<table>
<thead>
<tr>
<th>Title</th>
<th>Welfare State and Social and Labor Policies in the Twentieth Century</th>
</tr>
</thead>
<tbody>
<tr>
<td>Author(s)</td>
<td>Takada, Kazuo</td>
</tr>
<tr>
<td>Citation</td>
<td>Hitotsubashi journal of social studies, 33(1): 69-79</td>
</tr>
<tr>
<td>Issue Date</td>
<td>2001-07</td>
</tr>
<tr>
<td>Type</td>
<td>Departmental Bulletin Paper</td>
</tr>
<tr>
<td>Text Version</td>
<td>publisher</td>
</tr>
<tr>
<td>URL</td>
<td><a href="http://doi.org/10.15057/8299">http://doi.org/10.15057/8299</a></td>
</tr>
</tbody>
</table>
I. The Welfare State, Social and Labor Policies

What exactly is a welfare state? One can answer this question in several ways. Some think of a national minimum wage and a social welfare system. Others contend that "welfare state" is simply another term for state monopoly capitalism. In my own view, the welfare state is comprised of policies and programs of modern states incorporating three basic concepts of modern society: liberty, equality, and fraternity. Modern states usually adopt certain policies to redistribute economic resources and social power in order to realize these objectives. This is accomplished by collecting taxes and premiums for social insurance, paying benefits for public pensions, unemployment insurance, medical services, and through other welfare programs. States also redistribute social power by regulating industrial relations, gender relations, and other social movements or social relations.

Using this definition of the welfare state, it can be seen to have emerged during the civil and industrial revolutions of the eighteenth century, though earlier examples can undoubtedly be found. It is, however, in late nineteenth century Europe that the welfare state first began to establish a basic structure of social insurance programs or other welfare programs, as well as an industrial relations system. The welfare state went on to develop more fully in the twentieth century so much so that one may actually call it a product of that century.

Thus, at this beginning of a new century, it seems timely to analyze the basic features of the welfare state and to discuss what has been accomplished and what will undoubtedly ensue. I have selected the following five programs of the welfare state, the characteristics of each I propose to analyze in the following sections: public pensions, employment policy, industrial relations, gender policies, and long-term care insurance. These are typical twentieth century programs, some of which will provide hints for the future of the welfare state.

The welfare state is a conglomorate of policies and institutions which incorporate three basic principles of modern society: liberty (freedom), equality, and fraternity. We may regard public pensions and employment policy as examples of the priciple of fraternity. Industrial relations and gender policies illustrate the priciple of equality. Because freedom is the basic principle of capitalism, until recently it was not prevalent in social and labor policies. Modern social and labor policies emerged as the antithesis of freedom of trade (or laissez faire.) Collectivism or fraternity is the basic principle of modern social and labor policies.

Recently, however, the principle of freedom has become increasingly evident in these policies. A typical example is long-term care insurance. Also in public pensions and employment policy, the principle of freedom has arisen as a new element. In the future, it appears that the principle of freedom or individuality will become even stronger in these policies.
I begin my analysis with public pensions and the fraternity principle. Most analysis and discussion below deals with programs in Japan.

II. Public Pension

Of all the transfer programs, public pensions are the greatest avenue of redistribution. In Japan, recipients of public pensions received approximately 30 trillion yen in 1998. Benefits will increase rapidly in the first quarter of the twenty-first century due to the most rapidly aging population ever in the world. Average benefits of new recipients in 1998 were roughly ¥230,000 yen per month, an amount which has contributed to reducing poverty among the elderly. Currently, the average per capita income of households with residents between 60 and 64 surpasses the average per capita income of those in their 30's.

As long as the system of public pensions is a pay-as-you-go scheme it will remain essentially an income redistribution program between economically active and retired populations i.e. between generations. The system provides a horizontal redistribution of income.

Redistribution is also vertical since those with higher salaries will pay higher premiums, although not proportionally higher than those with lower incomes. The calculations below demonstrate how one elderly person's (case A) average salary while working is twice that of a second elderly person (case B). Contributions for the pensions are related to monthly salary.

