

## JAPAN'S WELFARE-STATE REGIME: WELFARE POLITICS, PROVIDER AND REGULATOR\*

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*In the late 1990s the Korean government made many welfare expansion reforms, while Japanese government adopted the retrenchment social policy. This contrast implies that Welfare Orientalism should come to an end. Uncritical adoption of regime theory to non-European countries has many problems. In order to understand the Japan's welfare state regime exactly, I propose the definition of "welfare state": welfare state as national goal (welfare politics), welfare state as provider (redistributive structure) and welfare state regulator (regulatory structure). After that, I will try to identify the characteristics of Japan's regime. It is characterized as a strong state bureaucracy and a weak social democracy; a relatively low level of social expenditure and a high level of expenditure for public works; weak social regulation and strong economic regulation. Finally, I assert that such welfare regime is being challenged by social and economic change at the present time.*

**Key Words:** *Welfare-State Regime, Japan, Welfare Orientalism*

### THE FORMATION OF THE WELFARE STATE IN KOREA AND THE END OF WELFARE ORIENTALISM

Under the Kim Dae Jung administration, which promoted the slogan of "productive welfare," Korea rapidly became a welfare state (Kim, 2001; Song, 2003; Lee, 2004). A reform of public assistance was carried out and the National Basic Livelihood Security (NBLIS) Act was passed. As a result, the number of people eligible to receive assistance rapidly expanded. Reforms of social insurance also made progress. The National Pension insurance was expanded to cover all citizens and thus universal pension scheme was realized. Furthermore, medical insurances were integrated into one scheme and the solidarity element — redistribution — of social insurance was strengthened. Industrial Accident Compensation Insurance and Employment Insurance were also greatly strengthened. As a result of these reforms of the various systems, a rapid increase in social expenditure was seen and it is said that the Korean welfare state is currently in the middle of an "ultra-fast

\*This paper is based on the original manuscript submitted to International Seminar on "Sociology in East Asia: Issues and Prospects for the Future", held on December 12-13, 2003, organized by the Korea Sociological Association.

expansion" (Lee, 2004).

The "Korean welfare state dispute" was fought over the current state of these social policies in Korea. At one end of the spectrum are the people who assert that at the end of the 1990s Korea rapidly became a welfare state and strengthened state responsibility in the adverse circumstances of the IMF crisis, and at the other end of the spectrum are the people who assert that Kim Dae Jung's "productive welfare" is a part of the neo-liberal reforms conforming to the IMF scenario and cannot be said to be an expansion of state responsibility. Both views have some merit, but it cannot be denied that Korean social policies are completely different now compared to ten years ago. This transformation was largely due to the political posture of the Kim Dae Jung government and the trend toward democratization which gave birth to this government, but it cannot be denied that there were also objective factors in the background encouraging the formation of a welfare state, such as economic development and the aging of the population, etc.

Formation of a welfare state in Korea in this way has an important meaning with respect to comparative studies on the welfare state at least in two aspects. The first is with respect to international comparative studies in general terms and the second is with respect to Japan-Korea comparative studies. Of course these two are related.

Looking at Japan-Korea comparative studies, it can be seen that trends in the approach of the Government of Korea at the end of the 1990s contrast with trends in the approach of the Government of Japan in the same period. With global capitalism on the offensive in the 1990s, Japan's economic policies failed to adapt to the demands of global capitalism ("lost decade") and social policies exemplified general principles concerning globalization and the welfare state ("race to the bottom"). On the contrary, Korea adopted economic policies based on IMF's demands to adapt to globalization, and achieved success in a relatively short period of time ("early graduation from the IMF Program"). However, as stated above, it adopted social policies that deviated from the doctrines of neo-liberalism.

In many previous international comparisons, Japan and Korea were thought to be very similar countries. However, faced with the same situation — the pressure of global capitalism — the governments of the two countries exhibited very contrasting behavior. This evokes memories of the governments of the UK and France, separated only by the Straits of Dover, adopting contrasting prescriptions to confront the "crisis of the welfare state" at the beginning of the 1980s (Takegawa, 1999). Of course, both Japan and Korea are at a different stage of development of the welfare state, thus one should be beware of making too straight forward a comparison.

However, it must at least be recognized that the policy vectors of the two countries were opposed.<sup>1</sup>

The view that Japan and Korea are essentially the same has some influence in comparative welfare state studies because trends toward a certain type of orientalism are dominant. I call the trends toward orientalism in welfare sociology "welfare orientalism."<sup>2</sup> These trends are, firstly, the Swedocentric trend which sees Sweden as a model and all other countries as a deviation from it; secondly, the Eurocentric trend which carries out detailed studies of differences between the European countries and emphasizes the similarity of countries other than the European countries;<sup>3</sup> and thirdly, the ethnocentric trend which thinks of social phenomena seen in other countries as essential elements of the culture in that countries. As a result of this kind of welfare orientalism, the "Confucian welfare state," the "East Asian regime" and other similar types of welfare state are constructed. The experience of the formation of the welfare state in Korea at the end of the 1990s made the rejection of this kind of welfare orientalism imminent.

It is no overstatement to say that concerning the defining features of Japan's welfare state Esping-Anderson's paradigm (1990) has been influential. The question of which welfare (state) regime Japan belongs to — social democratic, conservative or liberal — is being asked and the dispute over the answer to the question is growing (Uzuhashi, 1997). Esping-Andersen (1990) himself positioned Japan as a type of conservative regime based on the value of the de-commodification score but recently he has asserted that Japan is a hybrid of the liberal and conservative regimes. Nobody thinks that Japan belongs to social democratic regime, but some people assert that Japan belongs to liberal regime.

