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Japanese Welfare State in Comparative Perspective: An Overview*

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1. Introduction

Since the 1990s, Japan has been strongly affected by the march of globalization, causing the country to focus on reforming its political and economic systems. For the past 20 years, “reform” has been a keyword in Japanese politics. Deregulations, employment reforms, and welfare reforms have progressed, resulting in what some would describe as a “regime shift” (Pempel 1998). However, others have noted that the reforms have stagnated, as evidenced by the spread of the phrase, the “lost decade.”

This paper examines Japan’s employment and welfare reforms by comparing them with those of other developed countries. In particular, it contemplates how various theories that have accumulated in Western comparative political economy have been applied to Japan, as well as they have analyzed Japan’s contemporary reforms. By studying the case of Japan, this paper aims to develop the existing theories regarding the comparative political economy of the welfare state.

Below, after introducing the debate over the Japanese welfare state, this paper identifies Japan as a hybrid model that combines elements from both the liberal and conservative regimes (2). Next, it examines the period since the 1990s when welfare states underwent a period of reforms. While other countries were responding to the new social risks prompted by the centralization of political power, Japan did not respond to the new social risks, despite its attempt at political centralization (3). Finally, based on the case of Japan, this paper deduces that the insider–outsider divides theory is most compatible with the Japanese case; thus, the principal issue of the welfare state reform in Japan is to rebuild a democratic process that will absorb the interests of outsiders (4).

2. The debate over the character of Japanese welfare state

1980s: Corporatism and Pluralism

In the social security research of post-war Japan, the welfare state was defined by the assurance of the “right to live.” In other words, the welfare state is a “system that assures the citizens’ right to live” through

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public assistance and social insurance. In Japan, a welfare state was established through the introduction of universal pension coverage and universal health insurance in the period of 1959–1961. Furthermore, due to the increase in medical and pension benefits in 1973, which is known as the “first year of welfare era (Fukushi gannen),” the country attained the welfare standards of other developed countries (Yokoyama, Tada 1991). However, this perspective oversimplifies the development of the welfare state, making it difficult to clarify the characteristics of the Japanese welfare state compared to those of other countries (Table 1).

Table 1 Ratio of Public Social Expenditures to GDP in 1980 (%)

Sweden	24.8
France	20.2
U.K.	15.6
U.S.	12.8
Japan	10.2

Source: OECD Statistics, Social Expenditure

From a comparative perspective, the theories that clarified Japan’s position were “corporatism” and “pluralism” (Schmitter and Lehmbruch 1979; Goldthorpe 1984). Corporatism, commonly seen in European countries, emphasizes a system in which the cooperative relationships between labor unions, employers’ organizations, and the government have been institutionalized. Conversely, pluralism, which is commonly seen in Anglo-Saxon countries, emphasizes a system in which interest groups compete freely and influence politics. In corporatism, equality among employees is more easily achieved, whereas in pluralism, disparities owing to competition can expand more easily.

The representative view of post-war Japan’s political economic system was “corporatism without labor,” as proposed by T. J. Pempel and Keichi Tsunekawa (Pempel and Tsunekawa 1979). In their view, a system similar to Western corporatism has existed in Japan. An intimate cooperative relationship has developed between state bureaucrats and economic organizations. However, one characteristic of Japan has been the low unionization rate (1/3 of all employees; only 1/3 of labor unions are subscribed to the national center). This exists alongside the unique form of organization comprising enterprise labor unions. This characteristic resulted in workers’ inability to hold political influence and thus led to their elimination from the political decision-making process. The post-war economic growth was achieved by the strong connection between bureaucrats and large companies but at the cost of the systematic neglect of workers’ benefits. This understanding of Japan’s socio-economic history has been widely shared among post-war academics and intellectuals.

However, once the country entered the 1980s, debates that challenged this common understanding emerged. Behind this development was the economic prosperity of Japan in comparison with the U.S. and European countries (cf. Vogel 1979). During this period, the nominal GDP growth of Japan followed that

of the U.S., and the GDP per capita reached the level of other Western countries. Furthermore, despite the fact that public social expenditures were at the lowest level among developed countries (Table 1), the income disparity was suppressed to average levels. Among the people, an “all Japanese are middle class mentality” was spreading⁽¹⁾.

