplied 6 times 117 thousand cases, requiring a prospective 9 months to be processed. Urgent measures need to be taken therefore to shorten this waiting time, particularly for the more elderly victims.

On the other hand, root-and branch reform of the system has been launched via an Act of 06 July 2007, which includes provision for the abolishment of the SIA and its replacement by the Japan Pension Organization (Nihon Nenkin Kiko) as of January 2010. The objects of establishing the Japan Pension Organization are: 1) the Japanese public pension system is premised on the universal coverage principle (mandatory for all people) and is maintained inter-generationally by the redistribution of earnings. It is essential to have a stable pension administration system which has credibility with citizens. 2) From henceforth the SIA and the Minister of MHLW will no longer have financial and operational responsibilities relating to public pensions. In the meantime, a new public corporation is to be placed in overall charge of the management of pensions under the direction of the Minister of MHLW. 3) This public corporation will be guaranteed to improve the services and implement efficient and effective administration thanks to honest personnel selected on individual ability and accomplishment, and via outsourcing to private companies.

Moreover, a Commission on Inspection of Public Pension Service and Social Insurance Agency has been set up in the MIC. It will expire with the inauguration of the Japan Pension Organization. It comprises 7 members including academics, lawyers, economists and other experts and is charged with monitoring and checking from a third-party viewpoint the progress of redress for the pension records problem and the current administration of the SIA in order to restore public confidence and confirm the new system of pension records management. When and if necessary, the Minister of MIC will make recommendations to the Minister of the MHLW or the director of the SIA after consultation with this monitoring committee.

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