The significance of the Esping-Andersen's regime theory is not that he formulates the indices of de-commodification and identifies three regimes based on them. The significance of it is that he positioned de-commodification as the most important characteristic of the welfare state when seen in its relationship to the capitalist system, moved away from the traditional

<sup>1</sup> The changes in Korea at the end of the 1990s were not only different to those in Japan; they were also different to those in other countries. Global capitalism in general put retrenchment pressure on social policies. When international organizations such as the IMF and the World Bank intervened, that pressure strengthened. On this point, Korea was an exception to globalism.

<sup>2</sup> The use of the phrase "Welfare Orientalism" was first adopted by Goodman, White and Kwon (1998) but that paper adopts a different approach from this one. Concerning my detailed analysis of Welfare Orientalism, see Takegawa (2003, 2005).

<sup>3</sup> In comparative welfare state studies, the Eurocentric approach is applied to the US. It is seen as a deviant from European model.

methodology which had a tendency to rely entirely on the utilization of cross-sectional macro data, and carried out analyses of comparative studies of the welfare state that went as far as analyses of the history and structure of Western European society. Consequently, the three regimes theory has no relationship to welfare orientalism as long as it is applied to Europe or the US. However, if it is mechanically applied to other countries, it will be affected by welfare orientalism.

Many studies on East Asian welfare regimes begin by asking which of the three regimes Japan and Korea belong to. However, it is not the correct way to apply the welfare regimes theory. This approach contains many theoretical problems. Japan's social insurance system was built based on the German model, thus Japan's system is a system similar to the conservative regime, and since the Korea social security system was built with reference to the Japanese system, the Japanese and Korean systems are also similar. However, this superficial similarity can be explained by diffusion and cannot be inherently explained by the social structure of each country. This is because the infrastructure of social policies, for example, industrial relations, the labor market, corporate governance, political structure, etc. is completely different in each of these countries. What must be done first is to analyze the welfare state in the context of the structure and history of the society in which it is placed. This is the correct way to apply the welfare regimes theory. If we make this our starting point, we must conclude that the question of which of the three regimes Japan belongs to is a false question.

#### DEFINITION OF THE WELFARE STATE

The objective of this paper is to move away from welfare orientalism and define the characteristics of Japan's welfare state regime. Before studying this issue in detail, however, it is necessary to clarify the definition of the term "welfare state." Because social phenomena have unlimitedly diverse aspects, if the subject is not clearly stipulated, there is a possibility of ending up with arbitrary classifications, and if this happens, it is difficult to identify characteristics that distinguish Japan's welfare state regime from others.

The term "welfare state" is often used in everyday conversation. In such cases, it has the meaning of "a state that is aware of its responsibility for the welfare of the people and is making efforts to meet that responsibility." This understanding of the term is not mistaken, but this definition is insufficient from the perspective of sociological investigation. It is necessary to theoretically refine the definition to some extent.

In the history of sociological thought on welfare, the following three approaches to understanding the subject of the specialized term “welfare state” have existed within social sciences to date:

- Welfare State as National Goal
- Welfare State as Provider
- Welfare State as Regulator

Of these three, national goal is the normative concept of welfare state, and the welfare state as provider and the welfare state as regulator are analytical concepts. These usages correspond to the three aspects of welfare state.

#### *Welfare State as National Goal*

As can be imagined from the fact that the origin of the term “welfare state” was a description of the national goal of the UK as it confronted the authoritarian state of Nazi Germany, the concept of “welfare state” originally started out as a normative concept. For this reason, even when the term “welfare state” is used separately from the historically unique context of the UK, this normative element remains. The work of justifying “welfare state” remains one of the most important issues in social philosophy to this day.<sup>4</sup>

Nonetheless welfare state studies that place the focus on the relationship with the welfare state as national goal do not only belong to the sphere of normative theories. They also belong to the sphere of empirical studies. That is the sphere of welfare politics which develops by linking the values and norms assumed by the welfare state to the interests of actually existing social groups and organizations. This is also the subject of comparative welfare state studies. Hence, the constellation of political ideology and political power becomes the topic of investigation.

#### *Welfare State as Provider*

The welfare state, which initially was born as the national goal of the UK, brought forth a variety of social policies after the Second World War including Beveridge's social security and Bevan's socialized health care. However, these policies also were not phenomena specific to the UK; they were uni-

<sup>4</sup> In order to avoid moving too far away from the topic of this paper I will not discuss this issue in detail, but the values and norms of the welfare state can be concentrated in *solidarity and recognition* (Takegawa, 2000). The former primarily takes the form of the system of welfare state as provider described later in this paper. The latter takes the form of the system of welfare state as regulator.

versal phenomena seen in all the countries of Europe. In this way, the welfare state as an actually existing system was a state that provided various social benefits to the people. Welfare State as Provider had the effect of redistributing income. After this, the following concerns began to be expressed about the system of the welfare state as provider. What kinds of benefits is the welfare state providing? What scale of redistribution is the welfare state carrying out? And what is the nature of the redistribution carried out by the welfare state?