<table>
<thead>
<tr>
<th>TABLE 1. VERTICAL REDISTRIBUTION OF PUBLIC PENSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case A. (40 years of contributions, average salary being ¥300,000)</td>
</tr>
<tr>
<td>basic pension</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>remuneration-based pension</td>
</tr>
<tr>
<td>total amount of pension</td>
</tr>
<tr>
<td>monthly contribution</td>
</tr>
<tr>
<td>ratio a1/a2</td>
</tr>
</tbody>
</table>

| Case B (40 years of contributions, average salary being ¥150,000) |
| basic pension | ¥804,200 for the contributor |
|               | ¥804,200 for spouse |
| remuneration-based pension | ¥150,000 x 480 months x 7.125/1000 = ¥513,000 |
| total amount of pension | ¥2,121,400-------(b1) |
| monthly contribution | ¥150,000 x 173.5/1000 x 1/2 = ¥13,013-------(b2) |
| ratio b1/b2 | 163.0 |

1 A recent amendment introduced additonal contribution on bonus. The rate for it is 10/1000. To simplify the calculation, however, the additional contribution is not included here.

2 ¥300,000 is nearly the average monthly salary/wage for all the workers in Japan. In Japan, amount of the pension benefit is based on monthly pay, not on total pay including bonus. On average, monthly pay accounts for 78.7 percent of the total pay including bonus in 1998.

3 The number is the coefficient for people who were born after 1946. Originally, it was 10/1000. It is being reduced gradually to the least of 7.125/1000.

4 Company and worker contribute same amount of money.
The ratio of $b_1/b_2$ is more favorable to $a_1/a_2$. The worker in case A paid twice the amount of premiums in order to receive a 24 percent larger pension of the worker B. In other words, better-paid workers are subsidizing workers with lower incomes which is, in essence, the meaning of vertical redistribution.

The Japanese public pension consists of two layers: the basic pension and a salary-based pension. The basic pension was originally intended for self-employed individuals who had no pension coverage before 1961. It was restructured into a universal pension in 1986. Since then, every resident, regardless of nationality or work experience, is allowed a pension of their own after a specified period of contribution to the plan. All residents from 20 to 60 living in Japan must enter into the basic pension plan and must contribute to the plan for at least three hundred months in order to get their pension.

Vertical redistribution is based on the basic pension since benefits are distributed according to a flat rate. Premiums, on the other hand, are based on salary; the higher the salary, the greater the premium.

Before reforms were initiated, women basically had no pension of their own since pensions were given to husbands according to their contributions. Married men simply received additional benefits for their spouses. The welfare reform of 1986 made individual security for retired life instead of household security the basis for distribution. The fact that social policy making is moving toward individualization is another recent trend I will discuss more fully later. The 1986 reform has been criticized by feminists because of the imbalance of contributions and benefits between wives who do not work and employed women. The point also elaborated in a later section.

The system of public pensions is a form of mutual help both between generations and between the rich and the poor. And, since the state mandates such mutual help among citizens through laws and regulations, it can be regarded as a policy of fraternity.

One can easily discover this type of policy of fraternity in social policies public assistance being one of the oldest programs of this kind. Child care and elderly care services are further examples. Although historically, these programs have been neither democratic nor easy to access, developments in human rights have dramatically changed the situation. In addition, recent advancements of the principle of self determination have increased freedom of choice and individuality.

There is currently much discussion in Japan concerning so-called "reform" of the public pension focusing in large part on the budget crisis. Some reform plans argue for the privatization of the pension system. Should we view such proposals as the impending death of the welfare state? I think not. The matter in question is the extent of fraternity. Society has traditionally been based on two basic principles: fraternity or mutual help, and independence. Privatization implies independence and since both principles are relevant, the matter at stake should really be the boundaries between the two.

