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The Political and Social Economy of Care: Japan Research Report 1

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1. Introduction

Japan attracted world attention because of the remarkable economic growth lasting for almost 25 years since 1960's. But it experienced the serious economic stagnation in the 1990's which is called "the lost decade". Since the year 2003, the economy recovered, but again it was involved in the world recession in the Autumn of 2008, facing a large scale of redundancy mainly in the automobile and electronics industry, which focused on the non-standard employees initially but the standard-type employees are now no exception.

Though economy in Japan has been remarked and introduced to the international arena (for example, World Bank 1993 *The East Asian Miracle: Economic Growth and Public Policy*, A World Bank Policy Research Report, Oxford University Press), social security schemes and welfare regime in general have not been known so far. Epoch-making Esping-Andersen (1990) has not examined Japanese case in detailed way.

Japanese welfare regime had features of employment-centred or "workfare" which means that full employment substituted the welfare function. These features can be observed in the rapidly developing Asian NIEs (Newly Industrialized Economies) such as Korea, Taiwan, Singapore and Hong Kong. But these Japanese features have changed by the rise of unemployment rates in the 1990's and its performance is no longer well as it used to be.

The purpose of this report is, first, to examine the path of social security development, second, to explain the current issues and character regarding Japanese welfare regime.

2. Brief History Part 1: 1867 - 1945

Japan bade farewell to its feudal economic and political systems and paved the way for the creation of a modern capitalistic nation at Meiji Restoration in 1867. After that the government abandoned previous 'close-the-door' policies and sought to tackle two new goals which were regarded as essential to avoid the country being colonized by the Western powers:

The encouragement and development of manufacturing industries
The creation of the strong military

The 140 years since 1867 is usually divided into two periods. The first is until the end of the Second World War in 1945 and the second is thereafter. These two periods differ from each other in respect of both political systems and economic life and ideas. In short, after 1945, Japan restarted as a democratic nation departing forever from its past militaristic regime. We do not have space to explore social policy in the pre Second World War period in detail here, but the below point must be mentioned.

Social policy developed relatively late. But even under the military regime, few social policy measures were enacted in the earlier period. Health services, for example, began to be provided in 1927 on the basis of insurance (The Employees' Health Insurance, EHI), although this covered only employees in large firms. Pension schemes (The Employees' Pension Insurance, EPI), were introduced in 1942, covering similar kinds of workers. And, as with other late developing capitalistic countries, Japan sought to adopt an insurance basis for provision, aiming to imitate the carrot-and-stick ideas of Bismarkian social insurance schemes.

In Japan it was civil servants in central government and military members with their families who were the first priorities to be covered by the insurance protection (pension and health services) run by the state. These were followed later by local civil servants and employees in large firms. However, it was only later, in the post Second World War period that other groups of workers and farmers were covered.

3. Economic Growth and Fluctuations

3.1 Economic Growth

The other key element structuring policy development in Japan, has been the country's rapid economic growth. The scale of growth in the fifty years up to the mid 1970s was quite remarkable - the miracle of the Japanese economy, based especially on the export of popular consumer goods such as cameras, radios, TV sets, and cars. GDP per capita in the year 2007 was 33,326 US dollars, one of the highest in the world. This rapid economic growth also went hand in hand with massive changes in industrial structure within the country. The agricultural and fishery sector, which in 1960 employed 31 per cent of the total work forces, employed only 5 per cent in 2000 - fewer than in the construction industry. In 2000, 20 per cent were working in the manufacturing industry and 27 per cent in the service industry of which figures are doubled in these forty years (from 13 % to 27%).

Table 1 **Work forces by industry (old standard)**

(Ten thousand of persons)								
Year	Total							
	Total 1)			Agriculture and forestry	Fisheries	Mining	Construction	Manufacturing
1960	4436			1273	67	43	253	946
	100%			29%	2%	1%	6%	21%
1970	5094			842	44	20	394	1377
	100%			17%	1%	0%	8%	27%
1980	5536			568	45	11	548	1367
	100%			10%	1%	0%	10%	25%
1990	6249			419	40	6	588	1505
	100%			7%	1%	0%	9%	24%
2000	6446			307	29	5	653	1321
	100%			5%	0%	0%	10%	20%

Year	Total	Electricity, heat supply and water	gas, and	Transport and communication	Wholesale and retail trade, eating and drinking places	Financing and insurance, real estate	Services	Government (not elsewhere classified)
1960	4436	...		239	899	...	574	142
	100%	...		5%	20%	...	13%	3%
1970	5094	28		324	1012	132	751	161
	100%	1%		6%	20%	3%	15%	3%
1980	5536	30		350	1248	191	1001	199
	100%	1%		6%	23%	3%	18%	4%
1990	6249	30		375	1415	259	1394	195
	100%	0%		6%	23%	4%	22%	3%
2000	6446	34		414	1474	248	1718	214
	100%	1%		6%	23%	4%	27%	3%

Source: Statistical Bureau, *Labor Force Survey* in each year

3.2 The Change in the Labor Market focusing on the female participation

Figure 1 shows economic growth was remarkably high (circa 5 %) from the late 1980's to the beginning of the 1990's. In fact the late 1980's economy took on the asset bubble with export and domestic demands being in top shape. The reason why it is called the asset bubble is that speculation on the real estate raised their prices with record degree.

But this bubble economy burst in the year of 1991-92 and partly because of “the negative asset effect”, the economy entered into the phase of long stagnation called “the lost decade “. The year 1996 saw the economic recovery but it was only transient to have another recession in 1997 and

experienced the second minus growth in 1998 (the first was in 1975). Since then we have had modest growth rates with some fluctuations.

Figure 1 Trends in Real GDP Growth

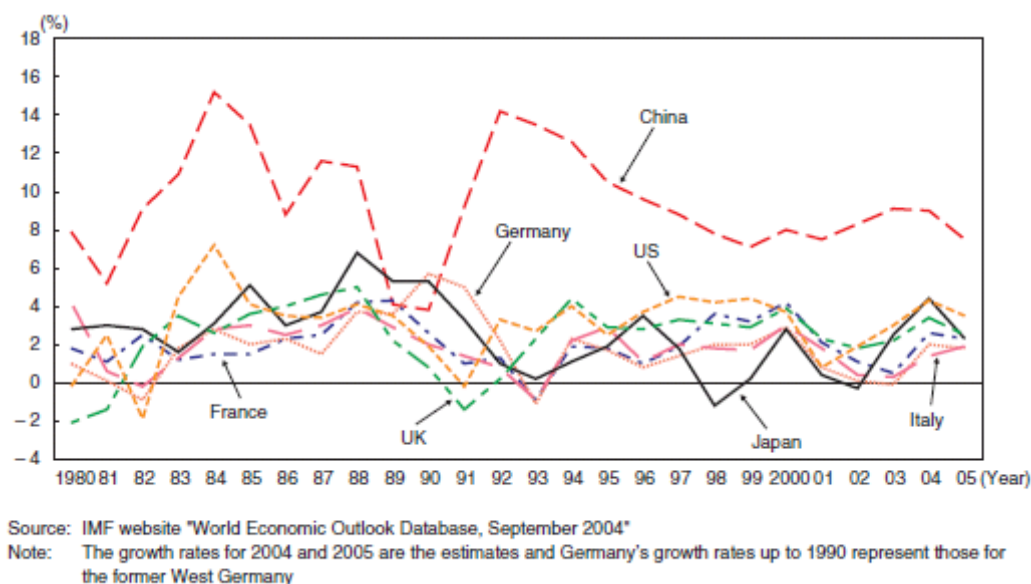
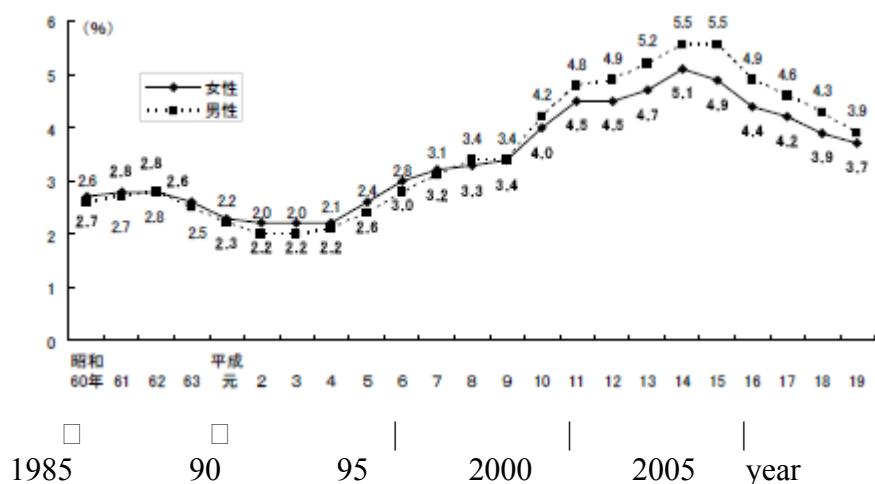


Figure 2 shows the trend of the unemployment rates which is on the rise for ten years from the year 1992 (from 2.12% to 5.5% for male and 2.1 % to 5.1 % for female). During the period when unemployment rates are low, the difference between those of male and female is slight but when they are high, rates for female tend to be fairly lower than those of male. The reason of it is explained that married female workers abandons seeking job preferring to stay home as non-worker when in the stagnation.