In the previous studies, comparisons of the social security system have dealt with the first question. In the case of Japan, it was necessary to study the social security systems of the developed countries in the process of forming the welfare state so that there were many attempts to introduce the various social policy systems of the developed countries of Europe and the US among not only government administrators but also legal scholars, political scientists, economists, and sociologists.<sup>5</sup> Quantitative political science and political sociology studies since Wilensky (1975) have dealt with the second question. The size of social expenditure was made the dependent variable and attempts were made to find an independent variable with a strong explanatory power. The theory of types of welfare state since Esping-Andersen (1990) has dealt with the third question. Under the capitalist system established on the assumption of the commodification of labor, the question of the extent to which the de-commodification of labor is advanced in the welfare state through the redistribution becomes an object of research.

#### *Welfare State as Regulator*

The welfare state uses a variety of regulatory activities as a method to realize its values and norms. Regulation means that legitimate authority prohibits or restricts certain actions of organizations or individuals. As may be deduced from the fact that one of the first laws in the social policy field was the Factory Law, social policy regulation has a long history. However, in the history of comparative welfare state studies, interest in the welfare state as regulator has not necessarily always occupied a fair position, with the exception of the introduction of the various labor legislations. The reason for this is that unlike social benefits, which can be denominated in monetary terms, social regulation cannot easily be put into operation, Calization difficult to be it the subject of quantitative sociological comparative studies.

Intervention in the labor market and in industrial relations is the tradi-

<sup>5</sup> The National Institute of Population and Social Security Research in Japan has completed many studies of this kind.

tional form of social policy. As it is necessary to ensure a stable labor market, all the capitalist states carry out this form of social regulation. However, these days, regulations not only for working hours and wages but also concerning the equalization of employment opportunities are essential, because such regulations are the assumption of the *recognition* of social minorities. Also, intervention in the family (for example, domestic violence, abuse of children or the elderly, etc.) has come to be acknowledged as a social policy of the welfare state, and comparative studies in this field should be advanced further.

Studies concerning the regulatory state can complement the knowledge of comparative studies of the provider state. This is because welfare states that are excellent providers are not necessarily excellent regulators. For example, under the conservative regime the level of social expenditure is high, but the gender equity with respect to employment opportunities is not necessarily advanced. Conversely, even if the welfare state is a poor provider, it is possible for it to be excellent as a regulator. For example, although the level of social expenditure in the US is not high, its social regulation is advanced.

Social benefits are a *positive sanction* in the sense that they confer a direct benefit on the people who receive the benefits, whereas social regulation is a *negative sanction* in the sense that it directly imposes a liability on the people subject to regulations. The welfare state aims to realize values and norms (solidarity and recognition) through these two methods. So, where is the *performance* of the welfare state sought?

The performance of the welfare state must be considered in relation to an environment which impedes the realization of the values and norms (solidarity and recognition) of the welfare state. As implied by the study by Esping-Andersen (1990), the first environment for the welfare state is the *capitalist system*. Here the point of interest is the extent to which the commodified labor market is to be de-commodified. There is no need to dwell on this point. As implied in the feminist criticism of Esping-Andersen (1990), *patriarchy* is also part of the environment of the welfare state (Sainsbury, 1994). Patriarchy hampers solidarity and recognition. The existence of patriarchy is made possible by the reproduction of gendered social relations. The welfare state assumed the male breadwinner model at the time of its establishment in the middle of the 20<sup>th</sup> century. For this reason, the social policies of the welfare state could function by gendering social relations, but, on the other hand, it was also possible to de-gender these policies by making the tax system and social security apply to individuals and equalizing opportunities in the labor market. It is necessary to evaluate the performance of the welfare state from a number of angles in this way.

Using these three concepts of the welfare state instead of Esping-Andersen's three world theory, we can understand Japan's welfare-state better. Building on the work above, if the characteristics of Japan's welfare-state regime are presented in advance, they look like the following.

- Welfare State as National Goal  
→ Welfare politics → weakness of social democracy and strength of the state bureaucracy
- Welfare State as Provider  
→ Redistribution structure → low level of social expenditure and high level of public works
- Welfare State as Regulator  
→ Regulatory structure → weakness of social regulation and strength of economic regulation

#### DE-POLITICIZED WELFARE POLITICS: THE WEAKNESS OF SOCIAL DEMOCRACY AND THE STRENGTH OF THE STATE BUREAUCRACY

The labor movement and social democratic political parties played a large role in the formation of the welfare state in the European countries. Of course conservatives and liberals have sometimes played a certain role too, but it has been limited compared to that of the labor movement and social democratic political parties. One cannot even imagine a social democratic party in the anti-welfare state, but one can imagine a conservative party in the anti-welfare state. It is known that in general there is an inverse relationship between the proportion of seats occupied in parliament by conservative parties and the size of social expenditure.

A labor movement and social democratic forces exist in Japan, too. However the role that they played in the formation of the welfare state was extremely limited. This is one of the characteristics of Japan's welfare politics.

Firstly, Japan's social democratic forces have only very rarely been in power in the post-war period. In many countries in Europe, the government administrations have frequently changed from conservative parties to social democratic parties and back again and the social democratic parties have been in power for a relatively long period of time. However, in Japan's case, in the 50 years of the second half of the 20<sup>th</sup> century, social democrats have only made up a part of the Cabinet for a total of three or four years. Furthermore, most of the periods in office by social democrats lasted less than one year. This being the case, even if the social democratic forces had

desired to form a welfare state, it would have been difficult for them to realize one.

