

Dynamics of the Japanese Welfare State in Comparative Perspective: Between 'Three Worlds' and the Developmental State

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Introduction

The recent development of welfare-state research has encouraged a proliferation of different comparative theoretical models of the welfare state. Esping-Andersen's welfare-state regime theory or the 'Three Worlds' mode has emerged as a theoretical threshold, while several other theories have been developed focusing on countries which were thought to lack proper placement in welfare regime theory (Esping-Andersen, 1990; Esping-Andersen, 1999). Discussion of an East-Asian welfare model has emerged in response to the rapid development of welfare states in East Asia, primarily in Japan, Korea, Taiwan, Hong Kong and Singapore (Goodman, White and Rogers, 1998).

A major concern driving this theoretical development is, however, not to build up static typologies that put different welfare states into suitable pigeonholes. Economic globalization and the coming of post-industrialized society have compelled welfare states to adjust to the new environment and as a result they are moving too quickly to be pinned down on static classification tables. An important concern shared by recent studies has been to clarify the dynamics of change in these East-Asian welfare-states. The most recent studies, including Paul Pierson's important work, have demonstrated that welfare states are unexpectedly durable in the face of change and that different welfare states go through different paths when forced by change (Pierson, 1994; Garret, 1998). Esping-Andersen exhibits three routes taken by welfare regimes in the era of globalization: the liberal route of liberal regimes; the labor reduction route of conservative regimes; and the Scandinavian route of social democratic regimes (Esping-Andersen, 1996).

Despite these developments in comparative welfare theory, the profile of the Japanese welfare state is still shrouded in vagueness. Neither welfare-state regime theory nor the East-Asian model allows the position of the Japanese welfare state to be easily fixed (Esping-Andersen, 2001). Likewise, recent policy developments

in the Japanese welfare state, including a partial expansion of welfare services, do not seem to proceed in the direction of any of Esping-Andersen's three routes of welfare-state development.

This paper aims to consider the reasons for this ambiguity, and then find a suitable position for the Japanese welfare state in comparative welfare-state theory. The first part of the paper briefly delineates the basic character of the Japanese welfare state. The second part overviews how the Japanese welfare state has been treated in the recent comparative welfare-state theories, and tries to find its place between the 'Three Worlds' Model and the East-Asian Model. The third part addresses recent changes in the Japanese welfare state and interprets the meanings of its dynamics from a comparative perspective.

1 The Japanese Welfare State: Uniquely Unique?

1-1 Some Uniquenesses of the Japanese Welfare State

The Japanese welfare state has been considered very unique because of the impressive contrast between its limited social expenditures on the one hand, and successfully restrained levels of the unemployment rate and the relative poverty rate on the other. The unemployment rate in Japan, lower than 3% until the early 90s, has been very close to that of Sweden. The low unemployment rate in Sweden could be easily explained by referring to the high expenditures of an active labour-market policy. However, in the case of Japan, social expenditure including expenditure for labour-market policy was the lowest of all OECD countries.

Moreover, taking look at the Gini coefficient for Japan, the difference between the figures before and after taxation is small, which indicates that the redistribution effect was restricted (Table 1 and .Figure 1). This fact

seems unsurprising considering the small size of the Japanese welfare state. It is worth noting, however, that as far as before the 90 is concerned the Gini coefficient in Japan is already relatively small at the pre-tax stage.

Considering the fact that the Japanese economic structure has been marked by industrial dualism of big enterprises and small and medium sized enterprises, the relatively small Gini coefficient at the pre-tax stage shows that not redistributive income policy but some other economic policy had worked in reducing the income gap that could possibly have been caused by industrial dualism. In other words, in the Japanese welfare state, some economic policies substituted for the functions of the 'ordinary' welfare state. There seems to be three pillars which constitute this substitution mechanism.

First, life-time employment in large-scale enterprises is the system most often referred to as the reason for the low unemployment rate in Japan. Additionally, so called family-wage as well as company fringe-benefits extended the benefits of the system of life-time employment for male bread-winners to their families.

Second, as life-time employment in large scale enterprise covered only about 20% of the labour force, protective regulation policy for small and medium scale enterprises was another mechanism that contributed to good employment performance in Japan. For workers in the construction industry, occupying almost 10% of the labour force, huge amount of public work investment provide employment security.

