

Interview with Dr. Takashi Oshio, Professor, Institute of Economic Research, Hitotsubashi University

Public Health from the Viewpoint of an Economist

By *Japan SPOTLIGHT*

The impact of the coronavirus pandemic must be examined from two perspectives – one from public health and the other from economy. How to modify the disastrous effects of the pandemic should be discussed by both medical doctors and economists. This is what we are now seeing in discussions among experts on the advisory board to the government in Japan.

Public health and the economy are, however, closely connected with each other regardless of the pandemic. For example, poor people suffer more from poor health as they cannot afford the benefits of good medical treatment. Poor health leads to more poverty, and this vicious cycle further increases income inequality.

With inequality rising in many countries today, do economists consider the issue of health as a prime cause? We interviewed Dr. Takashi Oshio, a distinguished economist and professor at Hitotsubashi University and also chairman of the Central Social Insurance Medical Council, an advisory organization to the Ministry of Health, Labour and Welfare in Japan. He is the author and editor of a recently published book whose English title translates as *Japanese Public Health in the Light of Social Science* (Nikkei, 2021). (Interviewed on May 21, 2021)

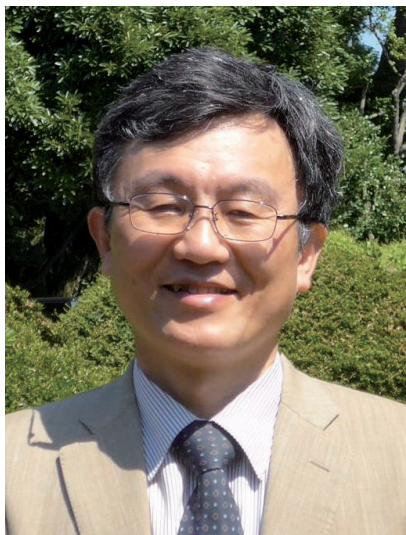
Introduction

JS: You recently published a book titled *Japanese Public Health in the Light of Social Science*. Could you tell us what motivated you to write this book?

Oshio: I am an economist and I believe that economics involves learning about welfare, personal as well as social. Health is, needless to say, one of the most important elements of happiness and welfare. I think it is necessary for economists to learn about health. This was a principal reason for writing the book. I have been given the opportunity to work with medical doctors these past five or six years as a member of the Central Social Insurance Medical Council. Having listened to their views on public health, I found they believe that public health can be partly improved by social factors, so I thought this is a good topic to be discussed by social scientists in particular, but economists as well.

Health Inequalities in Society

JS: Inequalities seem to be at the core of the public health issue. In particular, in the United States, income inequalities seem to lead directly to health



Dr. Takashi Oshio

inequalities. Poor people in the US are often unable to receive expensive medical treatment and so suffer poorer health, which can lead to further income inequalities. This is a vicious cycle where both income and health inequalities expand simultaneously. In Japan, we have a medical service system for the whole nation which helps avoid the challenges the US faces. What do you think about this? How about health inequalities in Asia or Europe?

Oshio: It is true that we have less serious health inequalities in Japan than in the US, though the latest statistics show such inequalities are increasing even in Japan. I think this is largely thanks to our 60-year national medical service system that started in 1961. In Europe as well, health inequalities have been considered high on the economic and public health policy agenda. According to some medical research in Europe, health risks are related to type of job. My Chinese students often choose the issue of health inequalities between urban areas and rural areas in China as the subject for their master's degree thesis. There are not so many health inequalities among regions in Japan as in China. We owe this to our national medical service system in which all health risks are covered by

public medical insurance, as well as to Japan's postwar economic growth which saw less expansion in inequality. However, whether this performance can be maintained or not is another question.

JS: Regarding the future of the Japanese economy, we need to think about a possible increase in income inequality, as in reality the Gini-coefficient, a quantitative indicator of income inequality, is getting larger in Japan than in Europe, though still smaller than in the US, according to OECD statistics. In particular, Japan's rapidly aging society could exacerbate this trend. How do you evaluate the possible factors that could affect health inequalities in Japan in the future?