Secondly, Japan's social democratic forces did not place importance on enhancing social policies within their policy framework. Within the Cold War structure, security issues were the focus of confrontations between the ruling and opposition parties. These issues included whether to maintain the alliance with the US and whether the existence of the Self-Defense Forces was acceptable.<sup>6</sup> Social security issues such as the pension and health care, etc. took a back seat to security issues. Japan's social democratic forces tended to downplay the "welfare state" political symbol because they thought that it would mislead the people. Rather, up until the beginning of the 1970s it was the conservative parties<sup>7</sup> that used this symbol in order to oppose communism. Far from supporting the introduction of the welfare state, there were even times when the labor movement and the social democratic parties launched campaigns to oppose social security systems that the government was trying to introduce.

Thirdly, it was the state bureaucracy that promoted the formation of Japan's welfare state instead of the weak social democratic forces. In a sense, Japan's state bureaucracy has played a role of quasi-social democracy. There are a number of epoch-making years in the process of the formation of Japan's welfare state, including universal medical care and pension in 1961, the first year of welfare in 1973, the basic pension in 1985, the enactment of the Long-Term Care Insurance Law in 1997, etc. However, all of these reforms were realized under the leadership of the state bureaucracy and the role of the social democratic forces in the process of their establishment was limited.<sup>8</sup> In the same way, the state bureaucracy played a large role in reforms concerning labor-related legislation.

The Conservative Party, which monopolized power for a long period, showed its acceptance of this virtual social democracy practiced by the state

<sup>6</sup> The Constitution of Japan states that "land, sea, and air forces, as well as other war potential, will never be maintained."

<sup>7</sup> In Japan, the Liberal Democratic Party has been the ruling party for long period. In this paper I call this party as conservative party, because its political orientation is not liberal but conservative.

<sup>8</sup> However, in the background of the first year of welfare in 1973 were the so-called reformist authorities — local authorities controlled by leaders put in place by the Socialist Party of Japan and the Japanese Communist Party — who put pressure on the central government to carry out social security reforms. In that sense, the social democratic forces certainly played a role. Even in this case, it was not that the state bureaucracy bowed to the pressure of the reformist authorities and reluctantly promoted reforms; rather, it can be said that the state bureaucracy used the pressure of the reformist authorities to realize its own objectives.

bureaucracy. The Japanese conservative parties reacted sensitively to security issues and issues that hurt nationalist and patriotic sentiment but they were generally unconcerned by policy formulation by the state bureaucracy with respect to other issues. They were not so much concerned with policy itself as with the interests accruing from the policy implementation process. Therefore, as long as social policy was positioned within a framework for a mechanism to distribute its interests, the conservative parties had little reason to oppose it.

In this way, Japan's welfare state was *de facto* formed by the state bureaucracy with the acceptance of the conservative parties and, on the other hand, although the social democratic forces made the mistake of opposing the enhancement of social security on occasion, given the political concepts on which they were founded, they had to support the welfare state in the end. For this reason, the "welfare" as a political symbol is accepted across the political spectrum in Japan. Conservatives in the US and the UK staunchly argue against welfare. The argument concerning the dependent class and the underclass is a manifestation of this debate. In Japan, however, conservative politicians also advocate welfare when fighting elections. This is especially true of local authorities. In the first half of the 1980s, the rhetoric of Japanese-style welfare society theory appeared in Japan's welfare politics. This can be considered as be the Japanese version of neoconservative phrases such as Reaganomics and Thatcherism. However, there is one decisive difference between the two. That difference, as indicated by Shinkawa (1993), is that in Japan the anti-welfare content is discussed in pro-welfare terms.

As a result of all of these facts, welfare politics in Japan tends to become less visible. Of course a conflict of interests concerning social policies exists in Japan, too. The opposition between labor and capital concerning the proportion of the social insurance contribution that each should pay and the opposition between doctors and health insurance societies over medical fee are the most prominent. Moreover, many conflicts of interest are brought into the state bureaucracy. The opposition between the Ministry of Finance and the Ministry of Health, Labour and Welfare over social security is a typical example. For this reason, a kind of virtual welfare politics is carried out within the state bureaucracy. However, this leads to welfare politics that are becoming more submerged. This is because most conflicts of interest are sorted out within the state bureaucracy and rarely are presented clearly to the people.<sup>9</sup> Therefore, conflicts of interest over social policies never devel-

<sup>9</sup> In the pension reforms in 2004, divergence from this traditional pattern was seen. Pension

op into political disputes. In Germany and France, general strikes are held to protest government retrenchment policies in the field of social security but in Japan's case, such strikes rarely occur. If there is a large-scale public political conflict, it is not about social security but about national security. If I may state without fear of being misunderstood, in Japan, welfare politics have been de-politicized.

#### THE SPELL OF THE NATIONAL BURDEN: THE LOW LEVEL OF SOCIAL EXPENDITURE AND THE HIGH LEVEL OF EXPENDITURE FOR PUBLIC WORKS

The level of social expenditure in Japan is relatively low among the OECD countries. Table 1 shows gross social expenditure as a percentage of the GDP in the major countries. From this table it can be seen that Japan is at about the same level as the US (liberal regime) and at a considerably lower level than Sweden (social democratic regime) and Germany (conservative regime). It is known that in general the aging of a population is a factor causing an increase in social expenditure, and since the level of aging in Japan is low compared to these countries, it is possible that the low level of social expenditure in Japan is being overrated. However, even if the level of aging is controlled, it remains true that Japan has a low level of social expenditure compared to these countries.

