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# The Evolution of Social Policy in Japan

Konosuke Odaka

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Japan was slow in institutionalizing the system of social expenditures (in a broad sense of the term), excepting in education. The paper briefly describes the historical background of the circumstances regarding education, social education, medical care, social amenities, and income relief plans. The paper ascribes the reasons for the late start, especially of the national pension scheme, to a number of factors. First one is the lack of the social doctrine which asserts that access to social securities is an integral part of basic human rights. Measures of social amenities in the country, therefore, tended to be regarded as benevolent gifts of the ruler. Second, the society was equipped with the social tradition of mutual help with pervasive reliance on kinship and/or community relations. Third, the private sector, and in particular big corporations, supplied generous welfare programs of their own, fully satisfying the needs of their employees. Last, liberalistic ideology (of labor movement, for instance), which would challenge the philosophy of the ruling regime, has been relatively weak, so that there was not enough political pressure to effectively realize the early introduction of social expenditures.

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## Foreword

This paper was prepared for a project on Social Development in East Asia. The project was organized by the World Bank Institute under the auspices of the Program for the Study of the Japanese Development Management Experience (The Brain Trust Program), which is financed by the Policy and Human Resources Development Trust Fund established at the World Bank by the Government of Japan (GOJ). We greatly appreciate the generous support from GOJ.

The principal objectives of this Program are to conduct studies on Japanese and East Asian development management experience and to share the lessons of this experience with developing and transition economies. The experiences of other countries are often covered in order to ensure that these lessons are placed in the proper context. This comparative method helps identify factors that influence the effectiveness of specific institutional mechanisms, governance structures, and policy reforms in different contexts. A related objective of the Program is to promote the exchange of ideas on development among Japanese and non-Japanese scholars, technical experts and policy makers.

The papers commissioned for this project cover a number of important issues related to Japanese Social Policy. These issues include, among other, Japanese pension system, public health insurance in Japan, evolution of social policy in Japan, role of families, communities and government in improving socioeconomic performance, and Japanese policies towards poverty & public assistance. We hope that these papers will provide important policy findings and lessons for policymakers in developing countries and other development stakeholders.

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# *The Evolution of Social Policy in Japan*<sup>1</sup>

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## **Historical Background**

This essay is essentially an eclectic review of the evolution of social policy in modern Japan, with special attention directed to some characteristic features. It shows how the concept of social rights, long prevalent in many Western societies, has gradually taken shape in Japan side by side with the traditional emphasis on community and family responsibilities for social welfare.

We start with the observation that social policy and its budgetary counterpart, social spending, vary from country to country depending on political and social environments. Historical background also matters. According to a classification suggested by Esping-Andersen (1990: 52), Japan belongs to a group of countries characterized by “moderate” levels of social expenditures, compared with “extensive” (Scandinavian) and “minimal” (United States) types.

Indeed, with the sole exception of general education, explicit emphasis on social expenditure had never come up in Japan until the 1970s. This was not because there was no need for it—as evidenced by the fact that socialized medicine was introduced with little resistance from conservatives (quite the opposite of how this issue has been playing out in the United States). The delay was due, most directly, to progressive parties’ failure to gain the majority that was needed to earn the right to negotiate for the promotion of their political stands. With the exception of a few years immediately following the end of World War II, a string of conservative administrations laid a foundation of support among virtually all the important spheres of political influence: farmers, small producers and shop owners in urban areas, and even union members. The supreme commander of the Allied forces (GHQ, standing for General Headquarters) was generally supportive of such a political trend. But the trend took real hold only with the beginning of the high-speed growth era, its way having been paid by the Dodge Line (1949), which suppressed the postwar inflation, and the Korean War (1950–51), which brought with it big effective demand.

In the background of this gradual spread of political conservatism were such social factors as a decline in the once-massive peasants movement, the continued predominance in the economy of owner-operators and their unpaid family workers, and of medium-scale and small firms, which constituted, in a sharp contrast to the experiences in France and Italy, a political base for conservatives.<sup>2</sup> As an author puts it, “It

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<sup>1</sup> The author is grateful for the comments and encouragement of Dr. Farrukh Iqbal and other participants of the Workshops on Social Development Policy in East Asian Development, held in San Francisco (August 28–30, 1997) and Cheju (June 23–26, 1998). This current version of this paper was prepared while the author was a visiting fellow at the Australia-Japan Research Centre, Australian National University, whose secretarial support is gratefully acknowledged. However, the author alone is responsible for any errors or inadequate interpretations that may have remained in the paper.

<sup>2</sup> Owners of self-operating shops and their unpaid family workers were not entitled then to full membership in the social pension scheme. This contributed to the relatively low levels of social spending at that time.

was unfortunate especially for the Japan Socialist Party that it not only failed to organize the farmers and their union as its core supporters, but also to build a political mechanism by which it could mobilize the farmers' votes, because it could not fill the intra-party chasm that existed between its urban and rural factions" (Hiwatari 1991: 151).

Nonetheless, it was during the Socialist cabinet headed by Tetsu Katayama (1947–48) when a number of epoch-making jurisdictional decisions were made (all in 1947)—such as the passing of the Unemployment Compensation Act and the Unemployment Insurance Act, and the overhaul revision of the Civil Code, whose section on the family institution was completely rewritten (to give the eldest son a greater inheritance share, for example), replacing all articles relevant to the maintenance of said system.<sup>3</sup> As a political background to the incidents, one may cite a conspicuous decline in the popular support for the preceding Yoshida cabinet, in addition to GHQ's de facto endorsement for the Japan Socialist Party as a party of moderate doctrines, a party that was regarded as being entirely separate from, and independent of, the Communist Party.