Political scientists, such as Takashi Inoguchi, Seizaburo Sato, and Tetsuhisa Matsuzaki, considered Japan to be a type of “pluralist” state. The pluralism that they spoke of references the concept offered by the political scientist Robert Dahl. An orthodox understanding regarding the post-war political and economic system in Japan holds that bureaucrats and large firms monopolize power. They challenged this common understanding, highlighting that: (1) many interest groups exist, from large- to medium- and small-sized companies; (2) the organization of the ruling party (Liberal Democratic Party) is highly decentralized and thus represents the interests of pluralistic industries and regions, which are reflected in politics; and, (3) bureaucrats have an intimate relationship with these interest groups and therefore consolidate their mutual interests. From these points, pluralism has been realized in Japan (Sato, Matsuzaki 1986). They emphasized that Japan is not late in its adoption of democracy and instead boasts a democracy equivalent to that of other developed countries (the U.S., in particular). Their argument played an important role in justifying the one dominant-party system that has been continued by the Liberal Democratic Party since 1955.

As Japan entered the 1990s, new debates emerged that called for an application of “corporatism” to Japan. Ikuo Kume, who obtained a PhD from Cornell University, challenged the common opinion that the interests of employees has been systematically neglected. He called the post-war Japanese employer-employee relationship a “disparaged success” (Kume 1998). In existing research, the relationship between employers and employees was considered too ideological and confrontational. According to Kume, Japanese employees used their high skills to negotiate with employers within the framework of enterprise labor unions to achieve wins in employment protection and wage increase. Labor movements (spring labor negotiations) with the goal of achieving wage cooperation between industries were formed in the 1960s, and by the 1970s, a round table conference on industrial relationships was established by the government, labor, and business communities. With the Japanese-model employer-employee cooperation supported by such policies, from the 1960s to 1980s, the increase in wages, decrease in unemployment, and participation in corporate management in Japan were comparatively of the highest quality among all developed countries (Table 2).

Table 2 International Comparison of the Rate of Increase of Wages (%)

	Japan	U.S.	France	Sweden
1968–73	9.7	1.2	3.2	1.8
1973–79	1.7	0.0	3.7	1.2
1979–89	1.5	-0.9	0.9	0.5

Source: Kume 1998: 30

Kume emphasized that employees’ high skills were assured not by opposition, but by cooperation

between employers and employees, allowing them to achieve high productivity and wage equality (cf. Koike 1988). Later, such a view that considers the employer-employee relationship from the perspective of skills formation of employees developed into an international comparison through the theory of “Varieties of Capitalism.” According to this theory, each country’s employment system, financial system, relationships between companies, educational system, and welfare system can be seen as having an institutional complementarity; such combinations create various types of capitalism. Two representatives of this theory, Peter Hall and David Soskice, considered Japan a one-type model of a CME (coordinated market economy), which can also be seen in many European countries (Hall and Soskice 2001: Ch. 1). In this context, the characteristics of Japan are indirect financing, life-time employment, and shareholding among companies. Its strength has been the long-term accumulation of specialized skills among employees in companies. Such a combination has served as a comparative advantage in the mass production of high value-added products in the global market. This political economic system differed from the LME (liberal market economy) of Anglo-Saxon countries, and was instead more similar to the systems of Western European countries.