This is a puzzle. Why is the level of social expenditure low in spite of the

**TABLE 1. SOCIAL EXPENDITURE AS A PERCENTAGE OF GDP (1997)** %

	Japan	Germany	Sweden	UK	US
Gross public social expenditure	15.1	29.2	35.7	23.8	15.8
Net total social expenditure	15.7	28.8	30.6	24.6	23.4

Source: Willem Adema, "Net Social Expenditure — 2nd Edition (Labour Market and Social Policy Occasional Paper No. 52)" submitted to the Employment, Labour and Social Affairs Committee of the OECD, August 2001, extract from Table 7.

reform was one of the issues disputed in the 2003 general election. Nonetheless, this does not mean that detailed policy debates were carried out; the subject of pension reform was simply mentioned in general terms. In November 2003, the Ministry of Finance and the Ministry of Economy, Trade and Industry publicly opposed the reform plan of the Ministry of Health, Labour and Welfare, meaning that dissension within the state bureaucracy was presented clearly to the people. However, even in this case, it was largely a dispute about conditions within the framework established by the Ministry of Health, Labour and Welfare. It will be necessary to watch future developments carefully to determine whether this incident will mark the beginning of a change in Japan's welfare politics.

fact that the “welfare” political symbol has been accepted by the whole population of Japan to such an extent that welfare politics have been “de-politicized”? One of the keys to solving this puzzle is the politics of the “national burden.”

In Japan the national burden is expressed in terms of just one index: *the national burden ratio*. This figure is obtained by dividing the sum of the tax payment and the social security contributions by national income. The theoretical basis for this index is poor and it is not acceptable by international standards, but within Japan it is used extremely often. Since the beginning of the 1980s, successive governments have made curbing the national burden ratio one of their fundamental policy goals. Furthermore, the opposition parties have also supported this policy. A large section of the mass media critical of the government has also supported it. The phrase “welfare rollback” is not permitted to exist within Japan’s welfare politics, but the debate is structured in such a way that the phrase “alleviation of the national burden” can act as a *de facto* substitute for it.

Already, many people have pointed out that Japan’s social expenditure is relatively low. However, just understanding this point is not the same as having an accurate grasp of the characteristics of the welfare state as provider. This is because even if total social expenditure is low, it does not necessarily mean that expenditure is low on average for each item of expenditure. Looked at in terms of international comparisons, Japan’s social expenditure varies considerably between each item. I will discuss this point briefly.

The level of universal benefits such as pensions, medical care, etc. is relatively high in Japan. The income replacement rate of the public pension looked at in terms of international comparisons is not necessarily low. It is lower than Sweden’s replacement rate, but on the other hand is actually higher than replacement rates in Germany and the UK. Also, total expenditure on the pension is relatively high (in other words, the pension accounts for a remarkably high percentage of total social security expenditure). If the system matures even further due to the aging of society, it is certain that pension benefits will increase even more.

The level of national medical care expenditure in Japan along with the UK is low among the OECD countries, but the level of health of the people of Japan is by no means low. Inputs may be small but outcomes are big. The traditional social indicators concerning health, for example, the life expectancy at birth and the infant mortality rate, are the best or the second-best in the world. Japan’s “actual life expectancy,” which has been gaining a lot of notice in recent years, is by no means short either.

**TABLE 2.** INTERNATIONAL COMPARISON OF SOCIAL SECURITY EXPENDITURE BY FUNCTIONAL CATEGORY AS A PERCENTAGE OF NATIONAL INCOME (%)

	Old age	Survivors	Invalidity benefits	Employment injury	Sickness health	Family and benefits	Unemployment	Housing	Social assistance and others	Total
Japan(1996)	7.43	1.39	0.44	0.28	6.46	0.49	0.57	0.03	0.36	17.46
USA(1995)		6.92	0.68	0.68	4.34	–	0.34	0.44	3.04	16.43
Germany(1996)	11.39	3.68	2.08	0.61	11.12	3.40	3.36	0.23	1.82	37.68
Sweden(1996)	16.03	1.10		5.26	9.68	4.68	4.51	1.39	1.38	44.00

Source: The Cost of Social Security in Japan, The National Institute of Population and Social Security Research (<http://www.ipss.go.jp/ss-cost/e/cost02/6e/No6e.htm>, May 3, 2005)

The fact that the level of pensions and medical care is not so poor even though total social expenditure is relatively low means that other benefits are feeling the strain. This point can be confirmed in Table 2, which shows an international comparison of social security expenditure by functional category. Since the low figures for “Unemployment” in this table can to some extent be explained by a low unemployment rate (because there is little necessity for benefits), it cannot be concluded that the level of unemployment-related benefits is low. However the disparities in the “Invalidity benefits” and “Employment injury,” “Family benefits,” “Housing” and “Social assistance” columns are undeniable. Of these, “Family benefits” and “Housing” are the result of flaws in the system. The former is due to an inadequate family allowance (child benefit) and the latter due to the lack of a housing benefit (rent allowance scheme). The low level of “Invalidity benefits,” “Employment injury” and “Social assistance” means that benefits for special needs and selective benefits are being neglected as a result of the priority being given to universal benefits.

The uneven development between different categories of social expenditure shown above is only half of the story regarding the welfare state as provider in Japan. The other half is the fact that spending on public works is extremely high. The ratio of “general government public capital formation” (IG) to GDP, said to be an indicator of the size of spending on public works, is by far higher in Japan than in other OECD countries (as shown in table 3). It is also higher in Korea than in the European countries or the US, and the inclination to spend money on public works can be said to be common to Japan and Korea but Japan has an even higher rate than Korea.<sup>10</sup> As a result

<sup>10</sup> In recent years Japan's spending for public works have been declining and in 2000 the rate in Korea was higher than in Japan.