Figure 2 Unemployment rates for men (■) and women(●)



Source: Statistical Bureau, *Labour Force Survey* in each year

Table 2, summarizing the basic features of female workers in the years of 1970, 1985, 1999 and 2007, tells us that what is changed and what is unchanged about female workers.

Table 2 Summary of female workers (figures in the brackets are those of male, %)

year	1970	1985	1999	2007
Participation rate as work forces (work forces include self-employed)	49.9 (81.8)	48.7 (78.1)	49.6 (76.9)	48.5 □73.1 □
Female proportion in total work forces	39.3	39.7	40.6	41.4
Proportion of employees in female work forces	54.7 (71.5)	67.2 (78.9)	80.4 (83.9)	86.4 (86.0)
Numbers of female employees(thousand)	10960 (22100)	15480 (27640)	21160 (32150)	22970 (32260)
Female proportion in the total employees	33.2	35.9	39.7	41.6
Composition of female employees				
Unmarried	48.3	31.3	33.3	31.8
Married	41.4	59.2	56.9	57.2
Widowed or divorced	10.3	9.6	9.8	10.6
Average age of employees	29.8 (34.5)	35.4 (38.6)	37.2 (40.4)	39.2 (41.9)
Average working years as employees	4.5 (8.8)	6.8 (11.9)	8.2 (13.1)	8.7 (13.3)
Proportion of part time employees	12.2 (-)	22.0 (5.1)	37.4 (11.5)	41.7(13.1)
Proportion of non-standard, atypical employees	-	32.1 (7.4)	45.2 (11.0)	53.5(18.3)
Ratio : Female wage / male wage (%)	50.9	51.8	51.0	50.1
Monthly working hours	174.1 (192.7)	162.5 (182.4)	141.0 (165.2)	131.2 (165.3)

Source: MHLW, Statistical Bureau

What is unchanged for these 37 years is the fact that female share of total workforces is about 40 %. When including unpaid work such as domestic work, child rearing and care for the elderly, the share must be over 50 %. The survey conducted in 1996 shows that the proportion of unpaid work to GDP is 23 % and 84.5 % of those is shouldered by female. The minutes devoted to unpaid work by female are 230 minutes with a big contrast of 29 minutes by male (Ministry of Internal Affairs, 1997).

The ratio of female to male wage is staying unchanged (circa 50 %) since 1970. It is, first, attributed to the increase of non-standard workers among female and, second, to job segregation by gender, meaning that female workers in general tend to be engaged in the routine and subsidiary work, which can not be examined here in detail.

What is changed since the year 1970 is as follows:

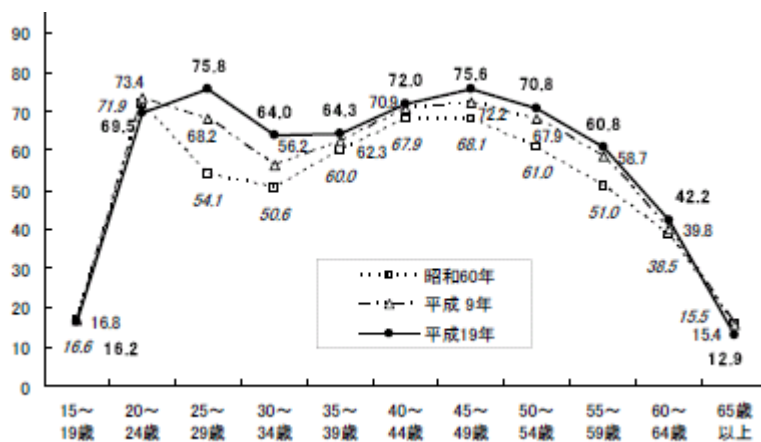
1. Reflecting the modernization of industrial structure, the number of the self-employed and domestic worker decreased (meaning the proportion of ‘employees’ increased). 86.4 % of total female workforces are employees in the year 2007.

2. The proportion of married in the total female employees is on the rise. So-called “M-Figure” female labor supply curve could be observed still (See *Figure 3-1*). But job-quitting by 25-34 old

female has been declining gradually. Yet, compared to male labor supply curve (*Figure 3-2*), some differences, i.e. “valley” still exist.

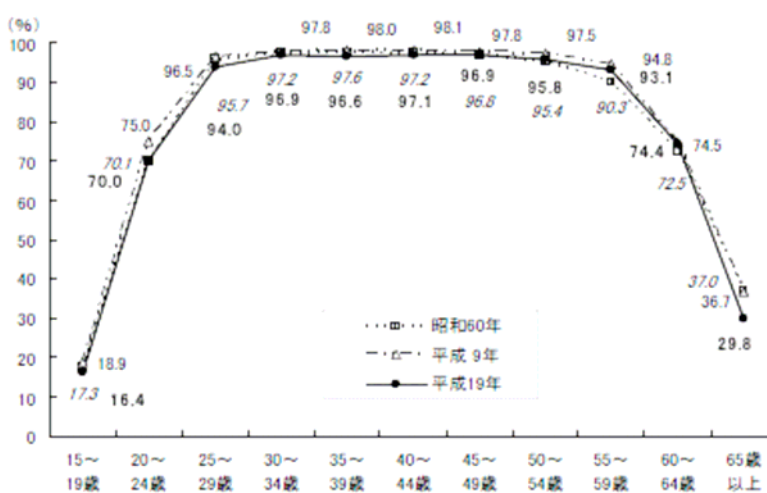
3. The proportion of part-time and non-standard workers is on the rise. Unlike Netherlands, part-time workers in Japan are almost non-standard workers. Non-standard workers among male workers are on the rise, but the degree, which is over fifty per cent, is outstanding for female. The Government led by Prime Minister Koizumi sought “the flexibility in the labor market ” one of which is the introduction of on-call workers in the manufacturing industry in 2004, which had been prohibited by law until then. The number of non-standard worker used to be 12 million in 1998 but now it is estimated 18 million occupying 35 % of total employees.

Figure 3-1 Participation rates in the labor market (Female)



Source: Statistical Bureau, *Labor Force Survey*

Figure 3-2 Participation rates in the labor market (Male)



Source: Statistical Bureau, *Labor Force Survey*

4. Demographic Change and Changes in Household Structure

Japan is one of the Far East countries sometimes referred to as the ‘Asian Tigers’ of the Pacific Rim. The country consists of four principle islands on which 128 million people live. Since the area of the country is fairly small, about 377,800 square kilometers, Japan is densely populated by Western standards. This high population density is a feature not only of Japan but also of some other Asian Tigers such as Korea, Singapore and Taiwan. Why they are so densely populated is not clear - although some have claimed the production of rice as a staple food is a possible cause, as a given amount of rice can feed more people rather than other grains and yet rice production is relatively labor intensive. Whatever the cause, however, the resulting population density has been a key feature structuring the development of economic and social policy within these countries.

What is more, in recent years the issue of population has been attracting more and more attention in Japanese policy planning. This attention is not so much related to the number of the people, however, but rather to the structure of it. That is the ‘problem’ of aging. Japan has seen a growth in the proportion of older people in its population, which has been much more rapid than that of many other comparative countries, as *Table 3* demonstrates,

Table 3 Years of transition from 7 to 14 %

Country	UK	US	Sweden	France	Japan
Move from 7% to 14% population aged 65 and over in years	46	69	82	114	24

Source: Uzuhashi (2001)

Furthermore aging Japan will be super-aged Japan by the year 2020, when this proportion is projected to be 26.9 per cent. This aging is also combined with a declining fertility rate. The current fertility rate (2005) in Japan is 1.26, far below the replacement level of 2.1. It is obvious that this aging along with the lowering fertility rate will have a huge impact to the social policy in Japan (See *Table 4, 5*).