1990s–2000s: Welfare Regime Theory

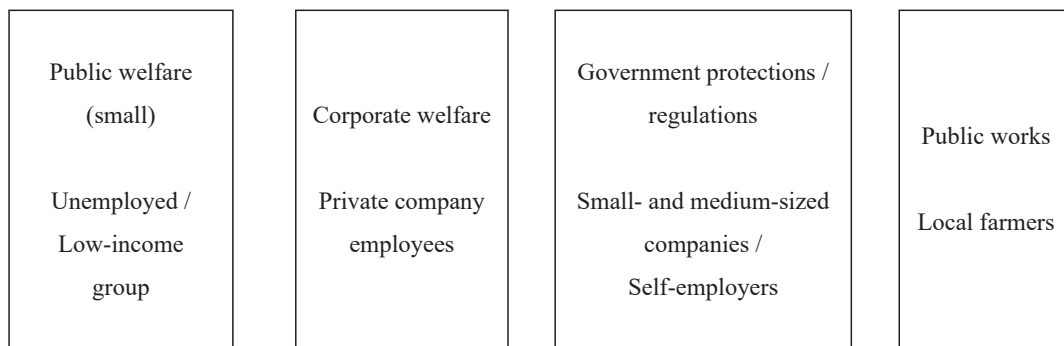
As described above, from the 1980s to 1990s, utilizing the concept of international comparison based on pluralism and corporatism, many scholars pointed out that Japan’s democracy and its political and economic systems did not lag behind those of other developed countries. Rather, they were equal to, if not superior to them. Such discussions depended primarily on data obtained prior to the 1980s. However, in the early 1990s, the bubble economy burst, and Japan entered a long period of economic stagnation, commonly called the “lost decade.” From 1992 to 2010, the economic growth rate shifted between 0 and 2%. The proportion of non-regular employment more than doubled from 15.3% in 1984 to 34.4% in 2010⁽²⁾. The relative poverty rate increased from 12% in 1985 to 16% in 2009, and the populace became more aware of an income disparity⁽³⁾.

With these changes as a backdrop, political scientist Toshimitsu Shinkawa, who obtained a PhD from the University of Toronto, consistently analyzed the Japanese welfare state from the perspective of international comparison (Shinkawa 1993; 2005). Shinkawa referenced the power resources theory proposed by Walter Korpi, Esping-Andersen, and others in the 1980s (Korpi 1985; Esping-Andersen 1985; 1990). According to this theory, the political economic system of developed countries branches into three different regimes in response to the power relationship between trade unions and employers’ organizations. The rate of organization and that of subscription in relation to the national center determine the power resource of each organization. In Anglo-Saxon countries, where the power of the employers’ organizations was superior, a liberal regime was formed. In Scandinavian countries, where the power of the trade unions was strong, a social democratic regime was formed. In Continental European Countries, with the exception of France, as the power of the conservative party (Christian democratic parties) and bureaucrats was strong, a conservative regime was formed. According to Shinkawa, at first glance, employer-employee’s cooperation took root in post-war Japan and corporatism was formed. However, when examining the macro

power relationships, due to the division of the left- and right-wing labor movements and the close cooperation between the business world, state bureaucrats, and the conservative parties, the power of the conservative coalition was uniformly superior. Based on such a power relationship, public welfare was limited to a small scale, and since the 1980s, it was further retrenched. This resulted in the segmentation of the labor market between regular and irregular workers.

Taro Miyamoto, a political scientist who originally specialized in the Swedish welfare state, was mainly influenced by the welfare regime theory of Esping-Andersen. While largely continuing the discussion initiated by Shinkawa, he added the idea of the functional equivalence of welfare (Miyamoto 2008). According to Miyamoto, to consider a system in which people's lives are secured, the focus must be placed on both the welfare and the employment systems. Although public welfare has consistently been weak in Japan, the Liberal Democratic Party and the bureaucrats shared policy ideas based on developmentalism, which attempted to provide citizens with full employment by offering protection and regulation to industry sectors with low productivity (small- and medium-sized companies, self-employed individuals, and local agriculture). In other words, employment policies became the functional equivalent of welfare policies. The combination of small public welfare, the corporate welfare of private companies, the protection of small- and medium-sized companies, and public works in regional areas each contributed to the stability of citizens' lives and the equality among them. Miyamoto called this combination a "divided life security system" (Miyamoto 2008: 31) (Figure 1).

Figure 1 "Divided Life Security System" and Its Target



Let us also touch upon the recent research trends relating to the concept of a "divided life security system." Since the 1990s, in response to the welfare regime theory of Esping-Andersen, significant criticism has emerged concerning the neglect of gender relations (Jane Lewis, Shola A. Orloff, etc.). He later reconsidered the welfare regime as one that combines the welfare state, market, and family, focusing on the extent to which families have been able to break away from the "male breadwinner model" (so-called "defamilialization") (Esping-Andersen 1999). This theoretical development was introduced and adopted in Japan by such researchers as Masao Watanabe (Watanabe 2007). In light of this trend in recent years, an increasing number of scholars consider the Japanese welfare regime as the fourth type, that is, a "familialist regime," in which the weight of the male breadwinner model family is particularly heavy (Shinkawa ed. 2011; Tsuji 2012; Miura 2012).