TABLE 3. THE RATIO OF IG TO GDP

(%)

Japan	1998	6.2
US	1997	1.9
UK	1996	1.4
Germany	1997	2
France	1997	2.8

Source: Ministry of Finance, Japan

([http://www.keizai-shimon.go.jp/minutes/2001/0418/item5\\_3.pdf](http://www.keizai-shimon.go.jp/minutes/2001/0418/item5_3.pdf), December 18 2005)

of public works by the government, the percentage of the total work force working in the construction industry was higher than in other countries.

This large amount of spending on public works is effective as a factor in bringing down social expenditure under certain conditions.

Firstly, public works have a positive effect on employment creation so that to some extent they can prevent unemployment and poverty. Some economists estimate that Japan's construction labor market is carrying a redundant labor force of a million workers, but this fact also tells us how much unemployment the construction labor market is absorbing. This means that a large amount of public expenditure on employment insurance and public assistance is being saved.

Nonetheless, workers participating in the construction industry constitute only about 10% of the total work force and the majority of them are men. Therefore, the ability of public works to directly reduce social expenditure is limited. However, when a second condition — the sexual division of labor — is added to the mix, the ripple effect is huge. When the male breadwinner model is dominant, securing employment for men means preventing not only male poverty and unemployment but also female poverty and unemployment. Furthermore, full employment of male workers leads to the stable supply of unpaid domestic labor which leads to savings on social benefits related to care (functional social security categories such as "Invalidity benefits" and "Family benefits," etc.). In fact, for a long time the Japanese family took the form of a modern patriarchy. There is no room for doubt about this (Osawa, 1993). It is certain that a mechanism that reduced social expenditure through public works was effective (Okazawa and Miyamoto, 1997).

In Japan's case, a policy framework giving priority to public works was established before the welfare state. The formation of the welfare state as provider took place in 1973 and social expenditure in Japan began to increase rapidly from this year onward. However, in the preceding era of

high economic growth there had been calls for the enhancement of infrastructure in order to correct the social imbalance that was appearing as a result of rapid industrialization and urbanization, and by the beginning of the 1960s, importance was being placed on public works in the economic plans and national land plans formulated by the government. Furthermore, public works were allocated to each region in the name of eliminating the dual structure of Japan's economy and promoting the development of underdeveloped regions. As a result, the allocation of public works became an important task for politicians and because this allocation became linked to vote-gathering at elections, public works became an indispensable element of Japan's political structure.<sup>11</sup> Japan's welfare state had to be formed predicated on this framework.

This conferred one more characteristic on the redistribution structure of Japan's welfare state, namely, that priority is given to horizontal redistribution rather than vertical redistribution, or, in other words, to redistribution between regions rather than between social classes. That means that Japan, rather than provide social benefits to low income strata of society, tried to achieve the same effect by carrying out public works in underdeveloped regions.<sup>12</sup> In Japan, this mechanism was very effective.

Let us sum up. Japan's social expenditure is low compared to the other OECD countries. This does not result from low levels of universal benefits such as pensions or medical care, etc.; it is a result of the low levels of other kinds of benefits. The large amount of spending on public works leads to the existence of gendered families and in this way produces a low level of non-universal benefits (uneven development of the structure of social expenditure) and gives rise to a relatively low level of social expenditure. The fact that priority is given to redistribution between regions through public works rather than to redistribution between social classes through social benefits is another reason why social expenditure is relatively low.

<sup>11</sup> The normal division of responsibilities between the political party and the bureaucracy — in which politicians are responsible for the general policy direction and the bureaucracy is responsible for working out the details — was reversed. The state bureaucracy decided the overall framework of public works, but the allocation of each project was decided by political parties, meaning that the bureaucracy was responsible for the general policy direction but politicians were responsible for working out the details. In this way, bureaucrats conducted politics (decided policies) and politicians carried out administration (allocated projects).

<sup>12</sup> Tax system also contributed to redistribution of wealth between regions.

## THE PARADOX OF THE CONVOY SYSTEM: THE STRENGTH OF ECONOMIC REGULATION AND THE WEAKNESS OF SOCIAL REGULATION

The work of defining the characteristics of the welfare state as regulator has not made sufficient progress within comparative welfare state studies to date, but we can get pointers concerning economic regulation from modern capitalist theory. Theories have been advanced about organized capitalism, state-monopoly capitalism, the mixed economy system, etc., and what these kinds of theories all have in common is that they indicate that 20<sup>th</sup> century capitalism, unlike 19<sup>th</sup> century capitalism, is founded on the assumption of various forms of state intervention.

To date, modern capitalist theories were often presented as stage theories of capitalism but in recent years the trend is for modern capitalist theories to be developed in terms of theories of types rather than in terms of stage theories. For example, Albert (1991) classifies capitalism into Anglo-Saxon and Rhine types and indicates that under the former approach market mechanisms are applied more widely and intervention by the government is stronger than under the latter approach. This is a typical example of understanding capitalism in terms of types. In addition, distinctions have been made between the "liberal market economy" and the "coordinated market economy" (Hall and Soskice, 2001), and between "liberal capitalism" and "non-liberal capitalism" (Streeck and Yamamura, 2001).

