

How do People Treat Their Financial Difficulties and Recover Their Economic Situation in Japan?

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Japan has experienced a depression for the last two decades. Until about twenty years ago many people in Japan had believed that employees could work at the same company until their retirement age on the hope that their income would increase gradually. They had also believed that they would get married when they grew up. Work status and family structure have been changing in these past 20 years. In spite of economic recovery, many people have experienced a sense of anxiety (Cabinet Office, 2013). In such circumstances, people should set positive prospects for their lives through life planning with risk management. The conceptual framework of this study is based on Bronfenbrenner's ecological systems theory (1979). In this study, we investigate the views of people in Japan on methods for addressing their financial difficulties and recovering their economic situations.

Methods

The study sample is 1,405 married people ranging in age from 18 to 74 years, who lived in metropolitan areas of Japan. Data were collected in 2012 using a self-administered questionnaire by the Japan Institute of Life Insurance and were analyzed using SPSS. Contents of the questionnaire include income stability forecasts, income fluctuation forecasts, experiences of financial problems (income loss, drastic decline in income, or large amounts of unexpected expenses), methods for managing risk, life plans, methods of money management, recognition of reliable advisors or advice agencies, understanding of public insurance, and so on.

Results and Conclusion

Thirteen percent of the study sample experienced loss of income, and 22% experienced a drastic decline in income. As well, 15% of respondents experienced a large amount of unexpected expenses. The main causes of drastic income decline or income loss were unemployment, voluntary resignation, small business failures, and job change. Main causes of unexpected expenses were unexpected repairs to a house and illness.

How did respondents who experienced the loss of income or a drastic decline in income manage these financial problems? Eighty-one percent of them found it difficult to balance their budget. Approximately 20% found it difficult to pay tax or social insurance premiums and private insurance payments. Borrowing, dissaving, and double tracking the source of income were effective in handling temporal risk in these households.

The number of respondents whose household main income came from work at the time of the survey was 1,065. Almost half of them answered that their household income was not stable. Forty-six percent of them forecasted that their household income would decrease, and 27% of respondents could not clearly predict the stability of their income in the future.

Multiple regression analyses were performed to analyze which factors affected economic recovery. Dependent variables were the degree of recovery from financial problems (income loss or a drastic income decline, and a large amount of unexpected expenses). Independent variables were household income, stock, husbands' employment status, wives' employment status, the use of advisors or advice agencies, understanding of public insurance, money management attitudes, and temporary measures to address financial difficulties. The results of the analysis revealed that the degree of recovery from financial problems was positively related to household income and to money management attitudes (planning well, knowing one's own budget) and negatively related to using loans as a temporary measure and to not using advisors or advice agencies. Having advisors or advice agencies and understanding

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public insurance were not significantly related to financial recovery. These results suggest that people should avoid taking out loans to tide them over risky periods and should acquire management skills to address their economic situation. Agencies that provide advice for financial risk management and the educational system should be prepared so that people have the opportunity to learn resource management skills.

References

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