In summary, previous research considered the Japanese welfare regime as a combination of small public welfare, private corporate welfare, the male breadwinner model family, and the employment policies, such as protection and regulation of small- and medium-sized companies, and public works in the regional areas. Where can such a regime be placed among Esping-Andersen's three models? In 2001, Esping-Andersen considered Japan to be a state that "equally combined the main elements of both the liberal-residualist model and the conservative-corporatist model" (Esping-Andersen 2001: xiii)⁽⁴⁾. Conversely, Shinkawa believed that Japan was closer to a liberal regime, and in recent years, categorized it as a "familialist regime." According to Miyamoto, Japan incorporates characteristics of liberal (small public welfare), conservative (social insurance by job category, male breadwinner model family), and social democratic regimes (full employment)⁽⁵⁾.

This paper's stance is closer to that of Esping-Andersen. The major factor that determines the nature of the post-war welfare regime is the power relationship between employers and employees. In post-war Japan, the power of employers was superior to that of employees, and public welfare has been limited. From this perspective, the Japanese welfare regime seems more similar to a liberal regime. However, the social power relationship is mediated by party politics. The other important point made by Esping-Andersen is the focus on the competition between right- and left-wing parties as well as the class coalitions between the labor and middle classes. In the case of Japan, the conservative party (Liberal Democratic Party) that controlled post-war politics for 40 years not only represented the interests of employers and employees of the large companies but also absorbed the requests of the small- and medium-sized companies, self-owned businesses, and rural regional areas, aiming to unify citizens through pork-barrel politics such as public works and subsidies. When examining the content of the employment and welfare policies, many similarities with a conservative regime emerge, such as social insurance by job category, long-term employment, and the provision of corporate welfare. Considering the above, when examining Japan through its social power relationships, it seems similar to a liberal regime, but when these relationships are mediated by politics, it possesses a nature that approximates that of a conservative regime (Tanaka 2017). The stubborn male breadwinner model family is also a characteristic commonality of conservative regimes.

2000s: East Asian Welfare Regime Theory

Finally, regarding the discussion on the Japanese welfare state, let us briefly address the "East Asian welfare regime" theory that began to be frequently discussed in the international comparative studies of the 2000s. From the 1990s, welfare systems began to be established in Asian countries such as South Korea, Taiwan, Singapore, and Hong Kong. In response to such trends, there has been an increase in the number of studies presenting the common characteristics in East Asia, including Japan, as an "East Asian welfare regime." According to these studies, the East Asian welfare shares the elements of developmentalism and productivism (Holliday 2000, Tang 2000; Kwon 2005; Aspalter 2011)⁽⁶⁾. The government and bureaucrats hold great power; export companies receive preferential treatment and taxes from the government; their social insurance contributions are limited to a low rate; and the public welfare standard is generally kept

low. As the functional equivalent of public welfare, employee benefits from corporate welfare and mutual aid within the family play a significant role. People make efforts to save in preparation for their retirement and invest in their children's education, in particular. In short, the East Asian welfare regime's dominant characteristic is that the economic growth is prioritized, and the public welfare is subordinate to this aim⁽⁷⁾.

However, such understandings have many theoretical and empirical problems. First, they cannot properly explain the historical and contemporary diversity of welfare systems among East Asian countries (Goodman et al. 1998). There is not enough evidence to categorize these within the same model⁽⁸⁾. Second, the elements of productivism and developmentalism are not unique to East Asian countries. Post-war Western welfare states aimed for economic growth or development as well; in particular, the combination of neo-liberal and neo-conservative policies of the U.K. and U.S. in the 1980s cannot be differentiated from the welfare policies of East Asia. Third, historically speaking, it is difficult to categorize Japan, South Korea, Taiwan, Hong Kong, and Singapore as belonging to the same model. Japan introduced universal pensions and health insurance in 1959 and 1961, at roughly the same time as Germany, France, and the U.S.. There was a time lag of over 30 years, compared to other Asian countries.