As mentioned above, elderly people are not necessarily poor these days. Hence, further horizontal redistribution is not necessary. Even so, vertical redistribution should be maintained because of its basic fairness. In this regard, it is often criticized that retired people currently receive much higher benefits than they have expected from premiums paid. This is rational, however, when we think of the contribution to the economy and to society that these people made when they were active; they worked hard and saved for the future. The current generation of working people are therefore beneficiaries of such work and savings. In this way,
high pensions can be regarded as gifts from the active generation to the retired generation for their contribution to economic growth.

Later generations have contributed less than earlier generations and will consequently have reduced pensions. A Japanese employers association, Keidanren, published a paper that advocated not only the transformation of salary-based pensions into private pensions (the abolition of the pay-as-you-go system) but also the reform of the basic pension. This group maintains that the basic pension should be financed through taxes not social insurance, and that the benefits of the basic pension should be increased.\(^5\)

Such a proposal implies that vertical redistribution should remain intact or even be increased, and that upper and middle classes should save more. In light of these suggestions, vertical redistribution will likely increase because of proposals to finance the basic pension through taxation instead of social insurance. As one example, the VAT will likely increase due to pension reform. It is difficult to estimate the possible changes in burden sharing among tax payers. The VAT is, however, not more regressive than social insurance. In any case, the principle of fraternity of the welfare state still exists.

The proposal maintains not only to continue giving assistance to lower classes by means of vertical redistribution, but to promote self-help for middle and upper classes through privatization of salary-based pensions. Privatization will lead to wider dispersion among the middle class. Transformation of income-related pensions into corporate pensions will create wider differences in pension benefits due to the difference in financial abilities among companies. Therefore, the proposal recommends a self-help or competitive model of income redistribution among middle and upper classes. But, it also maintains universal security for all citizens. The basic idea in the proposal is, in effect, a competitive model with a social minimum.

The market principle is more apparent in the new long-term care insurance. This insurance is a unique aspect of Japanese social policy in that it contains the idea of self-determination.

### III. Long-Term Care Insurance

Beginning in April, 2000, insurance designed for long-term care became the fifth area of social insurance. Although similar to the German program, Japanese social policy in this case is notable in two respects. First, it was initiated during a time when neo-liberal thinking was popular in academia and journalism. Social insurance is a program of fraternity or mutual help then, it is a paradox of social policy. We should watch actual policy making instead of its ideology or manifest. The welfare state is still alive and moves on.

Another notable point is that the insurance is an extension of the social safety net into a new field, which has normally been recognized as falling within the private sphere. It supports family members who care for the elderly which has traditionally been the job of family members. Caring for the elderly is now considered to be a public activity for which the government should pay. This illustrates the evolution of social policy. The sphere of fraternity becoming broader with the arrival of the insurance.

---

\(^5\) Keidanren, "Kokumin ga shinraidekiru kouteki nenkin seido no saikouchiku wo" (Reform of public pension should be reliable to citizens), July 21, 1998.
German care insurance allows cash payments to family members who take care of the elderly. One might consider this a salary for home makers, although not strictly a paid salary or wage but rather a public transfer program. While the Japanese program has not adopted such payments, it has seen a great change in social policy having introduced public protection and control into areas of domestic life.

A new element of the insurance is self determination and choice on the part of the recipient. The structure of the program is similar to that of medical insurance. Those who need long-term care apply for the service, an evaluation committee decides on the grade of service based on an investigation of the applicant's physical and mental conditions, and on approval, the applicant receives insurance payments. If the committee rejects the application, the applicant may ask an appeals committee for a reevaluation. Those approved for service are responsible for choosing their own plan usually through consultations with a care manager and actual service is provided according to the plan. Recipients are free to choose any service provider and type of service, and who will actually take care of them. Self determination is an important element of this program.

The new redistribution program illustrates not only the fraternity principle but also a new character, freedom of choice. This safety net is both universal and individual, individuality not having been prominent in social policy thus far. In the twenty-first century, however, individuality will very likely become more prevalent. Public pensions, as one example, will be more flexible in the near future. Everyone in Japan will choose the date they wish to receive their pension, since they will have the option of an early reduced pension or a late increased pension, as well as the full pension at the normal retirement age. In this way they will be able to choose the timing of their retirement.