With the general election in February 1955, however, the period of socialistic orientation was brought to its close. The Democratic Party—headed by Ichiro Hatoyama, who was determined to begin negotiations with the Soviet Union for improved political relations, and also to open trade relations with China—took the reins. Hatoyama also introduced successfully several new institutional schemes including the establishment of Public Housing Loan Corporation Law (1955), the extension of the provision of free lunches from elementary to middle schools, and the separation of pharmaceutical from medical services.

Facing this new political trend, the Socialist Party was resentful, but helpless. It was hardly consoling for its members to surmise that the victory won by the Democratic Party was made possible primarily because the latter had stolen their political platforms, especially the introduction of social security programs, the maintenance of full employment, and the generous subsidies for public housing.

The coming of the "1955 regime," the integration, respectively, of left and right wings of the Socialist movement, and of two conservative parties to form their unified fronts, marked the beginning of a new era that was to continue through the 1980s, eventually laying the basic historical tenet of the postwar high-speed growth period. These two sets of memorable unification were accomplished by the Japan Socialist Party in October, and by the Liberal Democratic Party (LDP) in November of that year, followed immediately by public declarations of their views on social welfare programs.

In the days shortly before the era of high-speed growth, comparative advantages of planned (as opposed to market-driven) economies were a matter of serious concern to the country's politicians and intellectuals alike. Especially those in the progressive camp were engaged in heated debates on how to salvage or renovate capitalism. It was perhaps out of too strong a sense of anticipation (that a better world was approaching), that they were engaged in such endless discussions on the fate of monopolistic capitalism and on the timing and conditions of a successful revolution. As it turned out, however, the highly theoretical nature of the debates was nothing but a reflection of the inherent weaknesses of liberal political movements in the country.

With the exception of measures already introduced by the Katayama cabinet, all subsequent innovations on social expenditure programs through the 1980s were implemented by conservatives. Among others was the Kishi cabinet (1957–60), which began a search for policies designed for rapid economic growth. (The effort eventually materialized in December 1960 under the Ikeda cabinet as the income-doubling plan.) It is worth remembering that the Kishi cabinet was not hesitant, if necessary, to draw up a design calling for a change in the economic structure, as exemplified by its programs to sustain and help develop medium-scale and small firms. It also successfully introduced the Minimum Wage Act (February 1959) and the National Pension Act (April 1959). The basic philosophy of social expenditures

<sup>3</sup> Some researchers have asserted that the dissolution of the system began much earlier. Shinto Hozumi, for instance, made a statement in his 1917 book that "it has been only since the Meiji Restoration that the basic element of a nation ceased to be a household or family (*ie* in Japanese), which was replaced then by an individual person" (quoted by Kamishima 1961: 259). More recently, Ramseyer (1996: ch. 5) has argued, on the basis of Japanese court rulings, that the individual members of Japanese households have enjoyed considerable freedom of decision-making in such important matters as inheritance, divorce, and the like.

by the LDP and its cabinets was well iterated by a statement made in 1959 by then-Premier Hayato Ikeda, who succeeded Shinsuke Kishi:

“Social security is the problem I am most concerned with. With regard to such issues as the protection of the most needy, medical care, unemployment insurance, welfare pension, etc., the basic job of the government is to help the people stand on their own feet rather than to expend money and/or to offer public assistance to the poor and the needy.”  
(Press meeting, September 7, 1959)

It was envisaged here that the government’s mission even in the sphere of social security was tax reduction, public investment, and the provision of assistance to the socially handicapped.<sup>4</sup> It was in the same spirit that Ikeda publicly pointed out in 1963 that the government could afford to spend generously on education, public investment, and social welfare precisely because of the country’s high-speed economic growth.

In the late 1950s and the early 1960s, the resolving of “economic dualism” was considered to be a most urgent policy target, so that farmers and medium-scale and small enterprises could be protected—as they were likely to suffer from this state of affairs. As a partial solution to the problem, the Basic Act of Agriculture was enacted in 1961, followed by the Act to Encourage the Modernization of Medium- and Small-Scale Enterprises, and the Basic Act of Medium- and Small-Scale Enterprises (both in 1963).

The Basic Act of Agriculture stipulated as its major target the reduction of differentials in productivity as well as in earnings between the agricultural and nonagricultural sectors. The government saw a need, before this objective could be realized, to expand agricultural production with greater freedom of decision-making by individual farmers, as this would ensure higher productive efficiency and the growth of independent but mutually cooperating farmers. Appropriate policy instruments were called for.

The enactment of the Basic Act of Medium- and Small-Scale Enterprises had historic significance in that it marked a shift in the nature of government policy on medium-size and small firms from that of predominantly “social-policy-oriented” to more genuinely “economic-policy-oriented” varieties.