The biggest problem with the East Asian welfare regime theory is that the definition of the "welfare state" is unclear. The welfare state, first developed in Europe, was established under specific international and domestic conditions. Internationally, the Bretton Woods system allowed each country to develop mutual free trade. Domestically, the Fordist type of capitalism encouraged the circulation of mass production and consumption (Aglietta 1979). Under such conditions, Japan also introduced the welfare state around 1960. After the 1970s, the Bretton Woods system collapsed, and with the change in industrial structures, the Fordist type of capitalism also transformed. The welfare state entered a period of fundamental reforms. During this period, other East Asian countries began establishing welfare systems. Considering the differences in the premises and conditions of welfare states, it is difficult to compare these East Asian countries and Japan within the same framework.

3. The Reform of the Japanese Welfare State

The Background of the Reform of the Welfare State

After the 1990s, the welfare states in developed countries entered a period of fundamental reforms. Political scientist Paul Pierson raised four elements as backgrounds for this trend: (1) pressure for the austerity of public expenditures due to globalization; (2) the destabilization of the labor market due to the shift from the manufacturing industry to the service and information industry; (3) the increase in welfare expenditures due to the maturity of the medical and pension systems and an aging population; and (4) the transformation of the "male breadwinner model" family (increasing female employment, declining birthrate, increasing single households, etc.) (Pierson ed. 2001: Ch. 3). In summary, these points impact the welfare state in two ways. The first relates to the pressure to suppress the growth of medical insurance/pension expenditures for the elderly. Many countries face an aging population and suffer from budget deficits. If they raise taxes and the compulsory social contributions, companies will relocate overseas,

resulting in the hollowing out of industry. Thus, they are forced to suppress social expenditures. The second is the response to new social risks (Taylor-Gooby ed. 2004). New social risks result from the change in industrial structures, which entails the transition from the manufacturing industry to information and service industries. In this context, the youth and workers with less education or skills become unemployed more easily. The changes in the household structure also result in women (particularly single mothers) falling into poverty more easily. If domestic care work, traditionally undertaken by women, is not socialized, women will be forced to choose between work and family, and as a result, the birth rate will decline. As such, new political initiatives should focus on providing education and vocational training to the youth and low skilled workers as well as expanding childcare services to support female employment. Such policies are generally classified as a form of “social investment” (Armingeon and Bonoli ed. 2006: Ch. 1).

As Japan entered the 1990s, it faced the same problems described above. When the bubble economy burst in the early 1990s, Japan entered a long period of economic recession. The budget deficit increased, and the ratio of the net debt balance to GDP exceeded 110% in 1998. It surpassed that of Italy and constituted the greatest debt ratio among all developed countries in 2000 (OECD, *Economic Outlook*, 2008). Furthermore, the population’s aging rate became the greatest among the developed countries (Table 3); thus the medical/pension expenditures rapidly increased. Although female employment grew, the socialization of childcare did not progress, resulting in a declining birth rate (Table 4). After the 1990s, Japan faced multidimensional difficulties, which pressured the country to fundamentally reform its employment and welfare systems.

Table 3 Population Aging Rate of Developed Country (2000, %)

Japan	17.4
Sweden	17.3
Germany	16.3
France	16.0
U.S.	12.4

Note: The proportion of people over the age of 65 to the entire population

Source: UN, World Population Prospects, 2015 Revision

Table 4 Changes in Japan’s Total Fertility Rate

1970	1990	2000	2010
2.13	1.54	1.36	1.39

Source: Cabinet Office “2015 White Paper on Measures for a Society with a Declining Birth Rate”