Oshio: Income inequality is rising in Japan. In addition to the Gini-coefficient, we have a relative poverty rate showing that the percentage of poor people with less than a certain annual income, such as 1.2 or 1.3 million yen, is increasing today in Japan. The long period of economic stagnation since the burst of the bubble economy in the early 1990s is one reason. So it is true that poverty and income inequality are increasing. This will affect public health in Japan as well. The economy will continue to have an impact on health in the future, not just at this moment during the current economic situation. In this regard, income inequality expansion will certainly affect health inequality. In an aging society, in particular, health inequality will expand. Poverty increases as aging increases, and so the number of people in poor health will reach a level that cannot be ignored.

JS: How about income inequality among young people in Japan? Would this increase their own health risks and bring about serious health inequality as in the US?

Oshio: Yes, it is regrettably possible. The youth today in Japan are in an unstable working environment and their income opportunities are not fully assured. A large number of such young Japanese are in extremely disadvantaged circumstances for raising their children. The children brought up in these circumstances will most likely suffer disadvantages in terms of health and this could have a long-term negative impact on their health as they grow up. This prolonged impact and consequent health inequality will be unresolved in society as they are aging.

Non-Permanent Employment & Public Health

JS: In Japan, more than half of all employees are non-permanent ones. What about the health risks for these employees?

Oshio: All non-permanent employees are not always in poor health. It is also true that what matters is the level of income and not whether employees are permanent or non-permanent. However, as many researchers agree, it is true that non-permanent employees are disadvantaged in terms of health regardless of income level. One reason is that they are psychologically insecure as it is not assured how long they can continue to work for the same company, and this would negatively affect their health.

Another reason is that non-permanent workers are not fully covered by social insurance, with exceptions for government offices or large companies. This is certainly a disadvantage, and they cannot go to hospitals easily even if they are sick or injured. So they could be trapped in this vicious cycle of poor health and poverty. In this regard, non-permanent employment cannot be a good system.

JS: What do you think should be done to reduce the health risks for non-permanent employees?

Oshio: What matters is to create a system to protect those people when they become sick. To achieve this, most importantly, they need to be covered by insurance just like any ordinary employee in the private and public sectors. The Japanese government is now moving towards this reform. It is not the coverage of National Health Insurance but that of Union Health Insurance or the Japan Health Insurance Association that will be expanded in this reform. Both are in the category of employee insurance. It will be important for them to be covered by the existing employee insurance systems. However, there will be strong objections to this idea, since the reluctance of employers to pay social insurance fees was behind the increase in non-permanent employees.

Assuming that this would not be easily achieved, at minimum it will be necessary to keep those people not covered by employee insurance systems within the social safety net as much as possible. I think we need to overhaul the insurance fee and tax burden system. Insurance fees work regressively for low-income employees. While permanent employees pay insurance fees in proportion to their wages, non-permanent workers pay a portion of a fixed fee or pay a fee in proportion to the number of family members. The social

insurance burden as such is rather heavy for these low-income non-permanent employees and they would be reluctant to pay the fee. To avoid this, I think we should reform the tax system to create more tax exemptions. Offsetting insurance fee payments with tax credits could keep those low-income non-permanent employees within the safety net. I believe this idea of a combined reform of tax and social insurance systems should be examined.

JS: Unless a policy to correct inequalities is integrated into the social system, do you think capitalism will continue to be sustainable?

Oshio: I am not quite sure about it. But I believe a society with fewer people facing difficulties is better than one where everybody pursues their own self-centered interests. People will be much happier if they know they can get help in times of trouble. So I believe we should improve the situation in which some people are exposed to a greater health risks than others, as this is not desirable.

JS: Educational background is also thought to create inequalities. In Japan, is this relevant in considering the background of non-permanent employees?