Thus, self determination or freedom of choice will be a major principle in the future. It is illustrative of the third element of social policy: freedom.

IV. Employment Policy

Employment policy is more closely related to economy and economic policy. In the early decades of the twentieth century and also in the nineteenth century, world governments took a conservative approach to employment policy reacting mainly to emergency needs and political crises. Liberals sometimes criticized job creation by governments and attempted to maintain laissez-faire policies in the labor market. Keynes changed this situation totally. After Keynes, employment policy became an established part of the economic policy admixture of world governments.

During the high growth period of the 1960s, employment policy was a tool for eliminating hindrances to economic growth. Shortages in the labor supply prevented the smooth growth of the economy.

But, after the oil shock of the early 1970s and the declines in growth rates of advanced economies, employment policies in those countries turned into a tool to reduce the labor supply. Many European countries began to promote early retirement of older workers. They provided various early retirement pensions and attempted to open labor markets to younger people.

Japan maintained steady economic growth up until the early 1990s, during which time the
government's policy was to keep the unemployment rate as low as possible. In the turbulent years following World War II, employment security was sacrosanct both to the government and to everyone involved in industrial relations. During the 1960s, courts abandoned their stance of freedom of trade or laissez-faire principles in employment, and became the guardians of life-time employment. In regard to industrial relations and human resource management, employment security became the number one priority. In the recession years, hard-hit industries received subsidies from the government not to layoff redundant employees.

Life-time employment practices brought a unique character to Japanese human resource management. I refer to these practices as a "job standard" system, where evaluation of employees is reflected not necessarily in salary, but in job assignment or job career. In the long run, a good evaluation leads to a faster promotion and hence better pay. But since Japanese companies usually promote employees very slowly anyway, even top notch employees wait a considerable time to see substantial difference between their colleagues' salaries and their own. Good performance is usually rewarded by additional job assignments and even harder work. A friend of mine who works for a large company as a manager confirmed to me that he never saw monetary benefits for his diligence, only more assignments.

Another example of "job standard" practices can be seen whenever companies have to streamline their work force. Companies usually choose older employees as victims of restructuring. These employees are not fired outright or even promoted to retire early, but rather are given jobs at other companies which are often subsidiaries. This demonstrates how Japanese employers and employees are obsessed with job security to the point that even when faced with the impossible, they attempt to approximate life-time employment as far as possible.

Employment policy has reflected the trends of large Japanese companies. Japan views unemployment insurance, employment offices, and vocational training as commonplace institutions. In addition, the Japanese government has an employment adjustment fund, from which subsidies are provided to severely weakened industries. Companies with redundant employees receive subsidies which allow them to either retain employees and retrain them or reassign them to other jobs.

Beneficiaries of the program are mostly large companies which have allowed the maintenance of life-time employment. The program is financed by the unemployment insurance fund. As a note, until the 1980s, the unemployment rate in Japan was very low. In 1990, it was just 2.0 percent.

With the recent recession, the unemployment rate has risen to nearly 5 percent. Although this higher unemployment rate is the immediate result of the recession, it is also the product of a continuous decline in economic growth. The rise in unemployment is both cyclical and structural.

In response to the change in unemployment, the government decided to abolish the employment adjustment fund and introduce a new subsidy to companies in emerging industries with growing workforce. The aim was not to preserve life-time employment, but to stimulate growth in employment in growing industries and to reduce redundant workers in structurally

---

6 It is named after gold standard.

7 Recently, such way of restructuring is difficult to maintain because of scarce vacancy in subsidiary firms, and increase in the number of elder employees.

8 Smaller companies are difficult to adopt life-time employment policy, because such policy require big sales and big value added. Labor market for smaller companies is flexible.
damaged industries. This is a sign of a new era in employment policy.