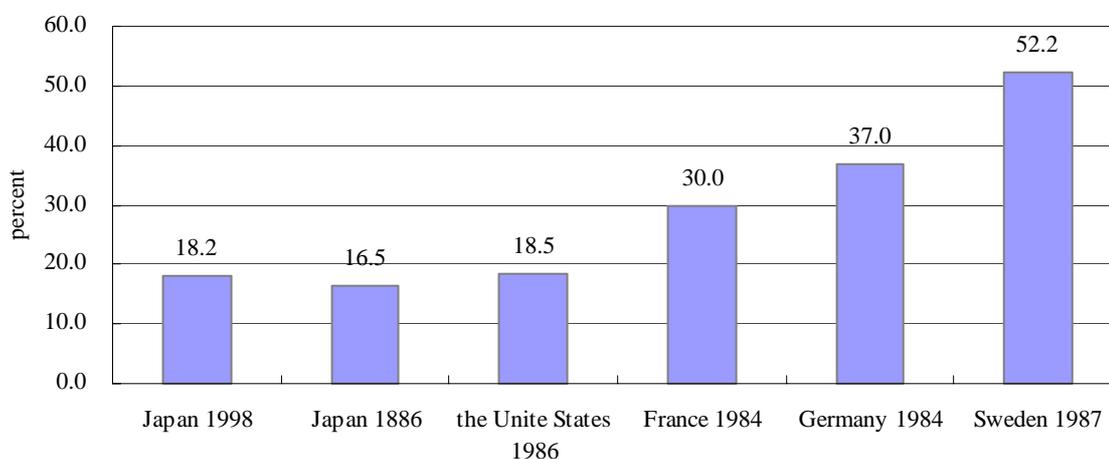
Third, the above mentioned employment systems could substitute for the welfare state because they are closely associated with Japanese familialism. Familialism in this context is not a historical tradition, but a politically-induced system. In exception to the trend among other advanced industrial societies, in Japan a large number of female workers withdrew from the labour market after WWII. The resulting exceptional increase in the number of full-time housewives occurred mainly because the employment and social security system favored male bread-winners. Retired female workers functionally played the role of care/service workers for children and elderly people in their families.

Table 1 Gini Coefficient before and after Redistribution in Japan

	Before Redistribution	After Redistribution
1984	0.3975	0.3426
1987	0.4049	0.3382
1990	0.4334	0.3643
1993	0.4394	0.3645
1996	0.4412	0.3606
1998	0.4720	0.3814

Source: Income redistribution report from MHWL, 1999

Figure 1 Comparison of Redistribution Effect



Source: Income redistribution report from MHWL, 1999

This substitution structure gave rise to perceptions that the Japanese welfare state had gone through an orbit entirely different to other welfare states. Interestingly, this perception crystallized into two different theories that politically opposed each other. In other words, the uniqueness of the Japanese welfare state came to be emphasized both by admirers and critics of the system.

In the admirers' or conservative camp, this perception was expressed through the theory of a 'Japanese-Style welfare society' (JSWS). JSWS theory emerged in the late '70s when the strength of the Japanese economy started gaining attention while Western welfare states faced serious crises (Harada, 1988; Jiminto, 1979). This theory was originally formulated by scholars around Prime-Minister Ohira, who served in office from 1978 to 1980 and was very interested in developing new strategies for his Liberal Democratic Party (LDP). Proponents of this theory insisted that Japan should not fall into the same rut of ruinous Western welfare states and rather that Japan's own hidden assets, like neighborhood and family bonds, should be more positively mobilized. This idea exerted strong influence on policy process in the early '70s, and materialized into government policy in the shape of the New Social and Economic Seven Years Plan that was adopted in 1979. In a later part of this paper we will return to a discussion of the influence of this idea on real policy processes.

In the camp of critics or leftists, the same perception of the distinct orbit of Japanese political economy developed into a theory of Japanese-style 'company-oriented society' (JSCS) (Watanabe, 1991). JSCS theory is, so to speak, a negative picture of JSWS theory. The substitution of the welfare state for the company and family welfare, which had been positively delineated by JSWS theory, was seen as disaster for Japanese society in JSCS theory. JSCS theorists insisted that company and family welfare cannot be the functional equivalent of the welfare state because in the former case welfare is not provided as universal right for every citizen. People need to be obedient to power-holders in companies and families in order to benefit from this system. People cannot leave their company and family if they do not want to lose income security. Therefore Japanese society has become an immobile society where many people feel caught in a stifling straitjacket and where gender bias is quite strong.

JSCS theory seems to draw a more realistic picture of the Japanese system than the optimistic JSWS theory. Indeed, JSWS theory has declined since the burst

of the bubble economy. However, JSCS theory is congruent with its political opponent, JSWS theory, in stressing the exceptionality of Japanese political economy and in insisting that Japan is not a welfare state in the ordinary sense.

Is Japanese political economy exceptional or uniquely unique? The recent theory of the comparative welfare-state responds to this question rather negatively, and insists that the developments of the Japanese welfare state can be explained in a comparative analytical model. At the same time, however, in attempting to locate the Japanese welfare state, it does find that the Japanese experience does deviate somewhat from other models.

1-2 The Japanese Welfare State and 'Three Worlds of Welfare Capitalism'

In his well known typology of welfare states, G. Esping-Andersen distinguishes between three different models of the contemporary welfare state: social democratic; liberal; and conservative. Each model developed under different political initiatives promoting different social sectors. The social-democratic model formed under the influence of the labour movement and aimed at expanding the public-sector to regulate market principles (Esping-Andersen, 1990; Esping-Andersen, 1999).

In the social democratic model, wage-earners could maintain relatively strong autonomy from market principles; Esping-Andersen calls this autonomy as decommodification. The social-security system is universal and stratification of income security is well restrained. In the social democratic model, women do not have to depend on family to access economic security; consequently, defamilialization is realized to a considerable extent.

In contrast, the liberal model has been pursued by liberal forces to maintain market principles as the major regulating principle for the whole of society. In this case, decommodification is restrained and income security tends to be stratified into a dualist structure that responds to center and peripheral parts of society separately. Defamilialization proceeds to the extent that market principles override familialism.