Oshio: Yes. A poor educational background could create non-permanent employees. So different educational backgrounds can affect health inequalities. But I doubt if these inequalities are as significant as in the US, where a bachelor's degree matters for earning a high salary. In Japan, in my observation of the statistics, there is no significant health inequality between college graduates and non-college graduates. I think in Japan what makes a difference is whether you are a senior high-school graduate or not. In Japan, more than 90% of the people are senior high-school graduates. Those who did not graduate from a senior high-school are mostly from exceptionally poor families and social circumstances. This would lead to health inequalities.

JS: It is often pointed out that non-permanent employees' children have no choice but to be non-permanent as well, since they cannot get an advanced education for a permanent job due to their family circumstances. This vicious cycle could continue for a while. What do you think about it?

Oshio: Yes. Many research outcomes support this argument. It is a serious situation where you and your children cannot aim for a good

job or higher post anymore, once you have failed to get one.

JS: Do you think it would be possible to enable such disadvantaged people to climb the ladder to a better job by reforming the educational system?

Oshio: I am not an expert on education. As an economist, I believe that we should reform the employment system to avoid any discriminatory treatment of workers regardless of whether they are permanent or non-permanent. This is the minimum task. For example, we need a system to ensure equal pay for equal work. We also need to make sure employee's insurance covers both permanent and non-permanent employees' health risks as a safety net.

Aging Society & Public Health

JS: The core policy to cope with the challenge of the aging society in Japan is today to encourage elderly people to work longer by abolishing the retirement age. This policy is expected to reduce the government's fiscal burden for pensions or social welfare expenditure, as well as to keeping elderly people happy by working and contributing to society longer. To achieve this, prolonging people's life span in good health will be important. What do you think will be necessary to achieve this?

Oshio: Among a variety of solutions to achieve it, I think preventive medicine is important for reducing the risk of lifestyle-related diseases. We know today that the health risks that have accumulated since one's younger days lead to a higher risk of health in the later stages of life. So preventive medicine could help keep people healthy in their young days as well.

Another solution would be to recognize that continuing to work itself would lead to promotion of good health. This is confirmed by our recent research. Many Japanese respond to government-organized opinion polls about their reasons for continuing to work longer in their life by saying it would be to maintain good health. This is a response that can hardly be imagined elsewhere in the world. It is certainly difficult to understand why they would like to continue to work even when they are receiving pensions. However, a statistical review confirms that their health situation is ameliorated by working longer and an econometric simulation shows us that raising the employment rate would also work in favor of health in Japan.

There is certainly a negative impact of working longer on mental

health, as it could lead to additional stress. To modify this, flexible working hours for elderly workers would be a good solution. For example, working in an office three or four times a week, and for the remaining days they could work for neighborhood events or on voluntary activities or just enjoy a hobby. Part-time work in a flexible manner rather than full-time work would raise the elderly people's quality of health.

JS: This may not be achievable unless everybody else also pursues such a flexible working style.

Oshio: Yes, that is true. I think teleworking and the flexible working styles triggered by the pandemic today are a good moment for us. Of course, there have been disastrous impacts of the pandemic on our social economy, but it has provided us with an opportunity to review our work-life balance for the first time in Japan. Remote working at home has become common and a variety of working styles will emerge from now on. This might be the pandemic's only positive impact on our social economy.

JS: For this new working style, most importantly, you would need to take full advantage of Information Technology (IT). But many aged people are still hesitant to use more IT. Would we need to educate them in such matters?

Oshio: I do not think so. Apart from those who are very old now, in the future elderly people with high IT skills acquired in their younger days will work longer beyond retirement age. There should not be any problems for them with their IT skills.

JS: On the question of caregiving for the elderly, caregivers in their families could be exposed to high health risks. How can we modify these risks?

Oshio: We must inevitably be engaged in caregiving for our parents or others at a certain stage of life. It needs to be examined whether such caregivers' physical and mental health risks at a later stage of life, such as in our 50s or 60s, would be good or bad for our economic society's vitality. I believe the Japanese caregiving system is largely dependent upon the care given by family members. The Ministry of Health, Labour and Welfare has maintained a policy of restricting caregiving by nursing homes as much as possible since 2000. Thus, the percentage and number of recipients of nursing services by facilities have been almost flat. Unless this policy is

changed, the family members of those needing care will have to do it to a large extent.