Table 4 Age structure

	0-14	15-64	65+
1920	36.5	58.3	5.3
	36.7	58.2	5.1
1930	36.6	58.7	4.8
	36.9	58.5	4.7
1940	36.1	59.2	4.7
	36.8	58.1	5.1
1950	35.4	59.6	4.9
	33.4	61.2	5.3
1960	30.2	64.1	5.7
	25.7	68.0	6.3
1970	24.0	68.9	7.1
	24.3	67.7	7.9
1980	23.5	67.3	9.1
	21.5	68.2	10.3
1990	18.2	69.5	12.0
	15.9	69.4	14.5
2000	14.6	67.9	17.3
	13.7	65.8	20.1
2010	13.0	63.9	23.1
	11.8	61.2	26.9
2020	10.8	60.0	29.2
	10.0	59.5	30.5
2030	9.7	58.5	31.8
	9.5	56.8	33.7
2045	9	52.8	38.2
2055	8.4	51.1	40.5
2065	8.3	49.9	41.8
2075	8.4	49.4	42.2
2085	8.3	50.1	41.6
2095	8.5	50.5	41
2105	8.6	50.8	40.6

Source □ Statistics Bureau, *Population Census of Japan*

Table 5 Total Fertility Rate

Year	Total Fertility Rate
1975	1.91
1980	1.75
1985	1.76
1990	1.54
1995	1.42
2000	1.36
2001	1.33
2002	1.32
2003	1.29
2004	1.29
2005	1.26

Source □ Statistics Bureau, *Population Census of Japan*

As a result these changes many people have moved from rural areas to urban cities, where a lot of large scale firms were founded. In particular, large urban capitals like Tokyo, Osaka, Yokohama, Fukuoka and Kobe have been created. This has also resulted in major changes to household structure (See Table6), with urban dwellers experiencing different household types those of their parents in rural districts. There has been a decline in the prevalence of traditional, three generation households, which in tandem with the decline in fertility, discussed above, and cultural change, has resulted in an overall fall in household sizes. The three generation household type used to be 19.2 per cent of all types in 1966 but has declined to 9.1 per cent in 2006(See *Table 6*). On the other hand, the nuclear type and single unit household are on the rise. The average number in a household was about 5 until the mid of 1950's, but had been reduced to 2.55 by 2005.

Table 6 Household Structure

year	Sum	Single unit household	Nuclear household				Three generation (extended) household	Others
			Sum	Couple	Couple with unmarried children	One parent with unmarried children		
2000	100.0	24.1	59.1	20.7	32.8	5.7	10.6	6.1
2001	100.0	24.1	58.9	20.6	32.6	5.7	10.6	6.4
2002	100.0	23.5	60.2	21.5	32.5	6.2	10.0	6.3
2003	100.0	23.3	59.7	21.4	32.5	5.8	10.4	6.6
2004	100.0	23.4	60.6	21.9	32.7	6.0	9.7	6.3
2005	100.0	24.6	59.2	21.9	31.1	6.3	9.7	6.4
2006	100.0	25.3	59.0	21.5	31.2	6.3	9.1	6.6

Source: MHLW, *Basic Survey of People's Life* in each year

These changes have altered the need for social security, which must now accommodate a modern urban life rather than with an agricultural rural life. People living in cities no longer expect to rely on the traditional family care and support when in need, for example, in case of child rearing or caring the elderly. Thus the need for welfare provision by state has begun to grow and grow. The economic growth, which Japan experienced during the period of urbanization, could afford to fund these welfare costs; and this has resulted in massive changes in the social policy over the last sixty years. But the journey to a welfare state has not been a painless one. It took a long time for Japan to create a modern welfare system, and the country is still facing some difficulties as a result of both internal and external pressures. This was especially the case after the late 1970's, when the growth rate declined and government budgetary restraint reached crisis levels. As we shall see, this appeared to trigger a watershed for welfare development in Japan; and it is notable that the idea of Japanese-type of 'welfare society' emerged in this period, supporting the case for welfare retrenchment. We will return to these issues towards the end of this report.

5. Historical Background of the Japanese Welfare Regime

5.1 Brief History Part 2: 1945-

From the end of the Second World War to the effectuation of the peace treaty in the year 1951

Japan was under the joint sovereignty of the Allied Forces and the Japanese government. During that time a range of innovative measures were implemented. These included the establishment of the new Constitution, reform of farmland, and dismantling of *saibatsu* (financial groups). These measures amounted to a significant element of democratization in the country.

The fifty years after this are usually divided into three periods:

Arrangement of National Minimum,
Expansion,
Reform and Retrenchment

(a) Arrangement of National Minimum (1945 ~ 1950s)

During this period most of the welfare implemented followed a US model, except for social insurance provision, where the Beveridge Report was reputed to have had a huge influence on policy planning. In the year 1956 a government White Paper, from the Economic Planning Agency, declared that Japan was no more a post-war economy. And in the political arena too the year symbolized significant change when the newly amalgamated conservative party (Liberal Democratic Party) came into power, which it did not lose for the ensuing thirty-nine years.

In more practical terms this immediate post war period saw the introduction of new welfare acts and social insurance schemes. There were three welfare acts (one of which was then extended):

1946 - The Livelihood Protection Act (the old act - means-tested social assistance).

1947 - The Children's Welfare Act

1949 - The Disabled Welfare Act

1950 - The Livelihood Protection Act (the new act - widening its scope and creating right of appeal);

The Livelihood Protection Act is Japanese version of social assistance schemes, the feature of which is that it officially declared it is state responsibility to maintain the minimum standard of living of people on condition of means test. It was epoch-making event, because state responsibility was never acknowledged in the pre-war period.

The above social assistance schemes are, so to speak, “ex-post” relief systems, but the insurance schemes, which were enacted afterwards, are “ex-ante” preventive measures not to fall into poverty.

1947 - the Unemployment Insurance Act

1954 - reform of the Employees' Pension Insurance (EPI)

1961 - reform of the National Health Insurance (NHI, a residual schemes managed by local authorities)

1961 - the National Pension Insurance (NPI, a residual flat-rate schemes managed by local authorities)

The ensured of both the National Pension and the National Health Insurance schemes are mainly for farmers and self-employed who had not been covered by the state insurance.

The employees of the firm had been covered by the Employees' Pension Insurance and the Employees' Health Insurance for years. As a result of these changes, 1961 is referred to in Japan as “the year when the whole of the people were covered by pension and health insurance”. But there was one exception which was that dependent non-working spouses (mainly housewives) were not supposed to join the National Pension Insurance mandatory, but expected to join it voluntarily. This

was changed by the 1986 reform of the National Pension Insurance Schemes (See 7.1) .

(b) Expansion (1960s ~ 1970s)

In the 1960's the priority of government policy in Japan was the promotion of national economic growth, rather than the further development of social policy and social welfare (see Campbell, 1992). The prevailing ideology of policy-makers was, as it were, to increase the size of the cake more rapidly, rather than to share it more fairly. Thus only in the late 1960's and early 1970's, after the successful economic growth had been achieved, did any expansion of welfare occur. Major changes included:

1963 - the Elderly Welfare Act

1966 - the introduction of the Fund of Employees' Pension Insurance

1968 - reduction of the health charges borne by insured persons - from 50% of the whole medical bill to 30% (NHI)

1972 - the introduction of Children's Allowance - the last-implemented social security provision

1973 - reduction of the health charges borne by the insured employee's family - from 50% of the whole medical bill to 30% (EHI)

1973 - free medical services for the elderly aged 70 and over

1973 – indexing introduced on a sliding scale system to employees' pensions (EPI)

1973 - increases in various insurance benefits (EPI, NPI, the non-contributory Welfare Pension)

Especially, the year of 1973 is epoch-making because of the reduction of co-payment of medical care and the increase of the pension benefit, as a result of these changes, the year of 1973 is called “the first year of welfare” in Japan.

(c) Reform and Retrenchment (1980s to date)

In the last two decades of the twentieth century, however, welfare provision in Japan has been subject to many of the pressures for reform and retrenchment which have been experienced in many other advanced industrial countries. This has led to the introduction of a number of changes aimed at responding to the need for financial tightening and the growing proportion of older people in the population at the beginning of the twenty-first century.

1982 - The Elderly Medical Services Act, which abolished free medical services for the elderly aged 70 and over

1982 - reformed regulation of the Livelihood Protection Act, which strictly checked fraud

1984- reformed EHI, which introduced a charge to be borne by the insured person of 10 per cent of the whole medical bill

1985 - reduction of charge borne by the state, from 80 per cent to 70 per cent, of the running costs of social welfare facilities

1986 – reformation of NPI and EPI - reduction of benefits, widening its scope through the newly established Basic Pension Scheme

1994 – reformation of EPI (change of entitlement-age from 60 to 65)

2000□Long Term Care Insurance Act

2004 – reformation of NPI and EPI (reduction of benefits and introduction of sliding scale by macro economic performance)

2005□reformed Long term Care Insurance Act

Partly as a result of the changes driven by the pressures of an aging population, the year 1986 is

referred to as “the first year of pension reform”.

5.2 Financial Deficits

Most of the advanced nations in the OECD have been facing the serious financial (budgetary) deficits in the last quarter of the twentieth century; and Japan is no exception to this. The government increased the financial outlay in the 1990's in order to make the economy revived, but it did not succeed, ending up to accumulate financial deficits. The government has tried to improve the budgetary balance several times. For instance, in 1989 Value Added Tax (VAT, called the Consumption Tax in Japan) was introduced and in 1997 its tax rate was raised from 3 per cent to 5 per cent. But this did nothing to improve the situation but raise of the tax rate gave a bad influence to the economic recovery. More recently in 1997, the government enacted a Financial Structure Reform Act with the goal of controlling the ratio of deficits to GDP to within 3 per cent by the year 2003 (from 5.4 per cent in 1997). But the government could not realize this goal.