The realization of the need to establish a consistent plan to form a welfare state in Japanese style led, during the Miki cabinet (1974–76), to a National Life-Cycle Plan, through which the government was to provide its citizens with the “national minima” at various stages of their life, while maintaining the principle of “self-help.” The making of this plan was in part an attempt by the ruling regime to remedy the political damage that was said to have been inflicted by the grand renovation plan of the Japanese isles, promoted by the previous premier, Kakuei Tanaka. Alas, Premier Miki’s aspiration could not be carried out immediately, for it was superseded by a completely distinctive scenario composed during the following Suzuki cabinet by the Special Commission on the Renovation of the Government Bureaucracy (*Rincho*).

These renovation plans all shared the same principle: they aimed at a reasonably replenished system of social welfare, managed by an efficient bureaucracy with a considerable degree of burden-sharing by the private sector, being backed by the spirit of independence and self-help, and supported by solidarity between individual economic units (households or work organizations) and their surrounding communities. They also agreed on the arithmetic that the economy needed to grow at a few percentage points per year to enable the creation of a welfare system.

Timing was crucial, for by then the era of high-speed growth had become a thing of the past, and it was felt essential to streamline public expenditures to maintain sound government finance. Certain

<sup>4</sup> This is not to deny that there was an early realization among government circles of the need for building a welfare state. For instance, the Deliberation Council on Social Security proposed to the Prime Minister a renovation of the country’s social security system so that the level of its provisions would be brought up to match those found in Western, or advanced countries by the year 1970. Subsequently, the 1962 White Paper on National Welfare urged the nation to prepare for the arrival of a rapidly aging society, drawing the public’s attention especially to the needs of the mentally handicapped, medical care for the elderly, and the still-unimproved urban health care conditions.



setbacks in social security programs were proposed during the reign of the same cabinet under the guise of rationalization: the discontinuation of free distribution of textbooks for compulsory education, the reintroduction of medical fees for senior citizens, among others. It had long been recognized—as far back as the introduction of welfare programs—that simple economic calculation would eventually question the economic soundness (for instance) of free medical care for the elderly.<sup>5</sup> Accordingly, the Health Insurance Act was revised in 1984, replacing free medical care with cost-sharing (of 10 percent) by the insured.

In this context one should note that the self-help principle has been generally supported by the public at large. According to opinion surveys conducted in 1976 and 1983, the overwhelming majority (60 percent, which was the sum of “strong” and “weak” affirmative responses) favored the stance that “all citizens, with the exception of the elderly and the physically and mentally handicapped, must be financially on their own with no assistance rendered by the social welfare system.” Interestingly, however, the respondents to the same surveys approved (73.2 percent in 1976, and 71.7 percent in 1983) programs by the government in facilitating “social welfare, such as national pension and medical care for the aged, even at the time of severe fiscal hardships.” (Kabashima and Takenaka 1996: 256, 264)

The principle of self-help coexisted with that of mutual help supported by public expenditure programs. It seems that the dichotomy in welfare consciousness was shared by contemporary Japanese politicians. Whether this was attributable to common social norms or political philosophy, to moral persuasion by political leaders, or to something else, would be a worthwhile topic for empirical investigation.

In December 1989, the National Pension Act was revised, establishing the Basic National Pension Fund to ensure the basic annuity to every national, raising at the same time the levels of annual benefits and of premiums by 4–6 percent and about 2 percent, respectively. Women’s right to participate in the national pension scheme was officially recognized, and all college students were now obligated to join.<sup>6</sup>

A thought that comes to mind as one reviews postwar Japanese experiences of social expenditure policies is that their implications must be understood in close relation to overall economic (especially industrial and incomes-related) policies. For instance, Japanese policy formulation could not be entirely independent of the policies of Margaret Thatcher and Ronald Reagan, leaders who brought on a turning point, after which the value of market discipline went up and was utilized even in arenas that were seemingly remote from economic policy issues.

## Education

Japan is a softly structured society—in the sense that its social stratification has been flexible enough to generate considerable upward social mobility. The degree of flexibility varies, of course: it tends to stay high at the time of political turmoil, whereas it stays low in more stable times.

Such was already the case in the premodern era. The upward social jump accomplished by Hideyoshi was a dramatic (and quite exceptional) example, but one could cite a handful of minor (and yet basically similar) cases of upward mobility in its early modern history. During the long, peaceful reign of the Tokugawa regime, managers of eminent merchant houses were often selected from among the able employees, not necessarily from the direct heirs of the owner’s family clans. Among the upper class warriors, there too were paths (although these were exceptional cases) of upward social mobility in political leadership, and this was no secret to contemporary observers.

Japan inherited, at the initial stage of its industrialization, a social condition that favored the growth of egalitarianism. This was probably an important reason that made educational investment highly

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<sup>5</sup> Free medical care for the elderly was first introduced in 1969 by Ryokichi Minobe, who was then Mayor of the Metropolitan City of Tokyo, and then spread rapidly to other parts of the country. The principle was later adopted by the national health insurance scheme (in 1973).

<sup>6</sup> The above historical accounts draw heavily on Akio Watanabe (1995).

instrumental both in motivating the members of society in their quest for upward social movements and in creating an achievement-oriented society (see, for example, Kimmonth (1981), especially the last chapter).

When the country began its process of industrialization, a most immediate concern for its newly formed government after the Restoration (1868) was to institute a program to build a “rich and powerful” nation (*fukoku kyohei*). The concern prompted the government to announce the Imperial Rescript on Education (*Kyoiku Chokugo*) signed by Emperor Meiji (1890), which laid the principle of education for the new age, followed by a program of compulsory public education.