Theories on the Reform of the Welfare State

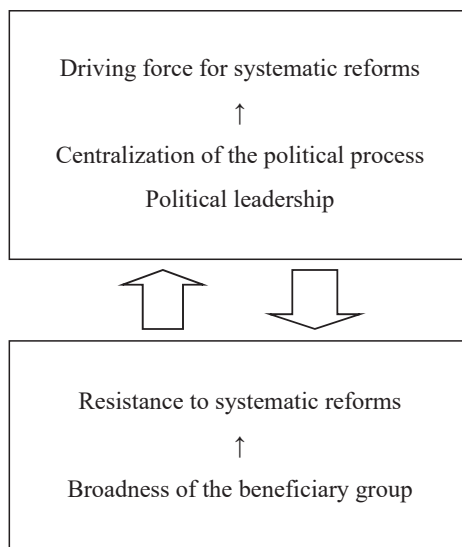
Until now, the reform of the welfare state in developed countries was largely explained by two theories. The first is “new institutionalism.” It focuses on the influence of the institution, which replaces the class-based power relationship between the employers and employees. A previous theory that explains the development of the welfare state is the power resources theory, according to which, the power relations between employers and employees determine the way welfare policies develop. After the 1980s, however, the influence of the labor unions decreased, and the interests of employees were divided between the public and private sectors, export industries and domestic protection industries, and manufacturing and information/service industries (Pierson 1994: 28; Pierson 2001: 103). The labor and employer classes could no longer be discussed as one body. During the period of the reform of the welfare state, the beneficiaries of the existing institutions emerged as new political actors. For example, if the beneficiaries of the public pension or medical insurance are limited to the lower income group, the resistance to welfare retrenchment will be weaker and reforms will be easier. If the beneficiaries include not only the lower income group but also the middle class, the resistance to welfare reduction will be stronger and reforms will be difficult. Let us consider one example. In the U.S., since a beneficiary group for pensions called the American Association of Retired Persons firmly organized, although neo-liberal reforms were attempted under the Reagan administration in the 1980s, the pension expenditures could not be reduced. As such, the size of the beneficiary group impacts the direction of welfare reforms. This phenomenon is called “path dependence” (Pierson 1994).

Second, even if path dependence is underway, it does not mean that reforms will never progress. Political leaders escape the resistance of the beneficiary group and solicit public opinion to promote reforms. Two main strategies are adopted by political leaders. The first is the centralization of the decision-making process. Within the central government, a committee of experts or that comprising a small number of politicians is established, and the decisions are made easier, due to limitations in the number of “veto players” (cf. Tsebelis 2002). Many reforms were promoted using this “top-down” style of decision-making process, such as the pension reform of 1998 in Sweden or the Schroeder reform in Germany from 2001 to 2005.

The second is the “discourse” strategy taken up by political leaders (Schmidt 2002; Fleckenstein 2011). They propose new ideas and conceptions that are compatible with reforms to convince other governing elites or the public of the necessity for systematic reforms beyond the resistance of beneficiaries. After the 1990s, the political leaders of each country used various discourse strategies to justify their reforms, such as “the end of welfare as we know it,” “welfare-to-work,” “Third Way,” “social inclusion,” and “social investment.”

In the 2000s, many developed countries promoted welfare reforms through the centralization of the political process and the discourse strategies of political leaders (see Figure 2). As a result, medical/pension expenditures were controlled, social investments toward the new social risks (vocational training, employment support for the unemployed, youth, and women) were increased, the regulations on the labor market eased, and public care services were expanded.

Figure 2 Theories on Reforms of the Welfare State



The Reforms of the Japanese Welfare State

Can the above theories be applied to Japan’s case? Below, the reforms of Japan since the 1990s are examined in the following order: (1) the centralization of the political decision-making process and (2) employment and welfare policy reforms.

(1) The Centralization of the Political Process

For the past two decades, political reform has been a central issue in Japan. The direct trigger for this was the political corruption stemming from pork-barrel politics under the one-party dominant system since 1955 (Sasaki, 21st Century Special Commission ed. 2013). The civil special commission for political investigation (Minkan seiji rincho), comprising representatives from academia, businesses, and labor unions, and 95 politicians of the ruling and opposition parties, etc., was launched in 1992. It proposed the activation of “the political dynamism through healthy competition between political parties.” The political institutions of such countries as Germany and the U.K. were examined, and the new electoral system was finally introduced in 1994. The electoral system comprising single-seat constituencies and proportionally represented multiple-seat constituencies was substituted with the medium electoral district system. Borrowing the words of comparative political scientist Arend Lijphart, the Japanese political system became closer to a “majoritarian democracy,” which centers on the competition between two major political parties (Lijphart 2012).