Table 7 The accumulated government deficits to GDP (%)

	1994	1996	1998	2000	2002	2004	2006	2008
Japan	79.4	94.0	113.2	135.4	152.3	165.5	171.9	170.9
US	71.1	70.0	64.5	55.2	57.6	61.9	61.8	65.8
UK	47.3	52.0	53.4	46.0	41.6	44.1	46.6	49.8
Germany	46.5	58.8	62.2	60.4	62.1	68.7	69.3	64.2
France	60.2	66.7	70.7	65.7	67.3	73.9	71.1	71.0
Italy	120.6	128.6	132.6	121.6	119.5	117.5	118.2	117.1
Canada	98.6	101.7	95.2	82.1	80.6	72.4	68.1	64.4

Source: OECD *Economic Outlook*, No.83, 2008/6

This financial problem has emerged since the recession following the oil price shocks of the mid 1970s. It is important to notice that this oil price crisis coincided with a period of welfare expansion in Japan - 1973 was “the first year of welfare” as mentioned previously. This has led some critics to suggest that the second year never came. This is an exaggeration. But after the late 1970's the government began tightening controls over social security expenditures, and welfare retrenchment was started.

5.3 Measures and techniques of welfare retrenchment

Owing to the financial tightening, throughout the 1980s and 1990s, every field of Japanese social security underwent thorough reform, and this is still ongoing. Some critics have described this process as 'the complete cut down of the welfare'; but the reality is not so simple, because the motive for reform is twofold. Facing financial problems is one factor; but at the same time the country is seeking to prepare for the coming aging of the Japanese population. Measures have been implemented in the field of pensions and health services where the keynote is retrenchment; and in the field of personal social services new measures for financial funding aiming to widen the scope of beneficiaries, particularly amongst the elderly, have been implemented - as represented by the introduction of the Elderly Care Services Insurance Scheme.

A number of objectives and techniques are common across these various reforms:

- 1) The reduction of financial expenses by central government. This has occurred in every part of social security schemes, particularly in pensions and medical services. And in some cases, as the other side of these measures, local authorities have been asked to contribute more funding to

maintain protection. This can be seen in social assistance benefit, the child rearing allowance for divorced and unmarried single mothers, and the running costs of welfare facilities such as nursing homes for frail older people.

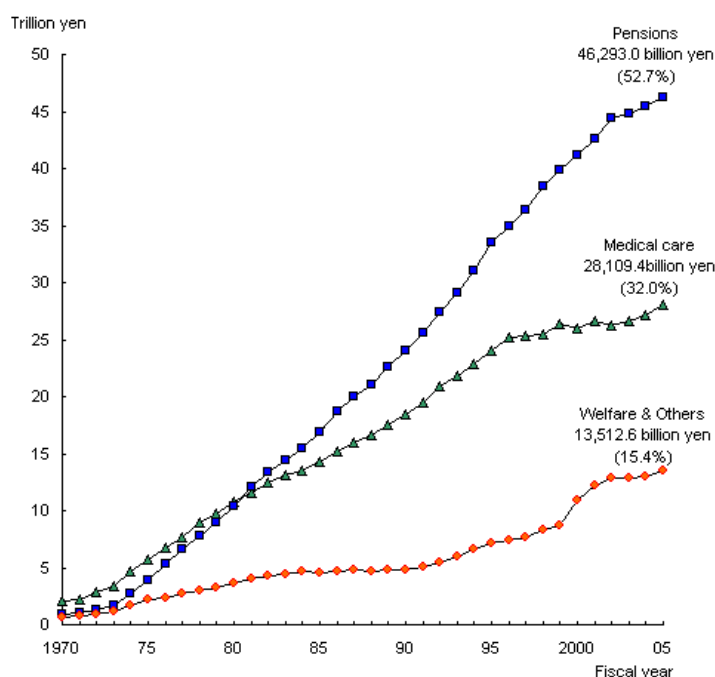
2) The level down of the benefits. This has been most prominent in the pension reforms of 1986. The benefits of Mutual Aid Association (MAA) were cut down to dissolve the inequality between civil servants and employees of the private firms; and the benefits of EPI itself were also reduced sharply to cope with current financial difficulties and to secure future financial stability for the scheme.

3) The raising of the user or client charges. This has been most prominent in the health services, typically shown by the abolition of free medical services for the elderly aged 70 and over in the year 1982.

6. An Overview of Social Spending Scale and Patterns

We examine here the level of resources which go into the three main sections of social security consisting of medical services, pensions and others (See *Figure 4*). The costs of social security in Japan comprised up to 25.7 per cent of the GDP in the year 2004. This proportion has almost doubled in the last twenty years - from 9.5 per cent in 1975. But the level is still not high compared to other countries (See *Figure 5*). When comparing the proportions for each section of expenditure, medical services had been at the top of the three until the year 1980; but since 1981 pension expenditure has been at the top – 53.1 per cent in 2004. What is more, viewed from a comparative perspective, the proportion of “others”, which mainly consists of social assistance, child allowance and personal social services, is remarkably small. This low level of provision is certainly one of the distinguishing features of Japanese welfare provision. However, the recent expansion of the elderly care services and the Elderly Care Services Insurance Schemes which was implemented in the year of 2000, alongside other factors, are likely to alter the picture to some extent and are expected to boost the proportion of 'others' in the early years of the 21st century.

Figure 4 *Expenditure and proportion of three social security sections*



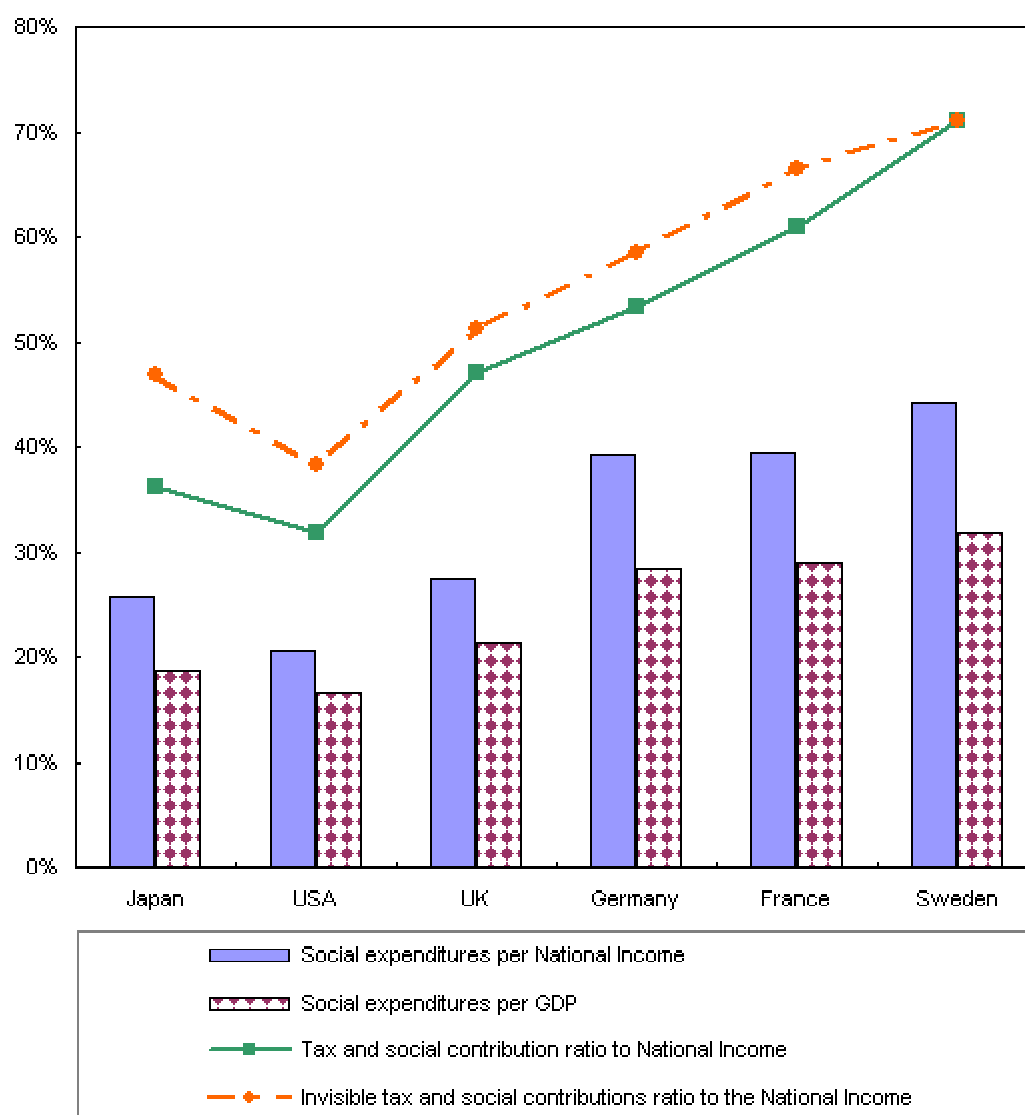
Source: National Institute of Population and Social Security Research, *The cost of social security in Japan, 2005*