Another cycle of educational reforms was attempted after World War II, when a highly standardized form of mass education was initiated with the expansion of the educational base (specifically, longer years of compulsory education, a less eclectic, simplified system of higher education, and so on), together with the stricter standardization of educational curricula, which added a further touch of homogeneity not only to the teaching programs but also to the products of the system.

Catching up with the West has been a long-lasting process for Japanese, having been initiated in the middle of the nineteenth century, and extending through well over the first three quarters of the twentieth. This process demanded a certain type of human resource, which can be classified under three categories:

- (a) Well-disciplined, healthy production workers who are not only equipped with basic reading, writing, and arithmetic skills, but are also capable of simple decision-making in the workplace when faced with unforeseen, extraordinary events (such as accidents);
- (b) Middle managers who are capable of transmitting top management decisions or intentions to rank-and-file workers in the language of the latter, and also of supervising shop-floor operations by way of production control and personnel management, covering such matters as production speed, work intensity, recruitment, training, incentive building, dispute handling, work evaluation, and so on; and
- (c) People with entrepreneurial capacity to choose an industry to be developed, to identify and adopt an appropriate technology for it, and to set up a system not only suitable to the given environment, but also to manufacture essentially the same products as in the West at a comparable (or even at a higher) technical efficiency, and, finally, to assume leadership in planning for the future.

Aside from expenditures on compulsory (tuition-free) education, private households in Japan have tended to expend more generously on educating their children than those in Western countries, with the notable exception, perhaps, of Jewish families. (One of the reasons for this Western trend is that younger generations there are expected to be, and they do become, financially independent as soon as they reach adulthood—that is, the age of 18.)

Educational expenditures of households over time expressed as proportions in their total consumption, ordinarily follow a mountain-like shape: spending starts at a low point on the left, goes up rapidly as the head of the household ages, eventually reaches a plateau, then declines slowly, and finally disappears on the right. One notes that the locus makes a striking contrast to that of expenditures on medical care. Such exemplary data may be extracted from a study of time-series private account diaries, kept by select Japanese households, collected and edited by Nakamura (1993).

Examination of the data, such as those collected by Professor Nakamura (1993), makes one realize that expenditures on education (given relative prices) depend closely on such factors as the number of children, average life expectancy, social norms regarding the age at which a child is considered independent of his or her parents, job transfers, social status as measured by one’s occupational achievements, and so on. These factors should be given close attention, even when one deals with macro-level statistics pertaining to education.

In retrospect, the Japanese system of education after World War II has been able to produce the first two groups of individuals described above as (a) and (b). In other words, it has created a receptive and cooperative group of production hands equipped with standardized, working knowledge of basic Japanese

and English, mathematics, and physical sciences. These people are of one mind, ready to cooperate with management and fellow workers in improving on their products and in defeating competitors.

Amidst a widespread interpretation that the country has failed with regard to the creation of the last group (c), there are claims that Japan has produced enough ingenuity and vital entrepreneurship in borrowing and modifying Western technologies and in formulating a new type of production system (see, for example, Odagiri 1992).

Despite some shortfalls—such as those listed by Dore (1976, ch. 3)—the Japanese system of education has not fatally failed the social expectation that a diploma serves as a gateway to upward social mobility, thus counterbalancing any force that might threaten the realization of egalitarianism, which is the cornerstone of the country's post-World War II political democracy. Kariya (1995, last chapter) argues persuasively that the key to Japan's success in its postwar economic growth has hinged critically on its capacity to maintain the social norm that defines school records as an objective, dependable measure of a person's work aptitude. According to Kariya (1995), this is precisely the reason why the social stratification of the postwar period, which reflects egalitarian meritocracy, has been considered socially fair and acceptable.

The above evaluation, however, needs at least two qualifications, one from a comparative, the other from a historical perspective. First, one notes that Japanese curricula of compulsory education and related educational policies after World War II have been subject to more legalized, central controls than those in other countries (for instance, the United States). Second, highly homogenized educational contents, which have prevailed in post-World War II Japan, were of relatively recent origin, as there is evidence that teachers in the prewar decades enjoyed freer hands in choosing their curricula, textbooks, and so on. Mass education has been an efficient way of preparing, in a limited time span, a large, disciplined, and young work force with a fairly standardized level of intellectual competence.

However, with the close of the 20th century, the time has finally come for the country to come up with a new style of education, especially since item (c) above poses a challenge for the future. Perhaps the most important, long-run task facing the nation is to come up with a new educational setup that would be likely to yield creative, innovative human capital. This may call for a reallocation of educational funds—for instance, less to institutional venues (such as school subsidies), and more to market-oriented venues (such as scholarships).

## **Social Education**

An often-forgotten, and yet prerequisite aspect of the modern market economy is the role of social education in forming a network of trust relationships among members of society, as well as in imparting them with training on explicit rules of social manners and behavior—which of course come with sanctions against their violators. One encounters cases in which feudal lords in many areas in Western Europe consciously engaged themselves in activities to cultivate social manners that would be acceptable to the community (compare Oestreich 1969). In these cases the ruling leader of the day would expend funds to establish a system of social codes and signals so that, as a result of enhanced mutual trust, closer transactions would be encouraged and commercial dealings activated. The establishment of mutual trust relationships has indeed proved to be highly instrumental in reducing transaction costs and in expanding the extent of the market.<sup>7</sup>

These objectives can be accomplished in many ways including military training, which often offers a convenient channel for such training since industrialization needs a labor force with strong group discipline (as it did in Japan during the Meiji era).<sup>8</sup>

<sup>7</sup> This writer agrees with Fukuyama (1995: ch. 22) that a trustful relationship is more a matter of social makeup or education than an alien cultural practice.