Moreover, in 1998, to strengthen the leadership of the prime minister, the Cabinet Office was established, the staffs of the Cabinet Secretariat were expanded, and the Economic and Fiscal Council that reported directly to the Prime Ministerial Office was formed. Through these reforms, both legislative and administrative power was consolidated under the prime minister.

Comparative political scientist Estévez-Abe indicated that since 1996, Japan’s political system had more

closely approximated the Westminster system of the U.K. Quasi two-party system and the consolidation of political power under the prime minister resulted in Japan's increased similarity with the U.K. political system. Through such welfare reforms as the reduction of public medical services and the suppression of pension benefits, in place of a "divided life security system," a universal yet low-standard public welfare system was established, bringing Japan closer to a liberal regime (Estévez-Abe 2008: 285). Comparative economist Sébastien Lechevalier also noted that Japan's capitalism "achieved a neo-liberal transition from 1996 to 2006" in terms of financial liberalization, globalization of corporate management, increase in non-regular employment, and educational deregulation (Lechevalier 2014).

(2) Employment and Welfare Reforms

Through the centralization of the political decision-making process, did the Japanese welfare state transit to a liberal regime? Below, we will primarily reflect on two periods during which major reforms were attempted: the administration of Junichiro Koizumi (2001–2006) and the government controlled by the Democratic Party (2009–2012).

First, under the Koizumi administration, policies that consolidated power to the prime minister were utilized to initiate top-down reforms. Koizumi called his executive team "the cabinet to carry out radical reforms (Kaikaku danko naikaku)." He took on the easing of regulations, fiscal austerity, and social insurance reforms⁽⁹⁾. The control of medical (increase in the self-pay rate) and pension benefits (fixing the insurance fee rate and introduction of the macro-economic slide formula) as well as the reduction in public works for the regional areas, were thoroughly implemented. However, measures to control the total amount of medical expenses were not introduced due to opposition by the Japan Medical Association. The macro-economic slide formula of pensions (payment increases only approved for standards that were lowered by 1% from the price increase) was met with resistance by the elderly population and was not executed. Regarding employment policies, although non-regular employees increased due to a relaxation of regulations on temporary employment, the deregulation of the labor market for full-time employees did not progress, such as the easing of dismissal regulations. After the Koizumi administration, the criticism on neo-liberal reforms increased within the Liberal Democratic Party, and its policies were not continued by subsequent cabinets.

Second, after public criticism strengthened toward the increase in income disparity following Koizumi's reforms, the Democratic Party committed to a redistribution policy, using the slogan "from concrete to people (Konkurito kara hito he)." This included individual income support for farmers, free high school education, and universal child allowance. The Democratic Party attempted to systematize the "top-down" decision-making process from the Koizumi era and worked to promote structural reforms in government through measures such as strengthening the Cabinet Office, suppressing the power of bureaucrats, and establishing a national strategy bureau that reported directly to the prime minister. However, after controlling the government in 2009, it could not identify the financial resources necessary to implement such "investments in people." The public criticized such policies as "pork-barreling policies," resulting in the party's loss of popularity. The Democratic Party's defeat in the general election in 2012 led to the modification and retraction of these policies.

In Japan, although the centralization of the political decision-making process was implemented since the 1990s, it did not result in a “regime shift.” Medical and pension expenditures continue to grow in line with an aging population, and the amount of long-term national and regional debts has risen to 198% of GDP in 2017. Whereas 87% of social insurance expenditure is skewed toward the elderly, the comparative scale of social investment toward the youth and unemployed, the amount allocated for childcare support are extremely low compared to those of other developed countries (Table 5). Although middle-aged men, particularly full-time employees, are protected through employment regulations and social insurance, non-regular employees (mostly youth and women) are excluded from these protections, increasing their relative income disparity. Youth with low incomes are finding it difficult to start a family, resulting in a declining birth rate. Today, Japan is facing triple difficulties: a massive budget deficit; a rapidly aging population and a declining birth rate; and a widening income disparity.