All of these theories of types of capitalism attribute the same characteristics to Japan's capitalism. According to these theories, Japan's capitalism, along with Germany's, is the polar opposite of that in the US, and it is generally stated that Japan's capitalism is the type of capitalism which features strong regulation by government. Some people assert that Japan is a liberal welfare state, the same as in the US, but nobody says that Japan's capitalism is the liberal type seen in the US. To that extent there is an established theory concerning the strength of economic regulation by the government of Japan.

In Japan's case, state intervention in an area of the economy appeared firstly in the form of protection and nurturing of high-growth sectors. The government of Japan has followed a policy of wide-ranging economic intervention, including not only regulatory measures but also benefit measures in order to give preferential treatment to and expand highly productive sectors with the potential to strengthen their international competitiveness. The metaphor "Japan Inc." has been used to describe this method of intervention. The head office — in other words, the Ministry of International Trade

and Industry — oversees the branch offices, in other words, each company in Japan, based on the economic strategy of prioritized allocation of funds to the most promising sectors. What was considered promising varied depending on the historical period. It might be the coal industry or it might be the steel industry. Or, it might be the automobile industry or the computer industry. However, the government policy of concentrated investment in vital industries remained unchanged.

This does not mean that the government of Japan abandoned low-growth sectors. On the contrary, the opposite is the truth. The government of Japan did not only protect and nurture high-growth sectors, but it also provided considerable protection and assistance to low-growth sectors with poor competitiveness (for example, agriculture and the distribution industry, etc.). The “convoy system” is a typical expression of this method of state intervention. This approach directly originated from banking supervision carried out using the weakest bank as the standard so that no bank would go bankrupt, but it was applied not only to the banking industry, but was applied to every industry in the Japanese economy.

Under Sweden's active labor market policies, sectors with low productivity were reorganized and redundant labor was absorbed into sectors with high productivity in order to develop a more advanced industrial structure, but in Japan's case this did not happen. This is because in Japan sectors with low productivity were also protected, and they continued to exist and generate a certain amount of employment even after they were no longer competitive. Both Japan and Sweden are known as countries with low unemployment rates but their methods of achieving them were exactly opposite.

Because of this security of employment, employees came to work for a long time in the same company. As a result, employers provided them a wide range of employee benefit plans. Especially lump sum retirement allowances and company housing were important in terms of the size and its functions. Occupational welfare schemes substituted for social expenditure.

The distinctive characteristic of Japan's regulatory approach is that social regulation, in contrast to the strength of economic regulation, is not necessarily strong.

Dismissal of workers by employers is relatively strongly regulated so that once a worker has acquired regular employment the risk of unemployment is small.<sup>13</sup> However, the fact is that in Japan regulations to equalize employ-

<sup>13</sup> One more exception is the Land and House Lease Law. The security of tenure of the tenant is relatively strongly protected. However, this should be thought of in light of the lack of a housing benefit.

ment opportunities in the labor market are generally weak. Employment discrimination for reasons of ascription (for example, sex, age, ethnicity, etc.) has been neglected in Japan for many years. As a part of the process of ratifying the United Nations Convention on the Elimination of All Forms of Discrimination against Women, the Equal Employment Opportunity Law was enacted, but gender discrimination in recruiting, hiring, deployment and promotion was not finally prohibited until amendment of the law in 1997. Before that, these forms of discrimination were neglected. Concerning discrimination based on age, the fact is that in general this is essentially not even recognized as discrimination partly due to the effect of social norms that evaluate people based on age. Sufficient regulatory measures concerning employment opportunities for social minorities have not been taken, and the UN has recommended that Japan make improvements in this area.

The situation is the same for social regulation of the lives of the people. Urban planning is not functioning sufficiently and issues are arising with respect to land and housing. Regulations on the use of land are insufficient, and the cities of Japan are failing to achieve proper zoning. No legal measures have been taken to prohibit age discrimination or discrimination against foreigners with respect to rental accommodation. Regulations concerning domestic violence are also insufficient. Measures against abuse of children and the elderly are also inadequate. The idea of prohibiting discrimination against persons with disabilities is not generally accepted. As a result of all these facts, the social *laissez-faire* situation appears in Japan even though strong economic regulations are in place.

Japan seems to be a regulatory state in contrast with the situation in the US. Certainly the US is a country with weak regulation. However, that is true only for economic regulation; social regulation is quite strong. Equal employment opportunity (EEO) laws have been developed and there are very thorough laws in place prohibiting employment discrimination. The same is true of social regulation of the lives of the people. More spheres of people's lives are left to market forces than in other countries, but the spheres that are not left to market forces are strongly regulated.

As I indicated in the previous section, the large amount of spending on public works is one cause of the low social expenditure in Japan, but because public works are managed politically and administratively, they can also cause economic regulation to be strong. More accurately, the large number of public works and the strength of economic regulation should be seen as two forms of state intervention of a strong state bureaucracy. Part of the reason for full employment can be sought in the strength of this economic regulation but, by leading to gendered families, in some cases it prob-