<sup>8</sup> The early military training in the Meiji era required one to start from an elementary level. Professor Mataji Umemura tells of a case in which even a traditional walking style needed correction, as Japanese farmers had long gotten used to a manner of walking in which

The ideas ruling the education of children on social manners have gradually changed as well. Gone is the communal sharing instilled in children's consciousness by the members of the community; child-rearing has become a purely private matter (Yuzawa 1977: 43–44).

These changes notwithstanding, the Japanese notion of family (in the late 1970s) could still be described as “conservative and traditional” in the sense that its focus was on the parent-child, rather than the husband-wife, nexus. Japanese have therefore “not been completely devoid of linear, stem family consciousness.” (Yuzawa 1977: 59)

It is important to note from a social education viewpoint that young people are sensitive to messages embedded in various stories and other reading materials they are exposed to during the process of their socialization. In this sense, the contents of such stories, and the social philosophy thereof, are highly relevant for the formation of social values in younger members of society. A classic documentation in support of this hypothesis was provided by McClelland (1961).

Comic books and journals, which expanded the scope of their readership (at least in Japan, especially among older teens) in the 1960s, offer another important source of social education. Such bestseller writers for young readers include Osamu Tezuka, Sampei Shirato, Hayao Miyazaki, and so on. It will be important therefore to identify the factors that have attracted readers, and why they have, as these authors share a common feature of idealism. Simple exemplary messages in these stories are that goodness prevails in the end (*kan zen cho aku*) and that honest, hard-working people will be rewarded and appreciated. One might trace the historical root of such an idealistic tone to the traditional teaching of Japanese Buddhism. At the same time, however, the growing circulation of the translated versions of such comics in other parts of Asia testifies to the popularity as well as universality of such messages brought home by their authors.

By the same token, the texts of Japanese popular songs (with the exception, perhaps, of love songs) point to a naively idealistic view about the world. The common usage in day-to-day greetings of a phrase such as “making strenuous effort” (*ganbaru*) probably suggests the prevalence of the view. Note, however, that such idealism does not necessarily contradict Eastern nihilism, which posits that everything on Earth is vain and empty. One might just as well make the effort and do good while on Earth, in return for the promise that persons full of compassion (*jishi*) will be rewarded in Heaven. Here again, it will be worthwhile to study reasons for the increasing circulation, after the 1970s, of Japanese popular songs in other parts of Asia—particularly in East and Southeast Asia. In the case of these songs, however, verbal messages claim less universality among different cultures than comics, as relics apparently do not weigh so heavily in Japanese songs as compared with poems in other cultures (Islam, for instance).

Needless to say, however, these two aspects of social education are mostly taken care of by the private sector.

## Medical Care

Japan has no tradition of running public institutions to protect and promote medical care for minorities and the poor. Principal medical services were offered by independent, owner-operated clinics. At the same time, physicians trained in the Chinese medical tradition were expected to demonstrate the principle of unconditional grace, as echoed in the saying, “medical treatment is the conduct of benevolence and of care for humanity.” They earned high social respect, in part because of this, but also because they were considered academicians, an occupation that is considered prestigious even today (compare Naoi and Seiyama (1990: 188–92)). In any event, medical care was largely a matter that was entrusted with the

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the left (or right, as the case may be) hand and leg would be swung to the same direction at the same time; carrying two heavy items, held by a rope at both ends of a wooden log placed on one's shoulders, had made the style singularly expedient.

private sector, and was given low priority by the Meiji government compared with the high priority enjoyed by the economic and military buildup.<sup>9</sup>

The legal basis for the government's policies on medical care was laid down first by the Health Insurance Act of 1922 (made effective in 1927). The enactment of the Act was highly motivated by the government's desire to ensure smooth industrialization by offsetting the growing social protest movements, especially labor unrest. A unique feature of the Act was that its benefits were extended to the employees of medium-scale and small enterprises, while excluding farmers, who were not eligible by definition, as they held no employee status.

The Ministry of Welfare was established in 1938, having been upgraded from a branch in the Ministry of the Interior. A fundamental rationale for its institution lay in the urgent need (perceived by the government) to ease the mounting social tension, which was expressed once again through social distress and labor disputes.<sup>10</sup> From the very beginning the Ministry's program focused on medical care and social security programs; pension plans did not come until much later.

The medical insurance system after World War II was originally designed and managed under the strong influence of the Japan Medical Association (JMA), which, being composed overwhelmingly of independent practitioners, fought strenuously with the government (Ministry of Welfare) over specific issues regarding how the system should be formulated and operated.

Resistance and clamor from the JMA notwithstanding, conservative politicians were never afraid of socialized medicine—in a sharp contrast, as mentioned earlier, to the U.S. experience. However, they were also highly skeptical about social security, which, they feared, might lead the country to a British disease<sup>11</sup> as well as to the abolition of long-cherished family-centered principles of social organization and mutual help (Ikegami and Campbell 1996: 12–13).

With the aging of independent practitioners, however, the relative importance of general hospitals went up as reliable places for emergency treatment. This of course sharply reduced the political influence of the JMA, starting particularly in the 1980s (Ikegami and Campbell 1996: ch. 4).