Table 8 Social Security Expenditure by category as a percentage of National Income

Social Security Expenditure	2004	2005	Increase compared with the previous year
	%	%	% point
Total	23.69	23.91	0.22
Medical care	7.48	7.65	0.17
Pensions	12.54	12.59	0.05
Welfare & Others	3.67	3.68	0.01
of which Long-term care	1.55	1.60	0.05

Source: National Institute of Population and Social Security Research, *The cost of social security in Japan, 2005*

Figure 5 International comparison of social expenditures and visible and invisible tax and social contributions ratio to the National Income in FY 2003



Source: National Institute of Population and Social Security Research, *The cost of social security in Japan, 2005*

Table 9 International comparison of social expenditures and visible and invisible tax and social contributions ratio to the National Income in FY 2003

	Japan	USA	UK	Germany	France	Sweden
Social expenditures per National Income	25.65%	20.55%	27.40%	39.17%	39.39%	44.14%
Social expenditures per GDP	18.60%	16.60%	21.38%	28.43%	28.90%	31.86%
Tax and social contribution ratio to National Income	36.2%	31.8%	47.1%	53.3%	60.9%	71.0%
Invisible tax and social contributions ratio to the National Income	46.9%	38.3%	51.2%	58.4%	66.5%	71.1%

Note : Taxes include social security costs as well as other expenses.

Source : Regarding the Social Expenditure in 2003 of countries outside Japan OECD Social Expenditure Database 2007ed.
The national income and GDP of Japan are from the “System of National Accounts 2007” Cabinet Economic and Social Research Institute (as are all listed below).
The (invisible) tax and social contributions to national income are presented by the Ministry of Finance, Japanese Government.

7. Outline and Issues of Japan's Social Security Programs

7.1 Pensions

Pension schemes, as with health services mentioned above, are mainly organized on the basis of insurance in Japan. All citizens are expected to join the mandatory and contributory insurance schemes to provide for their old age.

Until 1985, there were several different kinds of occupational and statutory pension schemes, organized on an industry basis. For instance, workers in private firms, civil servants, self-employed, sailors and national railway workers were expected to join their own independent pension schemes. However, there were a number of problems with such a system. First, there were gaps between, or inequalities within, the level of provision and insurance premium. Second, at times of rapid change in industrial structure, as has been the case in many industries, some insurance schemes faced serious financial problems. For instance, the schemes for sailors and national railway workers were on the verge of bankruptcy in the 1980s.

The pension reform in the year 1986 introduced a new, flat rate, basic pension scheme, which every insured person of each occupational pension was supposed to join. Since then public pension schemes have been of a two-storied structure. Basic pension is the first floor of protection, and each income-related occupational pension is the second floor – with membership of such secondary provision being mandatory. These reforms also integrated the sailors' pension into EPI and implemented measures for mutual financial cooperation among pension schemes. As a result therefore, the ten occupational schemes, which existed before 1985, had by 1997 been integrated into one Basic Pension and six occupational schemes.

Furthermore, since 1986, the wives of male workers (or more accurately the non-working dependent spouses of all workers) have been required to join the basic pension scheme. Until then, they used to be able to join NPI voluntarily (See 5.1 a). Or, even if they did not join it, they could be treated as dependent spouse and husband could get more (added) benefits for the non-working wives without paying added premiums. This was controversial issues because it gave a kind of preference or privilege to traditional male bread-winner family. But once the matrimony breakdown occurred, non-working wives lost these kinds of benefits. Therefore, with the introduction of these kinds of measures, the principle of “one pension for one person” was established as part of the 1986 reform process.

7.2 Pension Reform

Pension schemes in Japan are facing difficulties arising from the aging of the population; and, in contrast to the relatively bright future for elderly care services, the outlook here seems more pessimistic. The proportion of the retired older generation to the active working generation, which was 11.7 per cent in 1970, rose to 30.5 per cent in 2005 and is projected to reach 50.2 per cent in 2025. If the pension schemes were run on a fully-funded basis, then these demographic changes would not affect the pension finance. And this used to be the case in Japan but, during the expansion in the 1970s, provision was changed to a pay-as-you-go base, so that most of the insurance premiums paid by the active working people are transferred to pensioners. As early as 1986, the so-called first year of the pension reform, measures were taken to raise the insurance premiums and to cut down the benefit level.

In 1997, Ministry of Health and Welfare (MHW) presented a document called *Plans of Pension Reform: Five Options*. Three out of the five options proposed raising insurance premiums and cutting benefit. Under these plans premiums would be raised from the current 17.35 per cent of income (based on a fifty-fifty contribution from employers and employees) to 26~34 per cent, and benefit reductions of 10-40 per cent were proposed. The current expected level for a model married couple, who joined the pension insurance forty years ago, is 230 thousand Yen per month - about 62 per cent of the average net income earned by working people. One of other options was to maintain the current level of benefit with twice the premiums as now, and another one proposed to replace the public pension (EPI) with private and personal pension run by on a fully-funded basis. In such circumstances many Japanese people, especially those of the younger generations, are worried about the future of the public pension fearing that their own benefits could depreciate to a considerable extent.

Another plausible alternative, which is not referred in the pension reform proposals, is to transfer more tax revenues into the insurance finance. This could maintain benefits level and keep premiums at current levels. However, it would encounter the strong opposition from the Ministry of Finance, which is now devoted to tackling the financial deficit. The Ministry of Health, Labor and Welfare would like to avoid to be intervened by the MOF, so it tends to cling to the premiums-based insurance schemes. Premiums (contributions) are, so to speak, under the MHLW's control. Furthermore tax-raises of any kind are unpopular among the public, because there is a sense of distrust the expenditure of tax revenues. Nevertheless, the future of the pension reform depends on how this balance between taxes, premiums and benefits can be resolved.

7.3 Health Services

As a nation Japan has one of the highest levels of longevity by international standards. Life

expectancy in 2006 was 79.0 for men and 85.8 for women. And there can be little doubt that the development of health insurance schemes, which have improved access to the modern medical treatment, have contributed to this phenomenon and the decrease of the infant mortality which is shown in the *Table 10*.

Table 10 Infant Mortality (1955-2005)

year	infant mortality	%
1955	39.8	
1960	30.7	
1965	18.5	
1970	13.1	
1975	10.0	
1980	7.5	
1985	5.5	
1990	4.6	
1995	4.3	
2000	3.2	
2005	2.8	

Source: Statistics Bureau, *Current Population Estimates*

Medical services are delivered mainly by private bodies, state (national, local and public agency's) hospital (20 beds and over) and state clinics (below 20 beds) in particular playing a minor roll (19.8 % and 5.3% respectively in 2006, in terms of numbers of medical facilities). Therefore public control over the service delivery itself is very limited, but the public insurance schemes are fully developed.

Public (mandatory) health insurance is in practice divided into several independent schemes. However, they can be classified broadly into two groups. The first is occupational schemes (EHI and some Mutual Aid Associations, MAA). For these premiums are fixed on an income-related basis. The second is residual provision (NHI). The latter is administered by local authorities, and it covers farmers, self-employed and retired people.

Therefore, when people see a doctor, they pay a charge, and the charge-rate is determined largely as follows in the year 2007:

EHP, MAA, NHI

insured person or dependents aged 3~69	30 per cent of health bill
dependents under 3	20 per cent of health bill
insured person or dependents aged 70 and over	10 per cent of health bill

It must be noted that non-working dependents such as housewives of the male insured in EHP can see the doctor without paying premiums (contribution) by themselves. Their costs are burdened by insured working people (including both male and female insured workers).

7.4 Social Assistance

Social assistance schemes in Japan are based on the Livelihood Protection Act. As in most countries, this protection is means-tested. The level of benefits is fairly generous; but the numbers of recipients are relatively small and have actually declined within the last forty years (see Eardley et

al, 1996). In the year 1955, 1.9 million people were recipients but by 1996 this had fallen to 0.9 million. This is only 0.71 per cent of the population—since the year 2000 on the rise, 1.5 million recipients (1.15 per cent) in 2006 —, a much lower proportion than in other advanced countries. Questions may be asked about this low, and declining, percentage of recipients of social assistance therefore. There seem to be several reasons for it.