I think we should lower the percentage of caregiving by family members and raise the percentage of caregiving by nursing homes. However, assuming that such a policy change will not happen easily, we should consider not only the health of those being cared for but also the caregivers themselves. We should enhance public services to help those caregivers at home, such as providing helpers at their homes, or build up a system to support family caregivers by improving long-term care insurance programs.

JS: In particular, what do you think about the health risks of young caregivers in their teens? Do you think their mental health would be seriously affected by their working as caregivers?

Oshio: Yes, I think so. There are some cases in which high-school students must care for their parents and they cannot go to classes. Though it is still statistically unknown how many young people like this there are now in Japan, I think leaving this situation as it is will create a serious social challenge. We will need to change our welfare system to modify those young caregivers' difficulties. Early discovery of such young people and strengthening public assistance for them would be a solution and it would not cost so much, hopefully.

JS: Japan's long-term care insurance system has been attracting attention from other nations as a policy for enriching caregiving in an aging society. Do you think this could lead to the creation of more nursing homes?

Oshio: Yes, I think so. Our medical insurance system does not cover medical treatment beyond the coverage authorized by public medical insurance. It has to be covered by private insurance. However, long-term care insurance covers private businesses providing caregiving services not originally covered by public insurance. We have the option to choose our preferred service among those private services. Therefore, I believe this long-term care insurance works well by taking the current medical insurance system's defects into consideration. We can export this good system to other nations like China facing the serious challenge of an aging society.

JS: What do you think about the role of local communities in caregiving for the elderly?

Oshio: I think involvement of local communities in social welfare programs is important and would be effective. Such involvement could depend upon the situation, and be irregular or informal. There are some research outcomes proving that in regions where community activities work well, elderly people are in good health. The cost performance is also good, as it does not involve much local government expenditure. The concern in Japan today is that such local communities are diminishing. A local community might be increasingly difficult to create now. It might be necessary for the government to urge people to reside in certain communities, but that would lead to restrictions on the freedom to live and could invite objections. The idea of a “compact city” – an artificially created local community mandating caregiving for its elderly residents – thus comes up. I think unless we strengthen a local community’s functions in such a way, we will not be able to provide sufficient caregiving services for the residents. We should promote the idea of a “compact city” to urge the elderly to live together in the same community when thinking about urban planning.

JS: The current pandemic does seem to be enhancing the role of local communities, given that their role is crucial in the distribution of vaccines. Could this mean that the experience of the pandemic could lead to the creation of new local communities in the post-pandemic era?

Oshio: Yes, it could. We have recognized now that a local community works well for the smooth implementation of public policies, quite apart from vaccine distribution. Whether you have a medical doctor for regular consultations in your local community or not will matter in times of pandemics to find what to do if you get infected with the virus.

Pandemic’s Effect on Health Inequalities

JS: Do you think the current pandemic will affect health inequalities?

Oshio: Yes, most likely it will increase health inequalities. The Cabinet Office and the other government organizations will collect statistical evidence on the pandemic’s socioeconomic impact, but at this moment, intuitively, the pandemic will have a stronger negative impact on people who are disadvantaged in socioeconomic terms, regrettably. Possible income inequality expansion would most likely lead to health inequalities. This assumption will probably be

confirmed by statistics.

JS: The impact of the pandemic could linger over the long term, so will it be important to follow the statistics and use them for evidence-based policy making?

Oshio: In the case of a significant shock to the economy, our immediate reaction to it would not be the end of the story, as there could be structural changes in our behavior over the long term. So we will need to monitor data over the long term rather than just react to short-term figures. Among the changes in our behavior, one must be how often people see a doctor for medical consultations. There is a statistical review on this and it is confirmed that today during the pandemic, people with various health risks go to see a doctor less often than before. Whether they go to see a doctor as often as before or stick to the recent trend after the pandemic is over will be an important issue. Among other matters, whether people’s views on work-life balance or gender equality will change or not in the long run may be crucial for our economy as well.