Irrespective of the type of medical treatment, the principle of professional self-discipline and the rapid introduction of increasingly advanced medical treatment—both supported by the publicly supervised medical insurance system—had won popular support over the years in the postwar period. (Perhaps money is more dependable than benevolence.) But one may as well stop here to wonder whether this is the path the nation wishes to keep walking on in the future.

## Social Amenities

In premodern days social amenities never constituted a cause for serious, extended concern for governing bodies in Japan. The single, most important concern shown by the polity on social overhead was the supply and control of water—because it was critical for physical safety and for successful rice cultivation.

Likewise, in those days there was no conscious effort to build self-governing local communities.<sup>12</sup> In fact, such organized action would arouse suspicion in the political ruler, and would therefore be watched closely. If anything, it was the ruling regime that would organize the community—as was the case in the five-men's group (*go-nin gumi*) under the Tokugawa regime—so that neighboring families would keep a

<sup>9</sup> In those days the idea of social planning had hardly arrived even in Western Europe; whereas the origin of insurance schemes for sickness and work-related accidents goes back to Bismarck (1883–84), the concept of social security was coined in conjunction with the New Deal in the United States (in 1935). It was in 1942 that Lord William H. Beveridge issued his first advocacy of social security in his *Report on Social Insurance and Allied Services*.

<sup>10</sup> The international atmosphere, including activities by the International Labour Organisation (ILO), may have been conducive to the promotion of welfare activities.

<sup>11</sup> Referring to such symptoms as those described by Shanks (1961).

<sup>12</sup> Note, however, that cases of spontaneous community development have been rare even after the abolishment of political control since the end of World War II.

spying eye on one another, watching out for any sociopolitical anomalies that were potentially threatening to the regime.

It was those family-like organizations that formed the core for any societal action. For this reason paternal or kin-based relationship was the most natural and strongest form of human association in the Japanese mind. The same principle applied to military groups: warriors in premodern days never formed their group loyalty on the basis of contractual arrangements.

Just as the idea of a community hospital did not emerge until the Meiji Restoration, conscious policies on social sanitation, or preventive medicine in general, were seldom formulated. By the same token, sewage or garbage disposal systems were never subjected to public expenditure until the age of industrialization.

Human excretions formed an important agricultural input in those days, and their collection was an indispensable activity for the agricultural sector. In the case of urban households also, the waste was sold to nearby farmers who would come periodically to collect it (compare Zenjiro Watanabe 1983). It was only in the late 1880s that service charges began to apply to waste disposal.

Similarly, the Garbage Cleaning Act was enacted only in 1900, making local cities, towns, and villages responsible for dealing with urban garbage (Maruo, Nishigaya, and Ochiai 1997: 19–26).

In other words, social sanitation had largely been left to private citizens, rather than to political action. Exceptions were made only in cases of natural disasters or the spread of epidemics such as cholera.<sup>13</sup>

It was only after the beginning of the high-speed growth era that more serious, conscious efforts began targeting social amenities. This was after a considerable time lapse since the enactment of rather conventional sanitary legislation (the Cleaning Act of 1954), which underscored the same principle as its predecessor of 1900, calling for the systematic planning and sanitary handling of garbage disposal in local communities. One had to wait until a total revision of the Act in 1991, before more enlightened guidelines were established in order for serious efforts to be made to minimize the gross quantity of disposed goods and to encourage their recycling as well as the separate collection of flammable and inflammable trash. These legal institutions—as well as campaigns via the mass media—must have made an impact on the public mind, as the quantity of waste per capita per day in major 13 cities stabilized in the late 1980s and early 1990s: 1,040 grams per day in 1987, 1,120 in 1990, and 1,106 in 1994 (Maruo, Nishigaya, and Ochiai 1997: 105).

## **Income Relief Plans**

In the years before the end of World War II, neither the concept of basic human rights nor the guarantee of a minimum standard of living as an essential ingredient of that right had been firmly established in Japan. There were some high-ranking government officials, however, who thought of the need to prepare, albeit secretly, a plan for minimizing possible social chaos that was expected to follow Japan's surrender. Accordingly, preparation was quietly under way to draw up a plan for the provision of poverty relief including a child allowance. In the course of this effort, Taketo Tomono, an officer at the Ministry of Welfare, learned of the Beveridge Report, studied it, and came to appreciate the importance of the concept of basic human rights (Yokoyama 1985: 11–14).

It was only because of direct pressure coming from the GHQ that the Japanese government hastily prepared, in December 1945, a draft plan of social security.<sup>14</sup> Immediately thereafter, the Public Health and Welfare section of the GHQ responded with strong criticism. Its main points were that (a) a public, not private, agency must be the driving force of the plan, and (b) no ceiling should be set for the fund with regard to income-supplementing plans. But most government officials, as well as the Japanese public, had

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<sup>13</sup> Cholera was a cause for serious concern for the Meiji government and its successors, as it attacked the country often: in 1877, 1879, 1886, 1890, 1895, and 1916.

<sup>14</sup> This and the following four paragraphs draw heavily on Fukuda (1985).

no clear understanding of the basic rationale underlying the GHQ's insistence—namely, that the government must be the guarantor of a national minimum living standard, and that the establishment of it was the government's responsibility. After an exchange of views and a flurry of rewrites, however, the revised plan became the Income Supplement Act of 1946.