For a start the legislation stipulates that support and maintenance by applicants' relatives should be regarded as the first port of call in the meeting of basic needs. In line with this, the welfare bureaucracy administering the scheme checks all applications strictly under stringent income and asset tests. Receipt of the social assistance benefits is supposed to be literally a measure of last resort. Therefore, that this strict administration provokes a deep sense of stigma amongst applicants and recipients – and, more generally, amongst the public at large (see Gould, 1993). This is inevitably likely to lead to low levels of take-up; and, although there is no official governmental survey of take-up levels, some critics have argued that it is as little as a quarter of eligible people.

The fall in the number of recipients over the last forty years is probably largely attributable to rises in the standard of living, and the spread of the pension cover. However, in the late 1980s this fall has been much sharper - from 1.4 in 1985 to 0.9 million in 1990. This may rather be the result of stricter administrative procedures, referred to in official parlance as 'proper or appropriate measures'. By the 1980s the three main categories by the household type in receipt of assistance benefits were older people (44.1% in 2006), the sick & disabled (37.0% in 2006) and mother-led lone parents (8.6% in 2006).

7.5 Child Allowances and Personal Social Services

(a) Child Allowance

Child allowances were the last form of social security provision to be implemented in Japan. The reason for this delay was that, prior to their introduction; there had existed a similar, but non-statutory allowance, paid by private firms to their employees. And even after implementation, these two kinds of allowances can coexist, at least for employees in large scale enterprises. There were two problems with statutory child allowances, however. The first is that the level of benefit is fairly low. The second was that only families with children under three are entitled to receive it until the year of 2000. For this reason the scheme was sometimes referred to as the “baby and toddler's allowance”

Child Allowance is an area where there have been significant reforms within past few years. The new interest in reforming the Welfare for Children is spurred mainly due to the concern about the low fertility, now estimated to be at 1.26 (2005). Since 2000, the age limit has been raised to 6 years old, then to 9 years old and now to 12 years old. The income threshold was also raised, and thus the Child Allowance today is nearly universal. However the level of allowance is fairly low compared to other advanced nations. The amount of the Child Allowance is ¥5,000 per month for the first two, and ¥10,000/month/child for subsequent children. The financial burden of the Child Allowance for children 0 to 3 years old is born by employer, central, prefectural and municipal governments, but the expansion of the scheme in the last few years has been totally financed by the central government.

Table 11 Number of Child Allowance Recipients and Expenditure (2004)

(2004)	Number of Recipients	Number of Children covered	Expenditure (unit: million yen)
Total	7,473,761	9,644,674	593,336
(of which SCA)	(537,164)	(595,915)	(39,066)
Employee	4,935,807	6,337,127	387,372
(of which SCA)	(401,043)	(438,447)	(28,473)
Non-Employee	1,932,029	2,500,727	155,747
Public Servants	605,925	806,820	50,217
(of which SCA)	(136,121)	(157,468)	(10,593)

Source: Kose no Shihyo (Journal of Health and Welfare Statistics) 2004

(b) Child Rearing Allowance (for single-mother households)

Child Rearing Allowance is given to single-mothers who are rearing a child less than 18 years old, who does not share a common household income with father and whose earnings for the previous year is less than the threshold. The monthly allowance is ¥41,880 in case of one child, ¥5,000 for the second child, and for third and subsequent children additional ¥3,000 for each child (2006). In 2002, the income threshold for receiving the full amount of the allowance was lowered and tapering of the allowance amount as the income rises was introduced. For a single-mother household of two (mother and a child), the income threshold is now stands at ¥3,650,000 for full allowance, and for those whose income is between ¥1,300,000 and ¥3,650,000, the allowance is tapered to zero. The 2002 reform also stipulated that the government may reduce the amount of the benefit up to 50% after single-mother has been a recipient for 5 years. The 5-year time limit will be implemented from April 2008. The idea behind this reform was to convert the benefit to a temporary measure to assist the initial phase of being a single-mother. It is expected that single-mothers will gain enough experience to achieve self-sufficiency after 5 years, and various schemes of job training have also been put in place. However, there has been a severe outcry against the reform from the single-mother community and whether and how it will be implemented is still unclear.

The number of lone parents tends to increase in recent years because of marital breakdown shown in the *Table 11*. The government and MHLW are worried about it, because it will make the total amount of Child Rearing Allowance increase.

Table 11 Rate of divorce (per 1000 population, ‰)

year	divorce rate
1955	0.84
1960	0.74
1965	0.79
1970	0.93
1975	1.07
1980	1.22
1985	1.39
1990	1.28
1995	1.60
2000	2.10
2005	2.08

Source: Statistics Bureau, *Current Population Estimates*

Personal social services in Japan mainly consist of services for the elderly, the physically and mentally disabled, lone parent mothers, and child care services. We cannot cover these in detail here. However, it is important to note that in the year 1990 the administration of these social welfare services was changed with local authorities (cities, towns and villages as administrative units - about 2,300 in total) becoming responsible for various services to the elderly and the handicapped.

7.6 Elderly Care Services Insurance Schemes

It is estimated that in the year 1993 there were around two million frail older people in Japan needing some intensive care services. This number is projected to rise to 2.8 million in 2000, and to 5.2 million in 2025. This is an inevitable consequence of the rapid aging of the country's population; and it is no exaggeration to say that the issue of how to provide adequate and effective care services to these people has now become of the greatest interest among the public.

Up to now the trend has been for significant numbers of frail older people to be placed in hospitals – often called long term social hospitalization. This is a product of shortages of welfare facilities, insufficient delivery of home help support in their residences, and the declining capacity of families to care. This is not an effective or an efficient response. What such people need is not medical treatment but care services; and yet the cost of the former (medical treatment) is usually more expensive than the latter (care services). However, it is no simple matter to turn to family care for older people. Even with direct aid for helpers, the burden of care is extraordinarily heavy and carers are often exhausted by it. What is more this form of care has a significant, and damaging, gender dimension, because most of the carers are women, such as wives, daughters or daughters-in-law.

It is within this context the Elderly Care Services Insurance Schemes was implemented in the year of 2000. Its key features are:

1. Insurer: local authorities - cities, towns and villages as administrative units.
2. Insured: people aged 40 and over (people aged 65 and over are called the first insured, people aged 40~64 are called the second insured).
3. Fund: 50 per cent - public fund (central government 25 per cent, prefecture 12.5 per cent, cities, towns and villages 12.5 per cent)

40 per cent - contribution by the insured
10 per cent - charges borne by the service users

4. Services provided: institutional welfare services and domiciliary welfare services

5. Insurance premium: estimated at about 3,000 Yen monthly

The insured are grouped into two by their age. People aged 65 and over are entitled to care services in circumstances where they are 'frail' (recognized as being in need for care by the organization which is set up by local authorities), regardless of reasons for this need. People aged 40~64 are entitled to similar services, if their frail conditions arise as a result of one of fifteen specific diseases. These conditions are classified to five degrees, each of which has a maximum budget. Within this budgetary restriction, the family can choose the kind and amount of the care services. Unlike similar insurance schemes in Europe, cash is not provided to the family.

There have been fierce arguments as to how care services for frail older people should be delivered in Japan. Delivery through the social assistance schemes was considered as an option. This would mean provision financed by the tax revenues, rather than by contributions from insured citizens. In respect of the right of entitlement, however, delivery through the insurance mechanism was thought to be superior to social assistance schemes, because of the stigma attached to assistance discussed above.

However, the insurance system is not a panacea. Firstly there is a concern that people who cannot afford to pay the monthly contribution would be automatically deprived of benefits, as seen in National Health Insurance (NHI) and National Pension insurance (NPI). Secondly there is the problem that in some districts people cannot expect to have sufficient quality and quantity of services – what some critics have dubbed 'insurance schemes without delivery of services'. But even with these problems, the implementation of the Elderly Care Services Insurance Schemes means that people enter the welfare market (which is called silver market in Japan) with big purchasing powers (4.8 trillion Yen). This huge demand stimulates the supply of care services in which the private sector comes to play a more and more important role.

Soon after its enactment, it has become evident that the initial financial arrangement was not enough to meet the cost of the long-term care. The number of care recipients grew from 1.49 million (0.52 in institutions and 0.97 at-home care) in September 2000 to 3.29 million (0.78 in institutions and 2.51 at-home care) in April 2005. The financial outlay grew steadily from ¥3.6 trillion (2000) to ¥7.1 trillion (2006 estimate). Further, the baby boom generation will begin to become elderly in 2015. With such background, the long-term care insurance was reviewed and several reforms were put in place five years after its enactment. The major reforms were:

1) In view of the increase of those who require relatively little care (Level 1 or "assistance required"), a new program was introduced whose purpose is the prevention of future care needs. 2) To balance the benefit payment between at-home and institutionalized care, the living expense (meals at institutions, etc.) of care facilities was no longer covered by the insurance. At the same time, for those with low-income who can not afford to pay the meal expenses out of pocket, certain measures were put in place. 3) Services are reorganized as region-based, and 4) care management certification process was revised.