The conservative model is close to the social ideals of Christian-democratic politics which, under the subsidiary principle, places emphasis on the roles played by primary social groups such as families and local communities. Consequently, defamilialization is restrained. Due to fragmented income-security schemes based on labour

market positions, stratification is an important characteristic of this welfare model.

Attempts to classify the Japanese welfare state according to this typology have found it to have characteristics of the conservative model in terms of familism and fragmented social security schemes. However, compared to typical conservative welfare states such as Germany or the Netherlands, the size of social expenditure in Japan is obviously small and the resulting degree of decommodification is limited. Considering this deviance, Esping-Andersen identifies the Japanese welfare-state as a conservative model with some characteristics of liberal welfare-states (Esping-Andersen, 1999).

This definition of the Japanese welfare state clearly leads to some problems. First, to what extent is this kind of mixed attribution acceptable in the framework of welfare-state regime theory? Second, how could this definition of the Japanese welfare state explain the problem of its substitution structure?

Relating to the first problem, Esping-Andersen has started to pay more attention to this kind of mixed-case welfare-state model than previously. For example, the post-Thatcher UK basically exhibits liberal welfare-state characteristics. However, as far as minimum income security and some universal social-services like NHS are concerned, the UK still maintains traces of the social-democratic welfare state. This mixed character supposedly results from the historical power-balance between liberal forces and the relatively strong labour movement. The same kind of mixed influence of social-democratic and liberal forces can also be found in Australia and New Zealand (Esping-Andersen, 1999).

In the post-war era cases of the Netherlands and Austria, the prevailing Christian-democratic parties contended with relatively strong social-democratic parties for political hegemony. Therefore these countries show mixed attributes of the conservative and social-democratic models; although they qualitatively have characteristics of the conservative welfare-state in terms of strong stratification and familism, quantitatively they are close to the social-democratic model in terms of large social expenditures (Esping-Andersen, 1999).

Among these examples of mixed welfare state models, the Japanese welfare state does not seem to be very exceptional in having characteristics of the conservative welfare state along with some traits of liberal model. The social base of this mixed character could be found in what Pempel called the 'unlikely alliance' between busi-

ness and agriculture (Pempel, 1998: 63). In this anti-labour alliance, the Japanese business sector, albeit reluctantly, acknowledged governmental expenditures to protect local interests in order to enhance the legitimacy of the regime. However, compared to Western experiences of political alliance-formation, two specific aspects of the Japanese experiences are worth attention.

First, in the Japanese political system, it has been hard to identify any independent conservative or liberal party similar to that found in European political systems. What Pempel called business-agriculture alliance was, accurately, not an alliance between discrete political forces but an amalgamation of different interests. The two different interests were reconciled under the aegis of the Liberal Democratic Party (LDP) that has been hegemonic since WWII.

Second, looking back at the formation process of the Japanese welfare state, it was not political parties but the state bureaucracy that exerted strongest influence on welfare-policy development. The LDP acted more as an adjuster of different interests than the real driving forces behind the welfare-state formation. Until the early '70s when leftist parties gained political influence to threaten the stable conservative dominance, the LDP had no explicit or consistent welfare strategy of its own.

Turning to the second problem of the substitution structure in the Japanese welfare state, Esping-Andersen suggests that replacing some functions of the welfare state with the family and company is a common strategy for both conservative and liberal models; in liberal welfare states such as the US, company fringe-benefits play a decisive role complementing small state welfare (Esping-Andersen, 1990), and in the conservative welfare state, welfare provision through family ties is indispensable (Esping-Andersen, 1999). In the Japanese welfare state, however, the two substitution structures of the different welfare regimes, company welfare and family welfare, intimately connect with each other and substantially replace state welfare. Additionally, the mobilization of a broad range of economic policies substituting for the welfare state is still unique in comparison to Western welfare states. These deviances from the 'Three Worlds' model must be explained in more a consistent way.

To sum up, although it is not impossible to locate the Japanese welfare state in the 'Three Worlds' model, it exhibits some deviances from the model. To explain these deviances in more consistent way, introducing a temporal axis into comparative analysis is required. Welfare state

regime theory does not pay enough attention to the different starting points of welfare state development.

1-3 The Japanese Welfare State and the East Asian Model

Welfare state regime theory is basically constructed on the experiences of welfare state formation in Western industrialized countries. However, in the case of non-Western countries which started industrialization historically later than Western countries, different trajectories could be expected regarding the welfare state formation. • When it comes to arguments about East-Asian welfare states, too much stress has been put on cultural aspects such as Confucianism (Jones, 1993). White and Goodman criticize this kind of 'welfare state orientalism,' insisting that welfare systems in this region could be, or should be, explained in terms of the political and economic conditions required for achieving rapid development (White and Goodman, 1998).