A U.S. mission to study the social security system, which visited Japan in August 1948, suggested that a Deliberation Council on Social Security be established. Duly formed in December 1948, the Council submitted a recommendation to the government that the newly born Act of 1946 be overhauled and strengthened by explicitly underlining four principles:

- (a) People would not be discriminated against in the course of providing services;
- (b) The government would be the sole responsible party for running the system;
- (c) A minimum standard of living for every citizen would be publicly guaranteed; and
- (d) Income subsidy would be established as a basic human right.

The substance of the recommendation had been prepared by the officials of the Welfare Ministry under the supervision of Shinjiro Koyama, then chief of the Income Subsidy Section (*Seikatsu Hogo Ka*). It was subsequently adopted by the National Diet, and was embodied as the revised Income Supplement Act of 1950. It had a unique characteristic of not requiring the recipients of income subsidies to have any qualification other than reporting their economic conditions (earning levels and asset ownership).

By way of summary, the principles of the original government plan of December 1945, the Act of October 1946, the Council's recommendation in September 1949, and the revised Act of May 1950—respectively, columns A, B, C, and D below—may be compared according to their conceptual stances as shown in table 1:

**Table 1.** *Conceptual Stances of Various Principles*

<i>Stance on:</i>	(A)	(B)	(C)	(D)
Government responsibility	no	yes	yes	yes
Civil minimum <sup>a</sup>	no	no/yes	yes	yes
No discrimination	no	yes	yes	yes
Income subsidy as a human right	no	no/yes	yes	yes
Unconditional qualification	no	no	no	yes
Provision of salaried staff	no	no	yes	yes

a. The concept of a “civil minimum” was first introduced in 1968 by Ryokichi Minobe, then Mayor of the Metropolitan City of Tokyo. It rests on the idea, “Give according to one's need,” which, according to Tsuru (1998: 96), goes back to John Ruskin (*Unto this Last*, 1859), and essentially guarantees the minimum standard of living.

*Note:* The notation “no/yes” indicates that “no” was turned into “yes” later on—in August 1949 in the first case, and in April 1949 in the second).

The income supplement plans suffered during 1954–60. After the signing of the Peace Treaty, the influence of the GHQ waned, while that of the Finance Ministry increased. The system was also accused of wasting public resources. The standard level of income supplement, expressed as a proportion of the

first quintile of the distribution of per capita personal consumption expenditure, declined precipitously from 1952 to 1960 before going back to its upward trend.

There were also difficulties owing to the administration of the plan. For instance, only about 20 percent of those who were in need reportedly applied for public assistance. This was ascribed to three reasons. First, the notion of being a recipient of public subsidy was repellent to ordinary citizens, as it offended their pride. Second, contrary to the plan's stated basic philosophy, the qualifying condition as a recipient was not only quite strictly applied, but was monitored closely by bureaucrats who were fearful of excessive spending. (Moreover, the system automatically excluded holders of any significant asset, thereby depriving it of the power to resolve the recipients' possible debt burden.) Third, the Welfare Ministry was afraid of possible moral hazard that might unduly inflate the system's expenses, and therefore reluctant to forcibly extend the de facto coverage of the system (Takayama 1980: 90–102).

Another side effect of the Income Supplement Act was that it promoted the dissolution of single-family households, as the government wanted to rebut the argument that the system promoted laziness at taxpayer expense.<sup>15</sup> To qualify for the income subsidy, therefore, the needy were forced to form an independent, impoverished household that was separate from the households of relatives. According to the Record of Social Welfare Administration, the proportion of single-family households increased continuously from 44.3 percent in 1960 to 77.2 percent in 1975 (Takayama 1980).

Already in 1952 the future need to implement an income support plan for Japan's aging population was clearly anticipated (Yokoyama 1985: 30). In this vein, a strong appeal was made for the establishment of a national pension plan whose premiums were to be prepaid by eventual recipients.

The Socialist Party also introduced a proposal in August 1953 for a national pension plan. Following this, the Welfare Pension Insurance Act of 1954 went through the National Diet with the proviso that "it is hoped that utmost effort be made to integrate various different pension schemes into one consistent plan in the future."

A proposal for a national pension plan had its antecedent in the prewar era. But the impetus for its wide adoption came first from the establishment, by select local governments, of old-age pension plans beginning in 1956, which then spread rapidly to other regions.

Until the 1960s, postwar Japanese society was not highly sensitive to the need for a social security system. For one thing, the majority of the work force consisted of owner-operated shops, managers and employees of medium-scale and small enterprises, and persons of independent status including farmers and fishermen, whose well-being was mutually supported by their families and (albeit at rapidly declining proportions) their personal network (relatives, neighbors, occupational associations, and so on). Those who were a part of big corporations and government entities were the de facto elites of society; they were entitled to relatively superior compensatory schemes, which included medical care, family and accident allowances, bonuses, and various forms of fringe benefits. Such personnel management was encouraged by government tax policy, in that the accumulation of corporate funds for severance payments as well as for bonuses would be regarded as part of necessary personnel-related expenses and therefore deductible from corporate gross profits.

But the political tide was apparently shifting. It was also a high time for change, since (as noted before) farmers and self-employed individuals and their family members had been left out of social pension plans. The change came about not because of any particular transformation of socioeconomic substance (for example, the dissolution of the traditional family system); not only had the reduction in average family size started much earlier, but it had been observable mainly among the employees of relatively large organizations (and not among the self-employed). The change, therefore, may be more properly ascribed to such factors as shifts in the political atmosphere and the nation's awareness of these issues.