Another issue is the amount of premium. For the insured of the Category I, the premium is deducted from pensions or collected separately by the municipality, and for the Category II the premium of the Long-Term Care Insurance will be added on top of the health insurance premium.

There is also a considerable variation in the premium among municipalities. There has been a considerable outcry from low-income households who cannot bear the premium or/and the co-payment, and as a response municipalities set the maximum of 5 levels of premium structure according to the insured's income. The Reform added another level, so that the premium structure is currently 6 levels.

7.6 Education

Education is not generally regarded as part of social policy or social security in Japan. Nevertheless the key features of provision here are shown in the boxes below (figures are for 2005)

State Education

6-14 - Compulsory elementary (6-11) and compulsory junior high school (12-14), mainly funded by local government, with a long established national curriculum controlled by Ministry of Education

15-17 - Optional senior high school, subject to entry requirements - 97.6 per cent of junior high school graduates go on to this level (including private schools)

18+ - Optional higher education, subject to entry requirements, in four-year university or two-year junior college places, funded by central or local government – 47.3 (45.9 for boys, 48.6 for girls) per cent of senior high school graduates go on to this level (including private schools)

Private Education

5-18+ - Fee paying access to private schools, privately funded and controlled, mostly subsidized by state – the proportion of students going to private schools at each level is:

elementary school – 1.0 per cent, junior high school – 6.7 per cent, senior high school – 29.6 per cent, junior college – 92.7 per cent, university – 73.7 per cent

Pre-school Education

49.3 per cent of 3-5s go to nursery schools, either public (20 per cent) or private (80 per cent), all with a half-day program controlled by Ministry of Education - called kindergarten in Japan

31.7 per cent of 3-5s go to full-time day nurseries, either public (54 per cent) or private (46 per cent), controlled by Ministry of Health and Welfare.

7.7 Income Distribution and Redistribution

Patterns of equality and inequality in Japan underwent significant change in the latter part of the twentieth century. *Table 13* shows the income distribution, as expressed by Gini coefficient, and the redistribution effect through tax and social security provision. This table tells us a number of things. First, in the 1960s, during a period of high economic growth, income distribution in Japan became more equal. Second, from 1973 to 1975, during a period of economic turmoil caused by the oil shock, this pattern was reversed for a short while. Third, in the late 1980s, during the so-called 'bubble economy' this trend toward the inequality was accelerated. This last change was mainly the result of changes in asset based incomes; and even since the bubble 'burst' in the early 1990s, this trend has been still continuing.

Table 13 *Income Distribution and redistribution (1961-2004)*

Year	Gini Coefficient (pre-transfer)	Gini Coefficient (post-transfer)	Net redistributive effect (%)	Redistributive effect by tax (%)	Redistributive effect by social security (%)
1961	0.390	0.344	11.8	-	-
1966	0.375	0.328	12.6	3.7	8.7
1971	0.354	0.314	11.4	4.4	5.7
1974	0.375	0.346	7.8	2.9	4.5
1977	0.365	0.338	7.4	3.7	1.2
1980	0.349	0.314	10.0	5.4	5.0
1983	0.398	0.343	13.8	3.8	9.8
1986	0.405	0.338	16.5	4.2	12.0
1989	0.433	0.364	15.9	2.9	12.5
1992	0.439	0.365	17.0	3.2	13.2
1995	0.441	0.361	18.3	1.7	15.7
1998	0.472	0.381	19.2	1.3	17.1
2001	0.498	0.381	23.5	0.8	21.4
2004	0.435	0.336	25.9	4.1	22.8

Source: Ministry of Health, Labor and Welfare, *Survey of Income Redistribution*, each year

Therefore, although the total redistribution effect has been increasing over the last forty years, income distribution before tax and social security transfers began to move in the opposite direction to a significant extent. In other words, the efforts to redistribute have not been able to offset trends towards greater initial inequality. The result of this is that income equality after transfers in the year 2001 was smaller than that in 1960; and this has led some people to argue that Japan is losing its advantageous position as an egalitarian society.

Of course, cross-national comparisons of income distribution are very difficult to make for a number of well-known reasons. The variability of statistical bases and the different definitions of survey units make direct comparisons difficult. These problems have been resolved to some extent by the establishment of large-scale international data sets such as Luxembourg Income Study (LIS). Japan was asked to join this LIS project; but the Japanese government rejected this proposal for domestic legal reasons. Therefore it is not easy to identify how equal or unequal Japanese income distribution is in comparison to other countries. At one time the dominant view in Japan was that it was one of the most egalitarian of advanced societies; but, taking the recent trends toward inequality and reduced levels of redistribution seen in Table 2 into consideration, this optimistic view is under revision.

8. The Japanese Welfare Regime

Although interest in the character of Japan's welfare system has been growing among Westerners, there is still confusion as to the nature or typology of the Japanese welfare state. The reasons for this are twofold. First, as Japan's data is not included in the LIS it can not be proven what 'outcome' social policy in Japan is bringing about in terms of poverty alleviation and income redistribution. Second, scholars in Japan have not attempted to clarify the character of Japan's welfare state using commonly accepted analytical frameworks.

One means of seeking to classify Japanese welfare provision, which has become quite popular (see

Jones, 1993), is to regard the East-Asian nations such as Japan as Confucian welfare states. However, this is a somewhat misleading approach. First, because such a general anthropological grasp can not explain the drastic changes of the way of life, and the way of thinking, which people in Japan have experienced over the last sixty years. Second, because even if the mutual care and support provided by family members in three-generation-households still remains, it is not influenced by the Confucian ideology in any sense, but rather is peculiar to the traditional rural society. Thus in practice rapidly industrialization has taken over traditional family welfare.

Therefore any attempt to classify the Japanese welfare regime must utilize the methodologies and typologies developed by modern comparative analysis, notably Esping-Andersen (1990), Castles (1985) and Mishra (1990) - the three most influential scholars in this field. Esping-Andersen is the only one of the three to examine Japan. According to his decommodification index (1990, p52) Japan is classified as a corporatist regime, though the differences from liberal Great Britain are very narrow.

In terms of the following indices, which are supposed to be key features of the corporatist welfare states such as Germany, France and Italy, Japan can be said to belong to them.

Stratification (status-differentiated social insurance schemes, occupational grouping) and *guiding principles* (hierarchy, authority and direct subordination of the individual to the patriarch or state),
Preservation of traditional family structures
Ranking by 'decommodification index'
Redistributive impact'

On the other hand, Japan has much in common with liberal welfare state regimes in terms of a strong sense of stigma, modest level of benefits (in particular child benefits) and liberal work ethics. Ragin (1994) therefore places Japan in a sub-type of 'corporativistic countries that lean toward the liberal world'. But this is the only half the story, as discussion of unemployment rates and levels of social security expenditure reveal.

Esping-Andersen refers to the importance of policies to pursue full-employment as the crucial character of social-democratic regimes. If this is right then Japan, where unemployment rate is very low (3.4 per cent in 1997), might be characterized as a social-democratic, liberal and corporatist welfare regime - obviously a self-contradictory conclusion. And, strictly speaking, even if Japan has enjoyed full-employment, thus does not necessarily mean that it has a social democratic regime. Esping-Andersen also emphasized that full-employment was a precondition for social-democratic regimes to afford high levels of social security expenditure,

“On the one side, the right to work has equal status to the right of income protection. On the other side, the enormous costs of maintaining a solidaristic, universalistic, and de-commodifying welfare system means that it must minimize social problems and maximize revenue income. This is obviously best done with most people working, and the fewest possible living off social transfers “ (Esping-Andersen, 1990, p.28).

While Esping-Andersen points out the 'supplementary' relationship between full-employment and high social expenditure as shown above, it is Castles who implies that there can be a 'substitutive' relationship between them,

“...real welfare outcomes are not necessarily solely a function of the extent of income maintenance expenditures. They also depend crucially on the level of employment, the level of remuneration

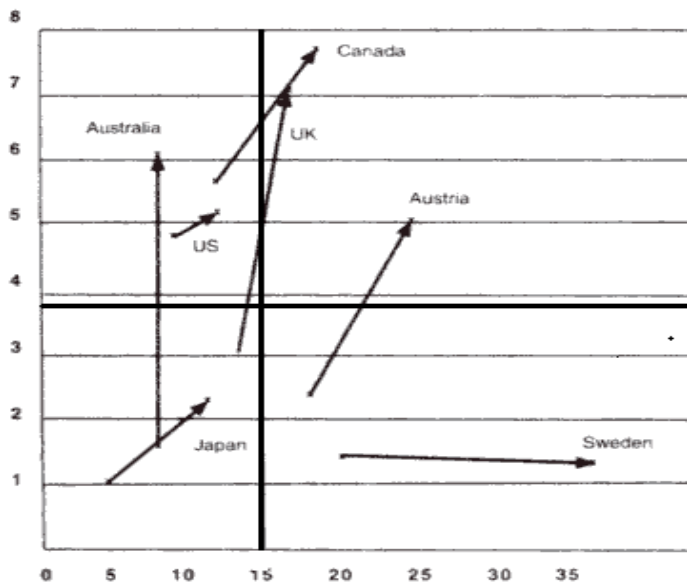
accruing from employment and the resulting distribution of primary income from employment” (Castles, 1985, p.82).