First, East-Asian welfare states are without exception small welfare states in so far as social expenditure is concerned; governments have needed to spend more money on economic development than social welfare. Thus the small welfare state in East-Asian countries does not reflect the ideal of market principles pursued by liberal political forces in Western countries, but is a result of the priority put on economic development. In these countries, therefore, economic policy measures like public works investment and regulation policy have been mobilized to reduce enlarging income differentials among people. Deyo argues the role of social policy in East-Asian countries was different from Western type social policy and complements economic development policy (Deyo, 1992). Holliday calls this type of regime a productivist model, which he argues should be added as a fourth model to Esping-Andersen's 'Three Worlds' (Holliday, 2000).

Second, the small welfare state in terms of social expenditure never means a weak state in term of power. On the contrary, the East-Asian states listed above exerted strong influence as regulators of private welfare provisions. Different forms of private welfare, varying from company fringe-benefits to non-profit social welfare organizations, should be effectively regulated in order to keep coordination among them (White and Goodman, 1998: 13).

Third, social security in East-Asian welfare states has developed as a fragmented array of specific welfare schemes for different social groups. On the one hand this

fragmentation has been caused by introducing privileged schemes for state officials to cultivate their loyalty, and on the other hand by launching specific schemes for self-employed people who tend to be left behind by rapid economic development (Hiroi, 1999: 55-61).

Fourthly, familialism has been considered as an important feature of East-Asian welfare states. Peng internationally compared income structure of elderly households and showed that significant elements of the income of elderly households in East-Asian countries come from their children: 44.3% in Korean and 53.2% in Taiwan compared to almost 0% in the US and Denmark. This sort of familialism results not only from cultural factors but also from restrained expenditure for social service (Peng, 2001).

The four characteristics of the East-Asian welfare model seem to be found in the Japanese welfare state. As Johnson stressed in his classical work, the Japanese state is more a 'developmental state' than a welfare state (Johnson, 1982; Peng, 2001). This means policy priority has consistently been placed on economic growth. Pension and medical insurance systems remain fragmented along sectoral lines. Public works investment provide employment and income to local people, with annual expenditure reached to 30 trillion yen in the early 90s; this amount is more than the aggregated public works investment in the fifteen EU countries plus the United States. Regulation of economic activities to protect vulnerable sectors was extended. Along with this development, the retirement of housewives from the labour market increased most in the middle 70s. This is explainable by the fact that the government decided to depend more on economic policy measures instead of welfare state policies. Although the economic policy measures provided male bread-winners with employment and incomes, it does not provide any social service for the care of the elderly or children. This enhanced the need for housewives to fulfill this functional deficit, and institutional advantages for housewives were introduced into the tax and pension systems.

So should the Japanese welfare state be considered a variant of the East-Asian model? Here again the Japanese welfare state shows some deviancy from the focused model. The foundations of the Japanese welfare state were laid far earlier than other East-Asian countries, and substantial coverage in terms of medical insurance and national employee pensions was realized before WWII. The Japanese national pension system and medical care system covered the whole population by 1961.

Even in the case of Korea, the most mature welfare state in the East-Asian model, universal coverage was only achieved in the late '90s.

Social security expenditure in Japan is restricted in comparison to 'the Three Worlds' model, but quite high in comparison to the East-Asian developmental states. Jacobs accounted for social security expenditures of Korea (1995) and Taiwan (1996) at 8.7% and 11.1% of GDP (Jacobs, 1998). The figure for Japan (1995) is 17.2% and in this respect the Japanese welfare state seems to be located somewhere between the 'Three Worlds' model and other East-Asian countries.

Deviance from the East-Asian model can also be found in welfare politics in Japan. It is true that, as in other East-Asian developmental states, the state bureaucracy played important role in the process of Japanese welfare state formation. However, compared to other East-Asian countries where political democracy has just started, parliamentary democracy in Japan has a relatively long history. Especially since the early '70s when substantial political confrontation between the rightist LDP and leftist parties became explicit, political confrontation also plays decisive roles for development of the Japanese welfare state.

The growing power of leftist parties was supported by a rapidly increasing urban population caused by the flow of population from rural areas into cities. Responding to the demands of urban electorates, real welfare expansion also began in the early '70s. This means that, as mentioned earlier, the expenditure gap between the Japanese welfare state and other East-Asian countries grew.

2 Dynamics of the Japanese Welfare State

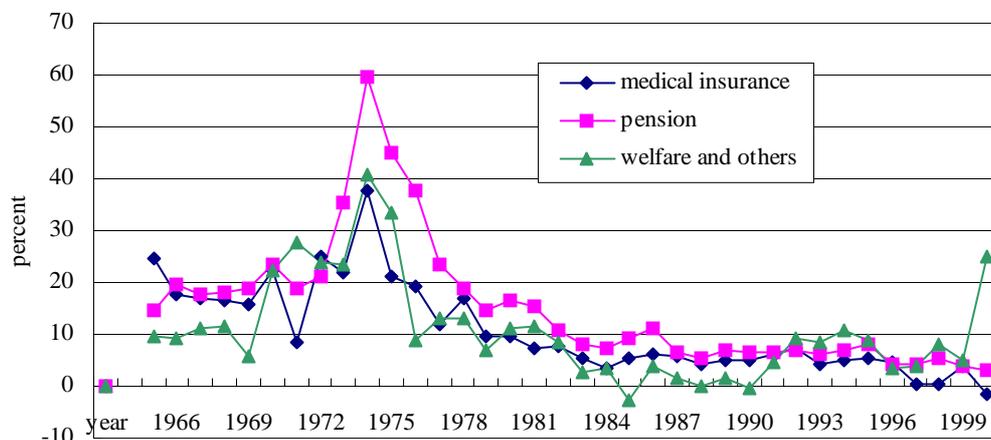
2-1 Theories of Welfare State Transformation