Table 5 Proportion of Social Insurance Benefit Expense by Policy Area (2014, %)

	Toward the elderly	Toward the working generation
Sweden	59.4	21.4
U.K.	63.4	25.8
Germany	69.1	17.1
Japan	86.8	7.6

Note: Toward the elderly: elderly pension, survivor’s benefit, medical fee

Toward the working generation: dependent coverage, aggressive labor market policy, unemployment benefit, housing benefit

Source: National Institute of Population and Security Research “2014 Statistics on Social Insurance Fees”

4. Conclusion

This paper briefly examines the history and current status of the Japanese welfare state from the perspective of comparative political economy. The post-war Japanese welfare state is understood as a combination of small public welfare, private corporate welfare, and the male breadwinner family model, with the addition of employment policies such as the protection and regulation of small- and medium-sized companies and public works in the regional areas. This system can be seen as a compromise between liberal and conservative regimes.

After the 1990s, similar to other developed countries, Japan faced pressure to reform its welfare system. Both the ruling and opposition parties called for political reform, and until today, they have competed in reforms moving toward a “top-down” decision-making process. These reforms have resulted in political competition for short-term popularity among a small number of political leaders. However, unpopular policies that might trigger the opposition of the beneficiary group, such as the easing of employment regulations for full-time employees (middle-aged men) and the suppression of medical and pension

expenditures for the elderly in particular, were not implemented. With a budget deficit that continues increasing today, the social investment in children, the younger generation, and women has been limited.

Japan's case shows that previous studies that focused on the centralization of power or the discourse strategies of political leaders are not sufficient. The most appropriate theory to explain Japan's case is the insider–outsider divides theory, which has recently been advocated by Silja Häusermann, David Rueda, and others (Häusermann and Schwander 2012; Lindvall and Rueda 2014). “Insider” points to the beneficiary group that has been protected by employment security and social insurance (particularly middle-aged men), and “outsider” refers to the youth, women, and other members of society who have been excluded from the protection of the existing system. Traditional left- and right-wing political parties represent the interests of the “insiders;” the interests of the “outsiders” will not be represented by merely stimulating the competition between the two major parties. Simply centralizing the political process will not lead to resolving the division between the insiders and the outsiders. Japan's case suggests that it is important to restructure the democratic process so that it consolidates the interests of the outsiders and ensures that such interests are reflected in politics. Reforming the organization of political parties is an urgent challenge to be tackled for the successful reform of the Japanese welfare state.

Notes

- (1) Since 1979, in the investigation of “Public Poll Regarding the Life of Citizens” conducted by the Prime Minister's Office, the proportion of those who responded that their living standard was “medium” among high, medium, and low became 90%.
- (2) Ministry of Internal Affairs and Communications “Labor Force Survey (Special Investigation),” Ministry of Internal Affairs and Communication “Labor Force Survey (Aggregate Details)”
- (3) OECD Statistics, Poverty rate after taxes and transfers, all age groups, income definition until 2011.
- (4) However, he has also stated “Japan's welfare system is still developing, and it has not reached its completed state.”
- (5) Peng pointed out the difficulty of classifying Japan into a specific regime because of its changing nature, which is due to the rapid aging of its population (Peng 2000).
- (6) Some emphasized the traditions of Confucianism to explain the East Asian welfare as mutual aid between family and neighbors (Jones 1993). Such cultural reductionism has been mostly denied by recent researches, considering the diversity of Confucian values and the lack of empirical evidence (Choi 2012).
- (7) In addition to these, there are discussions that categorize Japan and East Asian countries as “late developed countries” when compared with other developed countries (Kasza 2006, Kim ed. 2010).
- (8) Regarding the differences of each country, Lee and Ku (2007). For example, Kim (2016) categorized the productivist welfare model into three types: the inclusive productivist welfare, market productivist welfare, and dualist productivist welfare. However, it is uncertain why East Asian countries are considered the same regime despite these differences.
- (9) “Economic and Fiscal Management of the Future and Basic Policies Regarding Structural Reforms of the Economic Society” 2001.

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