Therefore, in order to understand Japan's characteristics it is necessary not only to apply the standard, widely accepted, rulers but also to develop innovative ways of assessment and categorization.

In this respect, Mishra (1990), with his emphasis on full-employment, is helpful. Mishra seems to argue that a policy for full-employment basically proceeds alongside a progressive social security policy. But this is not necessarily the case as *Figure 6* shows where the horizontal axis is set at 14.5 per cent (the average social security expenditure of seven countries in 1970 and 1989) and the vertical axis is at 3.9 per cent (the average unemployment rates of seven countries in 1970 and 1989).

Figure 6 Relationship between Social Security and Unemployment (1970–1989)

Unemployment rate (% , vertical axis)



Social security expenditure / GDP (% , horizontal axis)

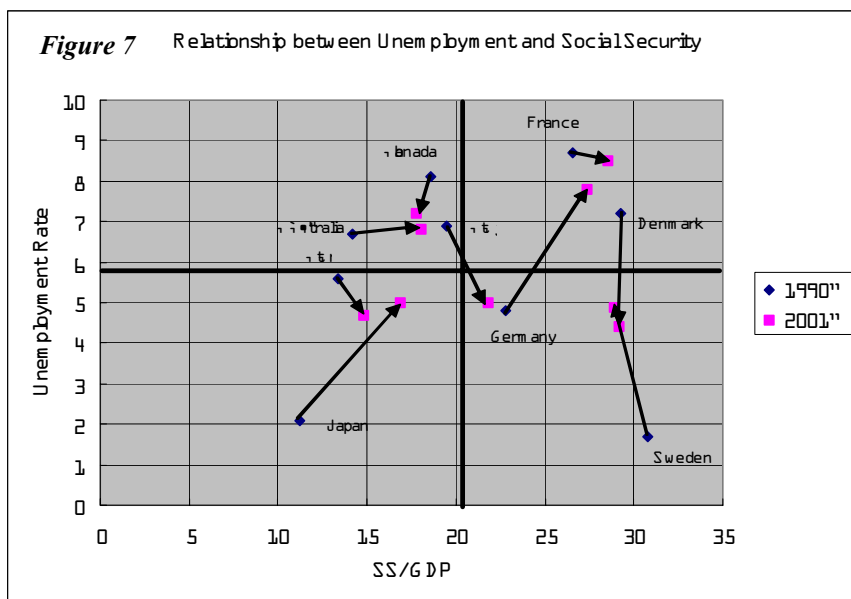
Source: Uzuhashi (1997)

Figure 3 shows that in the fourth quadrant, where Sweden remains located and where Austria used to be, we can observe the supplementary relationship - that is, full-employment can afford to maintain a high standard of social security expenditure. The first quadrant, where no countries were located in 1970 but Great Britain and Austria are located in 1989, might be regarded as somewhat unstable, because the lack the precondition to compensate the high social security costs by full-employment. In the third quadrant, where Great Britain and Australia used to be and Japan still remains, a low unemployment-rate and low social expenditure co-exist. This suggests that full-employment is shouldering the function of social security – that is, that there is a substitutive relationship.

After experiencing a 'crisis' in their welfare states many countries shifted towards the right-upper hand in Figure 3 - undergoing a rise in unemployment and an increase in social expenditure. In

these conditions, Japan's uniqueness becomes more and more prominent throughout this period. If 'shouldering or substituting the role of social security by full-employment', could be regarded as 'workfare', then Japan could be classified as a *workfare* state.

However, the employment-centered society by which Japan has been characterized primarily till the late 1980s has ceased to function because of the rise of unemployment rate to 5-6% (See *Figure 7*) and retreat of company welfare throughout the 1990s. Even if policy makers want to make it function, it is impossible to do so. The 1990s, the last decade, is called “the lost decade” in Japan. Ironically, although various policies, which rest on the idea of workfare, have been implemented across countries, in Japan the employment situation has been “retrogressed” in these ten years.

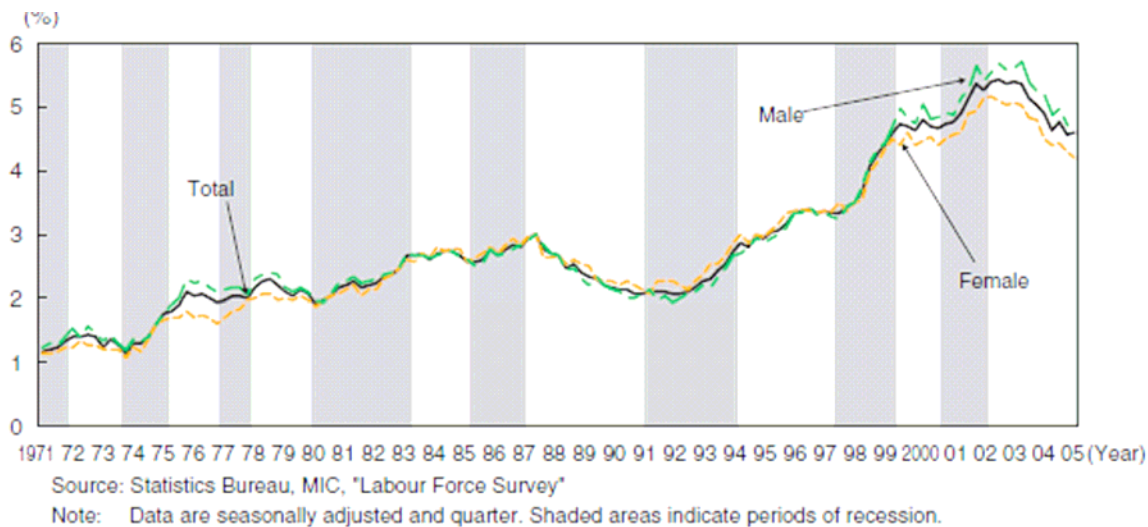


Source: Uzuhashi (2003)

The Japanese case shows a good contrast with Swedish case where, not less than 10% unemployment rate was recorded in the beginning of the 1990s, but improved since 1997 falling to a level of 5% in 1999. In Japan, job creation by large-scale public works is also difficult partly due to budgetary restraint. In “the lost decade”, serious aggravation of the employment situation was in progress inducing decomposition or polarization of the middle class, and consequently income inequality was growing in the 1990s. The conventional Japanese model that rests on the full-employment, or to put it in another way, rests on workfare as a substituting mechanism for welfare, is under great pressure as a result of such change (See Uzuhashi, 2003).

Figure 8

Trends in Unemployment Rates by Sex (seasonally adjusted)



9. Future Prospects

Since the late 1970s, and throughout the 1980s, the argument that Japan was developing a new type of 'welfare society' was the basis of the official social policy. This had a widespread impact on the implementation of various measures for welfare reform, and was very influential on both policy makers and academic commentators.

The idea of Japanese type of welfare society, as formulated in the late 1970's, can be summarized as having three distinguished characteristics:

First, families are ready to give good care services to the older relatives in their homes.
Second, Japanese companies are providing high level of corporate welfare to their employees.
Third, the average saving rate of households is high enough to prepare for the longevity life.

Therefore, in Japan, welfare society - rather than a welfare state - has been realized. This is very different from the model in most Western advanced countries, and makes it unnecessary for the state to provide high levels of welfare benefits as in Western welfare states.

Ironically, however, it is now not clear that such a welfare model is seen as appropriate for future policy development. Government policies in the last ten years, from the Gold Plan for the Longevity Society of the MHW to the Elderly Care Insurance Services Schemes, have been based to an increasing extent upon the assumption that the old idea of a welfare society is going bankrupt and changes in the stance government are inevitable.

Nowadays, as seen in the previous section, families can no longer afford to give care services to their members, the scale of the family getting smaller and more women are becoming engaged in paid work. Corporate firms in the process of downsizing and restructuring have been sparing expenses for corporate welfare. And, in addition, the savings rate in Japan is projected to decline with the process of population aging. These changes will not change the character of Japanese welfare society overnight, of course, but over time the differences between Japan and other

advanced nations are likely to get smaller and smaller.

However, by bidding farewell to the welfare society, Japan does not necessarily proceed towards the welfare state. Under the pressure of aging and tight financial conditions it is difficult even to maintain current levels of expenditure on benefits such as pensions and health services. In other words, with the exception of the elderly care services, people cannot expect more from the social security in general and will be expected to make full use of their abilities for self-help. The idea of the Japanese welfare society may be out-of-date at the end of the twentieth century; but a set of alternative policies and a new prospect have not yet emerged to replace it.

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