Employment policy is closely connected to the economy. Globally, Japanese industries have shifted their production to Asian countries following a natural tendency of the economic process. Although this has shown a negative effect on the Japanese workforce, it is favorable to other Asian countries currently enjoying a growth in employment.

Employment policy needs to be flexible in order to adapt to economic changes, especially when changes are global. And domestic policy, too, must follow. Japan must deal with growing unemployment just as Europe and the United States have done. The country must adjust domestic policies to external conditions and formulate a new international economic order. Globalization is an external precondition for welfare states. China's entry in the WTO is a good example. Politics as well as the economy, both domestic and international, are major factors in employment and unemployment.

Focusing on the social policy side of employment policy, one may regard this as a further example of the fraternity principle. Employment policy provides industries in decline and their workers with money collected from those currently employed and their employing companies. Another method of redistribution of a collective nature.

The element of freedom or choice, however, is evident in recent policies. Workers may now receive money from the government when they undergo education and training of a specified type delimited by the government. This is essentially the privatization of vocational training which offers wider choices for those desiring further education and training.

Thus, employment policy may also be seen as a program of fraternity although greatly influenced by economic conditions, global and domestic. The new element of freedom is also much in evidence in this sphere.

V. Industrial Relations

Industrial relations was the most hotly debated issue within social and labor policies during the nineteenth and twentieth centuries. It is nearer to politics than to the economy dealing as it does with the distribution of products. Industrial relations offers considerable room for negotiations between capital and labor. Moreover, it deals with the rules for negotiations themselves. Although industrial relations is within the economic not the political sphere, it is highly political in nature. Its policies regulate power relations between the two dominant social power groups of the twentieth century capital and labor. As such, social and labor policies concerning industrial relations have become major political issues.

Historically, the standard model in this field is Britain, where industrial relations as power relations have developed alongside the growth of capitalism. Early trade unions succeeded to gain bargaining power in skilled trades in opposition to the right to manage of the employers. The competitiveness of British industry in the world market allowed skilled British workers some advantage over their counterparts in other countries in organizing and stabilizing trade unions. Subsequently, workers made advances into the political field in order to secure the legal status of their organizations. These advances culminated in the trade unions establishing the Labour Party which soon grew into a major political power which elected several prime ministers.

This represents the pinnacle of British industrial relations as a social structure. The
structure had a dual ladder for social promotion, one for the middle class and the other for the working class. On this ladder, workers could be promoted from worker to prime minister via labor organizations. As the Webbs correctly points out, the trade unions were a state within the state.

Even so, such a dual system did not work well after World War II. Class division and struggle eroded economic growth, and British socialism failed to manage the economy well resulting in the British model of industrial relations reaching an impasse. The Labour Party is now less controlled by the trade unions.

In Japan, the trade union movement was less successful than its European or even American counterparts. It was not until 1946 that the first trade union law was promulgated under the occupation by the Allied Forces which gave legal protection to trade unions. Communists held leadership in the early stage of the postwar labor movement, and later Socialist leaders fought the Japanese government and employers in issues ranging from constitutional and diplomatic matters to economic and social policies.

While the left dominated the labor movement in the public sector, the moderate Social Democrats maintained a majority in the private sector. The Social Democrats adopted a philosophy of labor-management cooperation and pushed for economic growth and higher productivity, which they believed were the bases of better wages and a higher standard of living. These beliefs were represented in the so-called “three principles of productivity” of the Japan Productivity Center established by employers and labor with the assistance of the Japanese and American governments in 1955. The principles declared that increases in productivity should not accompany unemployment, redundant workers should be transferred to other jobs within the same company, labor unions should cooperate with employers in raising productivity, and that both consumers and workers should be given fair dividends from productivity growth.

Supported by high economic growth, this philosophy became firmly established in the private sector. In the 1970s labor leaders in the private sector tried to unify the labor front, finally forming Rengo (the Japan Confederation of Labor) in 1987. While some leftist unions still oppose the philosophy, most unions and employers believe in the principle of labor management cooperation, thus making industrial relations very stable.