JS: Though many casualties and tragedies have been caused by the pandemic, one of its positive outcomes might be that ordinary people now recognize the importance of data analysis, as they often see predictions about infections by quantitative analysis by medical experts. Will the role of quantitative analysis increase in the post-pandemic era?

Oshio: Yes, I think so. We have never seen such a variety of data emerging in our daily lives so far. The checking of data to know how effectively a policy has been working seems to be now fixed in our minds. This is a very important positive consequence of the pandemic in raising the quality of policy assessment.

JS: The pandemic has already had a negative impact on some people’s mental health, and as this has long-term implications for social and economic life, could it end up causing enormous health inequalities?

Oshio: Staying home longer during the pandemic can change human relations among family members. This could have an impact on mental health. Interestingly, according to a Cabinet Office survey,

while men are mostly happy with working at home, their wives suffer more stress with it. So there could be a different impact on mental health depending upon gender. Anyhow, our mindset on the balance between our family life and working life will be more or less changed.

But this story is true only of people assured of maintaining a certain standard of living. It is a different story for unemployed people or those with a high risk of unemployment and poor health amid declining economic activities due to the pandemic. The mental health of these people will deteriorate and health inequality between them and other people will expand. We have to monitor this issue in parallel with expanding income inequality by observing statistics.

JS: Countermeasures against the pandemic's disastrous effects must obviously focus on those most seriously affected by it. Would this work to stop the expansion of health or income inequalities?

Oshio: Yes. I think income support should be provided intensively for those most seriously affected by the pandemic rather than providing support equally for all people. The expansion of health inequalities or poverty risk could be brought under control by such support. I also think this would be more cost effective rather than equal distribution of support, as the most significantly suffering people are a minority and not so large in numbers.

Fiscal Sustainability & Social Welfare Post-Pandemic

JS: Government debt is now snowballing due to the drastic increases in expenditure on countermeasures to support the economy during the pandemic. We are concerned about how to continue with social welfare policies in the post-pandemic era in the light of growing fiscal restrictions possibly caused by this. How do you think we can resolve this issue?

Oshio: It is certainly true that an enormous fiscal burden will be left after the pandemic is over. One solution would be to separate the public finances for countermeasures against the pandemic from those for other policies. This is the same method as that adopted for the measures to restore the economy damaged by the Great East Japan Earthquake in 2011. We should set up an independent scheme of tax to be paid for the expenditure on countermeasures against the pandemic. The nation will need to pay this tax little by little over the long term in annual tax returns. Setting this aside, we would have

another tax financing scheme to ensure a long-term financially sustainable social welfare policy. Otherwise, I think we cannot check the fiscal system's sustainability merely by statistics and the government's policy direction on how to cope with the aging society would not be clarified.

Interdisciplinary Approach Between Medical Science & Economics

JS: Finally, it is true that these days social issues and economic issues are complexly mingled. There is now an interdisciplinary approach to resolve these issues. What do you think about this trend? How do you think what you are working on now in the domain of the interdisciplinary approach between medical science and economics will develop in the future?

Oshio: Health is playing a key role in our daily life and as such it cannot be separated from economic and social activities. I think in this light that it will be difficult to study either of them separately. It is natural for us to do research jointly. This pandemic has made that clear. Though this joint approach has just started, and whether the knowledge of both groups of experts have been well reflected in policies is not clear, the consensus among the policy practitioners and the people this time must be that happiness cannot be achieved without looking at both economic aspects and public health aspects.

Economists and medical scientists have been studying the same issue from different angles. And now we have realized that our joint research would lead to deepened knowledge and elaborated policies. This interdisciplinary approach will be crucial from now on. I believe that the motivation for social scientists and natural scientists to work together to resolve the challenges we face has been enhanced by this pandemic. The government and the public sector are also promoting this trend by providing venues for interdisciplinary collaboration among experts.

JS

Written by Naoyuki Haraoka, editor-in-chief of *Japan SPOTLIGHT*, with the assistance of TapeRewrite Corporation.