The previous section demonstrated difficulty to pin down the Japanese welfare state with either the 'Three Worlds' theory or East-Asian developmental state theory. We found the reason for this difficulty in the intermediate position of Japan between these two models. If the welfare state regime theory is applied, the Japanese case could be described as a conservative welfare state with liberal characteristics. However, deviances from the 'Three Worlds' model can be explained only by referring to the origin of the Japanese welfare state as the front runner of the developmental states.

The purpose of this paper is, however, not to categorize the Japanese welfare state into a small pigeonhole in a typology of welfare states, but to analyze the dynamics caused by this intermediate position and resulting institutional structure of the Japanese welfare state. Since the early '70s, drastic changes in economic environment and demographic structure have forced many Western welfare states to go through processes of transformation. Such transformations have been generally considered as structural shifts from welfare expansion to welfare retrenchment. Although the Japanese welfare state faced the same environmental pressures, the resulting dynamics was dissimilar to the western experience.

Before discussing the recent policy dynamics of the Japanese welfare state, it will be useful to review theories of welfare state transformation in the era of globalization and post-industrialization. In spite of differences

Fig 2 Annual rate of increase in social security expenditure



Source: IPSS Statistical Report No. 13, IPSS Home Page

on the direction of this transformation process, consensus can be found in the following points:

First, different welfare states undergo different retrenchment processes depending on their institutional structures. In such path dependent trajectories, some welfare state regimes are seen as more vulnerable than others. Esping-Andersen insists that conservative welfare states generally face greater difficulties in adapting to the global market because their occupationally segmented welfare schemes are unsuited to requirements for increased labour market flexibility. Further, conservative welfare states are not good at mobilizing female workforces, in spite of increased demand in the service economy (Esping-Andersen, 1996).

Second, the politics of welfare state retrenchment is entirely different from the politics of welfare state expansion. The decline of organized labour, which was the major driving force behind welfare state expansion, does not directly cause shirking welfare states, because interests vested in established welfare programs resist retrenchment. Pierson has shown that even in the liberal welfare state regimes like the US and UK, where resistance to retrenchment seems relatively weak, the welfare states could not be dismantled as easily as expected (Pierson, 1996). Additionally, in contrast to the politics of welfare expansion, the politics of retrenchment is a dangerous game for politicians because significant parts of their electorate are supposed to dislike retrenchment policies. As a result of that, politicians come to prefer to what Weaver has called 'the politics of blame avoidance.' When politicians need to dismantle the welfare state, they tend to adopt policies that are less visible and less painful to their electorates (Weaver, 1996).

Third, the politics of retrenchment must cope with not just defensive pressure from vested interests but also with newly growing social pressure for welfare expansion under globalization and post-industrialization. Rodrik, for example, insists that more open economies tend to be exposed to more risks emanating from turbulence in the global market (Rodrik, 1998). Similarly, Garret stresses that the impact of globalization gives rise to a new risk structure, which in turn results in continued support for the welfare state (Garret, 1998). Iversen places more emphasis on the influence of de-industrialization. The movement of population from the countryside to cities on the one hand, and the decrease number of blue-collar workers able to enjoy job-related social-security schemes on the other hand mean that growing numbers of

people are put into risk structures without any safety-nets (Iversen, 2001).

The Japanese welfare state itself faces these environmental changes, and the institutional structure and economic policy measures that have substituted economic policy for welfare provision make this process a relatively complicated one in comparison to the experience of the West. On the one hand, retrenchment processes are proceeding in the Japanese welfare state too. Welfare expenditures have been restrained while substitution mechanisms have gained strength. On the other hand, substituted mechanisms like company welfare and protection-oriented economic policy coordinated with family welfare provision have been most severely hit by these environmental changes. As a result, a mild expansion of welfare state has occurred alongside retrenchment.

2-2 The Politics of Retrenchment and Japanese-style Welfare Society: Policy Dynamics in the '80s

The politics of retrenchment started in Japan in the middle '70s as they did in many Western welfare states. Although conversion from welfare expansion to retrenchment is not as clearly discernable as in the West, retrenchment process in Japan can be divided into two stages, with the second stage paradoxically proceeding simultaneously with a moderate expansion of the state welfare.

The first stage of welfare retrenchment was approximately from 1975 to 1985, and saw a strengthening of JSWS discourse. During this period, the substitution structures of family-welfare and company fringe-benefits were fostered at the same time as governmental welfare expenditures were curtailed. The following stage of welfare retrenchment is characterized, on the contrary, by the fading out of JSWS discourse. This period began with growing concerns over the coming ageing society and the declining birth-rate. Politicians and others started to realize that further dependence on the family was impossible as it might erode itself.