The basic legal structure of Japanese industrial relations is similar to the Western system. It stipulates independence of labor unions, the process of collective bargaining, and processes to deal with labor disputes. Within this framework, specific rules differ from nation to nation. Some countries more often use legal enforcement than voluntary negotiation, while others prefer the opposite. In either case, the rules of industrial relations in the forms of industrial relations laws and established practices of negotiations and disputes regulate collective relations between capital and labor. Industrial relations is basically a system of collective nature, treating even individual matters like displacement and unfair labor practices through collective channels.

Industrial relations is the more political part of social and labor policies, since it deals with procedural rules which directly control power relations between capital and labor. Protection for labor unions and the right to bargain were themselves of a highly political nature which is why labor disputes were so contentious.

But, industrial relations is also linked to the economy, where things are different from politics. While politics is a zero-sum game, in the economy, the general rules of the game are
usually “plus-sum.” Economic growth allows both parties within industrial relations to have a larger amount of the dividend. But, according to the traditional rules of industrial relations, as the rights and the voices of unions increase, those of the management decrease.

In this sense, industrial relations is a process of compromise. And in more countries and industries labor-management cooperation is now believed to be an important factor in achieving a peaceful and productive relationship between employers and labor. Even so, the extent of cooperative relations in world industrial relations is smaller than was once expected, since the effect of industrial relations on the efficiency of the economy is indirect and limited in scope. Some American and British unions adopted cooperative policies in the 1980s in order to survive and to regain prosperity. But, success was not easy to attain and sustaining such relations for long was not simple.

Social and labor policies of industrial relations are policies of equality. Article 1 of the Japanese trade union law stipulates that the equal status of labor and management shall be the basic principle of the law. But, the state is not always neutral. In postwar Japan, the government was the guardian of labor in the early stages. Yet after the emergence of leftist leadership within labor, it suppressed the movement. Generally the government has opposed leftists and supported moderate advocates of labor management cooperation. In this sense the unified labor federation Rengo is a fulfillment of its labor policy.

Rengo can thus be seen as a symbol of pluralistic or corporatist theory of the labor movement with labor participating extensively, if not necessarily deeply, in the formation of social, labor, economic, and other public policies through various government committees. Employers and labor leaders maintain friendly relations. To cite one example, these two groups worked together to increase the supply of housing. The change in industrial relations from class struggle to cooperation is partly a result of these social and labor policies and such policies have influenced power relations between capital and labor.

It is difficult to define true equality although there have been many different attempts. Still the above policy reflects some ideas of equality between labor and management, if still somewhat dubious and superficial.

VI. Gender Relations

The last topic is, in a way, similar to that of the industrial relations discussed above. Gender policies, needless to say, regulate power relations between men and women. As an expression of power relations in social life, gender is more of a political issue than one of economics. And in fact, various social movements have promoted policy changes in this regard.

Just as industrial relations have changed class relations, gender policies are also beginning to change gender relations in the workplace and family. In the workplace, women have been regarded as in need of protection. Early labor standard laws protected only women and children with men considered capable of taking care of themselves. And, until quite recently in Japan, women were allowed special protections such as freedom from overtime or night work. Just as labor unions are protected, so were women.

The recent changes in the labor law prohibit discrimination against women in employment, and because of this require of women the same work load as men. Distinctions of gender
have also been eliminated in recent social policies in Japan. This is different from industrial relations where labor unions continue to maintain their special status. If gender policies continue to advance, gender discrimination will likely be reduced. There is a clear difference here between gender and labor policies; gender will not become a class issue, whereas trade unionism will.

On the other hand, family support policies have been initiated to help working couples rear children. The long-term care insurance discussed above is another policy to support working families. In a “socialization” of family life, these policies provide families with the money and services (i.e. elderly care and childcare) that family members themselves were responsible for a couple of generations ago. This is a new phenomenon in social policy.