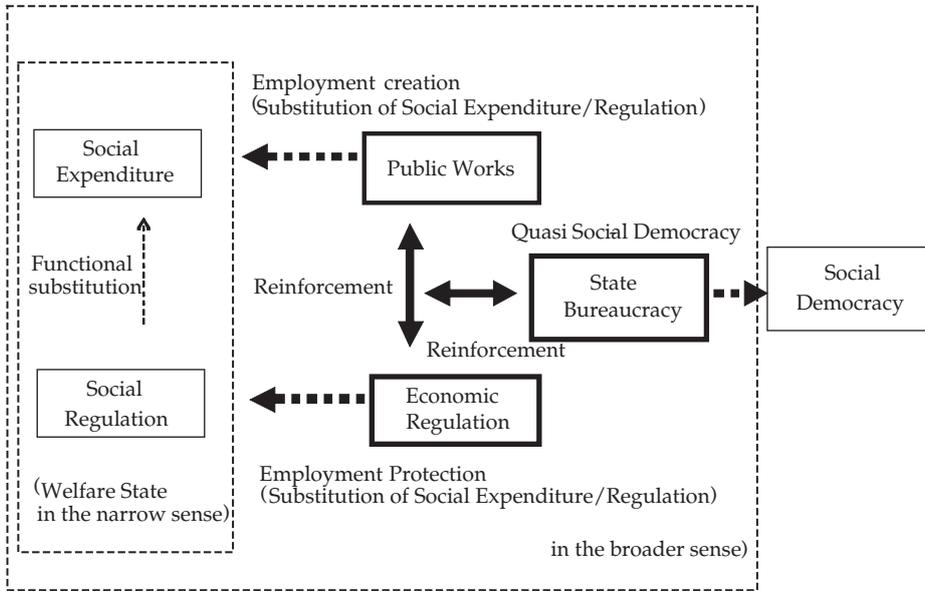


FIGURE 1. JAPAN'S WELFARE STATE REGIME

ably leads to replacement of social regulation and the delayed development of social regulation.<sup>14</sup>

JAPAN'S REGIME IN TRANSITION

Orientalist approach tends to consider that Japan and Korea belong to the same welfare state regime. However, the social and economic policy orientations of both governments were completely opposite in the late 1990s. Esping-Andersen's three-world approach tends to consider that the two countries must belong to Social Democratic, Conservative, Liberal or the hybrid. As previously stated, however, uncritical adoption of this theory has many theoretical problems. In order to get the exact picture of the welfare-state regime of Japan, I used another analytical framework of the welfare state that emphasized the three aspects of welfare state in this paper. As a result, I made clear the six characteristics of Japan's welfare state regime.

Now, at the beginning of the 21<sup>st</sup> century, Japan's welfare state regime is standing at a crossroads. This is because the various conditions that made the above characteristics of the regime possible are being challenged by the

<sup>14</sup> In the male breadwinner model the necessity for equal employment opportunities weakens.

following internal and external factors.

The first factor is globalization. The fourth quarter of the 20<sup>th</sup> century was the period in which globalization in the modern sense of the word began. In that context, the economic policies and social policies of each country in the world had to be adapted to US-led global capitalism (Mishra, 1999; Takegawa, 2003). As a result, the redistribution structure and regulatory structure of Japan's regime are facing pressure to change.

Firstly, the redistribution structure that gives preference to redistribution between regions rather than redistribution between social classes is becoming difficult to maintain in the face of pressure from global capitalism. The government, faced with the fear that capital will leave for overseas, must restore fiscal discipline. For this reason, the government will be forced to take measures to reduce not only social expenditure but also public works. This means that redistribution to underdeveloped regions through public works will become more difficult.

Secondly, it is becoming difficult to maintain the former strong economic regulation in the face of pressure from global capitalism. "Japan Inc."-style protection policies for growth industries soon attract international criticism. There are constant calls from overseas for the abolition of protection for low-productivity sectors on the grounds that such protection impedes free trade. Employment creation in its traditional form — redundant labor absorbed by protected inefficient sectors — is becoming difficult.<sup>15</sup> And it is becoming difficult for private companies to provide occupational welfare as well.

In any case, globalization has the potential to force the de-coupling of the bond between economic policy and social policy that has existed until now in Japan's regime.

The second factor is de-genderization. The replacement of social expenditure with public works was more effective because the patriarchy existed, but even in Japan the family structure which is predicated on a traditional sexual division of labor is changing, albeit gradually. When the male breadwinner model is no longer acceptable, it cannot be expected that the security of lives of women will be ensured by public works and the uneven development of the composition of social expenditure will have to be corrected.

<sup>15</sup> The social democratic regime aims to resolve the problem of the surplus labor force by expanding the public sector, the conservative regime by reducing labor force supply, and the liberal regime by expanding low-wage labor (Esping-Andersen, 1999). By contrast, in the case of Japan's regime, this problem has been handled through public works in underdeveloped regions and the protection for low-productivity sectors. However, globalization is making this difficult.

Demands for the strengthening of social regulation in the labor market will inevitably grow.

The third factor is that there are signs of change in the political structure. The political structure under which the state bureaucracy decided policy and the political parties distributed the interests was maintained by the strong growth of public works. Therefore, the suppression of public works could bring about changes in this political structure. As a result of the structure of electoral districts being changed from multi-seat electoral districts to single-seat electoral districts at the beginning of the 1990s, there has been a gradual convergence toward a two-party system. If this trend continues and changes of government begin to occur frequently, in future the relationship between the state bureaucracy and the political parties will have to change a lot. Moreover, because the doctrines of global capitalism are infiltrating the state bureaucracy, it will probably become difficult for it to play the role of a virtual social democrat as it did formerly. Due to these changes, de-politicized welfare may become politicized again in future.

It can be indicated that various signs of changes to the conditions that supported Japan's welfare state regime have started to appear. However, because at this point in time there is not nearly enough information available to predict whether a regime shift will occur, no strong conclusions can be drawn. Nonetheless, there is no doubt that Japan's welfare state regime is currently standing at a crossroads.

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