After the 'first year of welfare', the Oil Shock completely changed the economic premises of welfare expansion. Relatively stable increase of welfare expenditure continued more 6 years until 1979 under the close balance of parliamentary power between the LDP and oppositional parties (Yokoyama, 1988). Prototype JSWS discourse had already appeared in the early 70s when an advisory group for Prime Minister Miki started to discuss about 'Japanese style welfare society.' However, this idea drew most attention when it appeared in a report by the Fiscal Sys-

tem Council, an important public committee exerting strong influence on the budget process. This report issued in 1975 insisted that expenditure level of the Japanese welfare state approached the levels of Western countries, and the necessity of further increases had to be judged carefully. Instead, expenditure on public works started to increase more rapidly since 1976.

In his first policy speech to the 1979 Diet, Prime Minister Masayoshi Ohira stressed the significance of keeping 'human relationships based on patience and the traditional social system based mutual assistance'. In the new governmental seven years' plan which was adopted in the same year, this line of thought adopted the expression that 'Japan must seek a new type of welfare society, in other words a Japanese-type welfare society' and should depend on 'self-help and solidarity of family and local community'. Even in the then Ministry of Health and Welfare (MHW) (the current Ministry of Health, Labour and Welfare) the discourse driving the idea of Japanese-style welfare had appeared; for example, the ministry's 1978 annual white paper insisted that traditional family relationships were an important resource for the Japanese welfare system.

The Second Ad-hoc Council for Administrative Reform (*dai ni rincho*) launched in 1981 in an international climate of neo-liberal welfare reform basically took over the JSWS discourse. In the first and third main reports from the Council (1981 and 1982), the idea of an 'Active Welfare Society' was proposed as the future model of Japanese society. 'Active Welfare Society' was a variant of JSWS discourse and described a society of self and mutual help with only a moderate degree of state intervention.

Partly based on proposals from the Council, some important retrenchment policies were implemented in the early '80s. First of all, the Health and Medical Service Law for the Aged was enacted in 1982 and the system of free medical care for the elderly was abolished; thereafter the elderly were required to pay 10% of their medical expenses. In 1984, the Health Insurance Law was revised and insured persons also came to be charged 10% of the costs of medical treatment. At the same time, Medical Care Service Program started for the retired persons before the age of entitlement for Medical Service Law for the Aged. The purpose of the two program reform was to improve financial deficit of National Health Insurance; in the new programs, other insurance societies were to pay a contribution to share the burden.

In the 1985 reform of the pension system, the most important welfare reform in the '80s was implemented, carrying out aspects of retrenchment (Shinkawa in this volume). The most important part of this pension reform was to introduce a new national pension that integrated previously job-related pensions. In the new national pension system, the government promised to share 30% of pension expenses that was financed with 'revised fund system', substantially pay as you go system. However the governmental subsidies for pension finance were reduced compared with the former pension system. The intended effect of the integration was, as in the case of the medical insurance reforms, to reduce the serious budget deficit in the previous national pension fund by putting money from other pension fund as employee pension fund.

Governmental subsidies for local welfare programs like public assistance and child care were cut temporarily in 1985, and local governments were obliged to make good the shortage caused by the cutback. This increased burden on local government was formally institutionalized in 1989.

To sum up, the most specific feature of the Japanese retrenchment process in the '80s was the JSWS discourse and resultant institutional reforms. Although stressing family values is a common feature of neo-liberal thought e.g. Thatcherism and Reaganomics, familialism was put forward as the most important 'hidden asset' for Japanese way of welfare. Hereafter, welfare policy was designed to support traditional family ties. Several institutional reforms facilitated women to remain in their families. The 1985 pension reform introduced a pension program for housewives, making it possible for them to receive benefits even without direct personal contribution. In the same year, the inheritance law was reformed and the threshold for asset inheritance for housewives was increased. New tax credits for housewives economically dependent on their husbands were introduced in 1987. In the atmosphere of stressing family responsibility, earning rules for child allowance provision were tightened in 1982, and in 1985 the period of provision was shortened from under the age of fifteen to under the age of six.

2-3 Partial Resurgence of Welfare Expansion: Policy Dynamics in the 90s

Facing welfare retrenchments in the '80s, some researchers and MHW officials started exploring alternative strategies for welfare reform. They insisted that renewal, rather than retrenchment, of social welfare was required and that

expanding social services to cope with the growing needs of an aging society were more important than income security. They argued that current selectivist approach of welfare was becoming outdated, and a more universal welfare policy should be pursued; the target of welfare should be extended to middle class people who lacked effective support for caring for family members. Under the inspiration of UK community care policies, they expected local communities and municipalities to play a more positive role in welfare service provision to achieve this goal.

This line of thought appeared in a series of reports from investigation committees in the Social Welfare Council, including 'Social Welfare in the Future' (1976) from the Social Welfare Round Table (Shakai Fukushi Kondankai) and the 'Basic Views on Social Welfare Reform' (1986) from the Round Table for Basic Views on Social Welfare (Shakai Fukushi Kihon Koso Kondan-kai). In 1985, a report from the National Organization of Social Welfare Council clearly criticized established ways of welfare service provision as 'being stiff' and requiring supplanting by new means (Miura, 1996).