The 1986 pension reform contained stipulations for woman’s pension rights. Women are now given their own individual basic pension, separate from their spouse’s. Before this reform was enacted, small additional benefits were given to the retired people, but their spouses had no pension rights of their own. All pension benefits were remitted to the husbands who represented the household.

The changes in the basic pension reflect a change in social policy. Japanese social insurance began as a program for working people, mostly male. This has been enlarged to cover all residents of Japan, regardless of nationality. The household, not the individual, is the basic unit of the welfare system. The recent change in the pension represents a transition from household-centered provisions of welfare services to individual provisions.

The individual provision is a part of the tendency toward more freedom or flexibility in social and labor policies. The old system was based on the standard household with a male bread winner and a housewife. Now with more women in the labor market, this model, having been criticized continually by feminists, is no longer the standard. Existing social policies are favorable to wives who have no jobs. They receive generous tax credits and which are exempt from paying social insurance premiums.

In this regard, domestic work is the focal point of the matter. If work done by housewives were evaluated and rewarded socially, differences between homemakers and working women would decrease. A kind of income transfer program could provide homemakers with some income. It could be gender neutral since men also may cook, clean, and care for children. Such a policy, if not always practical, would promote flexibility and freedom of choice for the lives of both men and women.

Gender problems have largely been a matter of equality. But, as discussed above, they are also a matter of freedom. And, in the future, such elements of equality and freedom can be strengthened.

VII. Conclusion

Traditional social theory tells us that society has three layers or dimensions: family, civil society, and the state. The welfare state in a narrower sense represents the state which provides the people with an extensive economic and social safety net. In other words, these are social and labor policies. Historically, the welfare state developed mainly for the organizations in the intermediate layer: civil society. They are trade unions, firms, and other associations. Those organizations supplied a kind of security through trade unionism, welfare capitalism, or other
forms of collectivism. Finally, the state unified the security system, thus forming an organizational society. The main actors in the society have been big government, big labor, and big companies. People were the beneficiaries of the programs as members of such organizations. The smallest unit to receive benefits was the family or household, not individuals.

Social insurance, first begun in Germany in the 1880's, was originally occupational. Later, universalism was introduced, but the program did not lose its basic character. Though Scandinavian countries developed more extensive universal programs, even in those countries, some additional occupation- or company-based programs continue to exist.

Industrial relations has also been organized occupation-wide or industry-wide. The smallest unit is the industry or company, that is, industrial or enterprise unions, and the employers' associations or individual employers. There are individual dimensions where the state laws provide protection over individual persons. It is, however, regarded as a supplementary safety net as a last resort.

More recent social policies have a different tendency. The Japanese basic pension reorganized in 1986 provides individual residents, not the family or household with the pension benefit. Long-term care insurance having started in 2000 provides older people with money to buy long-term care services, allowing them to choose the services they want.

Such changes in policies reflect a transition in society, from collectivism and uniformism toward individualism and freedom of choice. Our societies now allow more flexibility in social life. On the opposite side of the change, individualism has caused social confusion and friction. Flexibility sometimes means chaos and insecurity in civil society and family life.

The welfare state was a reaction to industrialization, urbanization, and other social changes in the nineteenth century. Socialization and organization was the major tool of social and labor policies in the twentieth century. At the end of the century, we find that individualism and choice are other major principles of the policies.

Just as the nineteenth century experienced much confusion and friction, this century has seen similar chaos. There is discussion about the loss of stability in family, education and jobs. These appear as symptoms of a new anomy. But, it is just the beginning of a new era of society, where affluence allows us more choice in life. Although there were phenomena which are never seen in the previous, highly-disciplined society, they are just symptoms of a new era, the age of individualistic and monadic society. Every period has its glory and misery.

In this new situation, the welfare state has another challenge from a society organized and stabilized by the welfare state. The welfare state has to manage the challenge of individualism and find a different balance for society. Rather than the death of the welfare state, we are witnessing its reformation at the new turn of the century.