On the other hand, this line of argument developed even in governmental investigation committees. A report from a united committee consisting of three important governmental committees is also worth noting; this committee was founded as a branch committee of a big committee for retrenchment of governmental subsidies for welfare services. However the basic idea of the final report 'on the future of social welfare' (1989) was a proposal for the universalization of welfare (Miura, 1996).

Although the concept of universal welfare was not clear in these arguments, the important fact is that they tried to formulate alternative strategies against the then influential retrenchment policies. This alternative strategy gained momentum as the failure of the substitution structure became obvious from around the middle '80s.

First, the rapidly aging population gradually turned out to be a problem beyond the capacity of 'traditional' family bonds. Increasing numbers of bed-ridden elderly, mainly cared for by housewives, started attracting great attention from the mass media. Moreover, changing inter-generational and inter-gender relations had started to erode the base of the 'traditional' family. Whereas the percentage of elderly who lived with their children decreased from 69% (1980) to 54% (1996), the number of frail elderly was forecasted to increase from 2 million in 1993 to 5.2 million in 2025. (Yoshiwara & Wada, 1999:

468). The marriage rate decreased among young women as they started to notice the heavy burden of unpaid care work that would be their responsibility after marriage. The low marriage rate then led to a declining birthrate and shrinking tax base that become a threat to the future of the welfare state. In 1990, the mass media coined a word, the '1.57 shock,' on account of the fertility rate declining to 1.57.

Second, the fundamental change in the economic and social structure made even the other parts of the substitution structure very unstable and fragile. Company fringe benefits and the family-wage had been possible mainly due to a young population structure where a continuous influx of young employees into companies was expected. But the aging of the population and harsh competition in the globalizing market made keeping this system more difficult. Additionally public works investment for local interests caused serious governmental deficit at both central and local levels.

The failure of the JSWS strategy emerged as a policy issue through the crisis of the medical insurance budget. Growing numbers of frail elderly were hospitalized because the number of public elderly-care facilities was still limited and public welfare was mildly stigmatized. Although hospitals without any specific competence for elderly care were not the appropriate places for non-ill elderly people, hospital was a less-stigmatized place compared to public welfare. However, the total cost covered by medical insurance societies was skyrocketing.

To cope with the serious budget deficit in the medical insurance fund, it seemed necessary to build up public social services that would lessen the burden on families as well as restricting the hospitalization of the elderly. The problem was how to create the financial resources to achieve the public service provision. As to the financial base for these public services, some officials preferred a tax-based system similar to that found in social-democratic models of the welfare state. However, the majority in the ministry concluded that maintaining a tax revenue-base would be quite difficult considering the general climate of welfare retrenchment and limited financial resources. Instead, around the late '80s, specialists and officials in the MHW had already started discussing long-term care insurance.

The long term care insurance was expected to spread contract culture in Japan in place of the 'sochi' system which had been the prevailing principle of welfare provision. 'Sochi' means a referral placement proce-

dures for deciding who is entitled to benefit from social services. It was contended that this system was only suited for selectivist welfare provision. Advocates of long term insurance insisted that the 'sochi' system was a major obstacle to introducing universal welfare and that it needed replacing by a contract culture through long term care insurance.

In 1993, a new coalition government interrupted the forty-year LDP grip on government. This change in administration gave rise to favorable conditions for the insurance plan to be materialized. Whereas the new government had no clear-cut ideological tendency in favor of welfare expansion, a decisive policy development was needed to demonstrate its difference from LDP policy, and the MOF was seeking a reason to hike the consumption tax rate. In 1993 the MHW published a report 'A Vision for Welfare in the 21st Century' and the following year launched a special staff office to deal with elderly-care policy and a committee to investigate a new elderly-care system. The government's proposal for long-term care insurance was prepared in Council on Health and Welfare for the Elderly.

The bill for the long-term care insurance was adopted in the 1997 Diet under a coalition government that included the LDP, and the new insurance system has been in operation since 2000. A new insurance fund, financed both by the contribution of citizens over age 40 and governmental subsidies, is managed by municipalities. Insured persons receive benefits for a variety of care services, from home helpers to institutional care, when certified as needing care. The insurance fund pays 90% of the cost of care service. Albeit with some differentials in contribution by income, this is basically a universal welfare service without stigma.

3 The Japanese Welfare State at a Transitional Phase

Different welfare states with their own institutional settings go through different trajectories in the transformation process caused by the post-industrialization and globalization (Esping-Andersen, 1996). In the preceding sections, it was demonstrated that, since the mid 80s, not only retrenchment but also expansion towards universal welfare policy have been pursued in the Japanese welfare state. This paper found the reason of this uniquely looking dynamics of the Japanese welfare state in its intermediate position between the advanced welfare states and

developmental states. The Japanese welfare state has been forced to face with two tasks at the same time; replacing the substitution structure with more "ordinary" welfare measures as advanced democracy and adopting them to the post-industrialization and globalization.

Recent studies on the Japanese welfare state have also started to take notice of this simultaneous development of retrenchment and expansion, and have tried to explain it in different ways. For example, Estevez-Abe interprets this parallel development as a successful reshuffling of costs and benefits by the welfare state, with good coordination of retrenchment and expansion. Estevez-Abe has found the reason for the success of this coordination in the institutional structure of the Japanese policy processes, in which exchange can take place among different actors across different policy areas (Estevez-Abe, 2002).

Peng also considers that the current restructuring of the welfare state in Japan is characterized by a 'bipolar social policy strategy of expansion and retrenchment'. The central factor Peng finds behind the expansion process is changing gender relations. Historically, the Japanese welfare state depended too much on family, but now faces growing pressure from women overloaded with family responsibilities. This pressure has driven the current expansion or welfare in the fields of elderly and child-care services (Peng, 2002).

Peng is correct when she refers to the limits of familism as the background to recent expansion of welfare service in Japan. However, we redefine the problem more broadly as the limit of the substitute structure for welfare state policies. We have shown how this structure, which includes not only familism but also company welfare, protective regulation policies, and so on, developed politically since the early '70s. The JSWS discourse insisted that Japan could avoid 'welfare state disease' by mobilizing its "advantage" of traditional family ties and community relations. But later it turned out that this structure could not manage the growing needs for welfare services in the post-industrialization era.

As discussed in previous sections, post-industrialization and globalization do not automatically result in welfare retrenchment. It is true that there are strong tendencies towards financial austerity, however, post-industrialization and globalization have increased social instability and as a result, given rise to pressure for welfare expansion. Post-industrialization has weakened family ties, caused alienated community relations, and eroded manufacturing industries where employment was rela-

tively secure and job related insurance schemes were the norm. This is similar to what happened in many Western countries in the early '70s and encouraged the development of the universal, service oriented welfare state. Additionally globalization has enhanced work-volatility throughout the labour market. As Iversen insists, political relations are a crucial factor in determining how this social pressure materializes into institutional reforms under growing financial austerity.

In developing welfare states in East-Asia where institutional capacity to absorb such instability is still weak, these developments are likely to bring about even stronger pressure for welfare expansion; the recent welfare reforms in Korea clearly illustrate the eruption of social pressure that can happen in developing welfare states. What brought about recent welfare reforms there was the abrupt realization of political democracy and serious financial austerity.

Compared to Korea, de-industrialization and democratization started earlier and proceeded more slowly and gradually in Japan. Facing growing pressure for welfare expansion in the early '70s, LDP governments could champion measures as company welfare schemes, protective economic policies and familialism—measures that were politically more convenient and suitable for the LDP political domination than usual Western welfare policies. The JSWS discourse provided the ideological base for this mobilization.

People came to have vested interests in these policy measures as substitutes for welfare state income security; for example, white collar workers' interest in company welfare schemes, construction workers' interest in public works investment, and retailers' interest in protective economic policies. These policy measures have become embedded in peoples' economic lives and it is politically difficult to take them away. because of expected resistance from these vested interests. Nevertheless, from a long-term point of view, it is obvious that these measures are quite difficult to maintain. The failure of the JSWS strategy was almost predetermined because mobilized institutional settings were declining with post-industrialization. However, the institutional heritage of the JSWS strategy still forms a labyrinth of vested interests.

This declining structure has required the expansion and universalization of the Japanese welfare state at the same time as it has blocked this very expansion and universalization. The still huge amounts of public money invested in public works projects to maintain employment

has constrained the fiscal bases of welfare expansion. Protective economic policies dampen the global competitiveness of the Japanese economy, and as a result further restrict the economic base of welfare state development. Familialism continues to place a heavy burden of care work on the shoulders of women, and the resulting decline in the birth rate means a shrinking future tax-base. However, the removal of public work investment and protective economic policies will, if not replaced by a new welfare strategy, give rise to serious economic harm to many people.

The further development of the Japanese welfare state now confronts this impasse. If it fails to break out of the impasse, the balance between welfare expansion and retrenchment will of course fall on the side of retrenchment. In fact, very recent developments in welfare policy confirm this tendency. The MHLW has attempted to universalize social service provision, however, this is very difficult to achieve unless the substitution structure is fundamentally reformed. As long as the substitution structure continues to absorb huge amounts of financial resources, the welfare state in a narrower sense will be unable to find the financial resources necessary to expand social service universally.

Conclusion

This paper tried to categorize the Japanese welfare state using contemporary theories of the comparative welfare state, and to explain recent dynamics of Japanese welfare policy from a comparative perspective. The intermediate position of the Japanese welfare state between the advanced welfare states and developmental states explains the current dynamics of the policy development in Japan. It has been shown that how the substitution structure that functionally replaced the welfare state reached its limits, and that this is the major reason for the subsequent pursuit of universalized policies. However the substitution structure itself is, at the same time, a major obstacle to the development of a universal welfare state in Japan.

As a result of this dilemma, universalization of the Japanese welfare state has been restricted in two respects. First, in the official welfare reform discourse, universal welfare tends to mean the extension of welfare provisions beyond needy people and in so far as this goal is achieved, even the for-profit sector is encouraged to expand in some welfare fields. Second, as an 'unintended' consequences of universalization in the sense just mentioned, very low

income earners have begun to be left behind in this 'expansion' of welfare services. In other words, in spite of the efforts to realize universal welfare state in Japan, there is a real possibility for the emergence of new stratifications of welfare provision in Japan.

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