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<sup>15</sup> From the economics point of view, a valid criticism would be that the provision of supplementary income increases the recipient's value of leisure, thus depriving him or her of the motivation to work hard. The inference is based on the theoretical expectation that income and price effects in labor supply move in opposite directions (Takayama 1980: 121–22).



It was the Ishibashi cabinet that moved forward with a conscious effort to establish a national pension plan, of which every citizen would be a part.<sup>16</sup> Subsequently, the Kishi cabinet composed a Five-Year Plan to establish the National Pension Plan covering all nationals. Although the Deliberation Council on Social Security was of the opinion that the time was not quite ripe for that, it received, in May 1957, a formal inquiry from the Prime Minister on the plan. Behind the move was the forthcoming general election of May 1958; in the campaign period all political parties publicized their own pension plans as one of their political platforms. This prompted increasingly heated discussions regarding the pros and cons of specific pension plans.

Under mounting political pressure, including a public statement made by the premier (in September 1957) that the plan would be put into action during fiscal 1959, the Deliberation Council (headed by Hyoe Ouchi) accelerated its work, proposing its interim reports in February and June 1958, and submitted its final report in October 1958: a double system, comprising subscribed and publicly funded pension schemes.<sup>17</sup>

The plan's formulation process was a juxtaposition of various proposals. The National Diet, for instance, began its debates on the national pension system immediately after the election (July 1958), and converged these proposals rapidly in December of that year into an Outline of the National Pension System [*Kokumin nenkin seido yoko*]. It is noteworthy here that the final plan presented by the government was subject to a highly critical comment process from the Deliberation Council, which questioned the strong insurance-like nature of the plan: not only was the system one of voluntary subscription, but it required too high a premium payment, which had to be paid up continuously for as long as 25 years. The Council said, in effect, that the plan could be characterized as a poverty-relief, instead of an income-relief, effort.

Public opinion welcomed the new government policy to implement a new institution of national pension. The idea gradually took root. However, it did not encounter rapid, widespread acceptance because, first, the citizens had not yet bestowed full trust on the government promise that it would guarantee a minimum living to everyone. Second, the rules of the system were not only stringent (in terms of the premium and the 25-year payment accumulation period), but were also subjected to frequent changes. Third, the system was not easy to understand in part because of its complex history and also because of frequent revisions; it was hard to figure out, for instance, how much one would ultimately be entitled to receive—in other words, to figure out the cost-benefit ratio of subscribing to the pension plan. This means that the public policy had failed to eliminate from the minds of the citizens the feeling of uncertainty toward the future. The feeling at least partially explains the persisting high level of personal savings of Japanese households.

The Socialist Party countered with its own version of the plan in December 1958. But the discussion at the Diet concentrated a great deal on the proposal's technical aspects and little on its substance, and the original plan became the National Pension Act of 1959, with no major revisions. The scheme began payment in November 1959, and went into full force in 1961.

The delay in initiating the full-fledged national pension plan until 1961 supplies a reason as to why the relatively high proportion of aged parents were living together with younger generations. The 1968 Survey of National Life by the Ministry of Welfare reported, in fact, that more than 50 percent of senior citizens (persons aged 60 and over) were financially supported by their children, relatives, and the like.

However, the same report continued, a third of the aged generation continued to engage in their work, and only 10 percent of them had no means of earning a livelihood other than the national pension or rent income through asset ownership. In fact, the proportion of senior citizens willing to work even after their (first) retirement has been much higher in Japan compared with elsewhere (especially the OECD countries) through the 1990s (see Seike 1998). This must be more than a mere cultural phenomenon, having been created by the long gestation period of the national pension system.

<sup>16</sup> This and the following three paragraphs owe much to Yokoyama (1967: 133–94).

<sup>17</sup> A similar plan with a stronger emphasis on insurance aspects, had been submitted by a member of the Committee on National Pension of the Ministry of Welfare in July 1958.

One may note here that the Ministry of Labor suggested to the private sector in the late 1970s that the retirement age of their workers be extended from 55 to 60, and that it be extended again in the late 1990s from 60 to 65 (Seike 1998: 163).

Assuming that the elderly retirees would live together with younger generations, one could argue that such a social custom has served as “a safety net”—that is, a substitute for a public pension, despite the economists’ criticism that it was detrimental to macroeconomic efficiency (compare Komiya 1975: 277).

Finally, a few words on unemployment insurance are in order, because in the twenty-first century a transformation in the labor market is likely, making labor turnover—and thus higher levels of unemployment—more frequent.

The system of unemployment insurance was revised and renamed “employment insurance” in 1975. In keeping with this name change, part of the premiums would be expended to support various programs (such as occupational training) run by employers to accommodate the stability of employment opportunities.

The function of employment insurance may be likened to that of public health. Just as government spending on the latter is justifiable for being a preventive, as well as amenity-promoting, function without which greater public cost would incur in the long run, one may argue that ensuring stable employment is definitely a matter of great social concern.

## Interpretation

That human capital is the ultimate source of material wealth and of military strength, and that therefore it pays in the long run to spend generously on social welfare in the broad sense of the term, is a notion that—though proposed by modern economists—even feudal lords would have agreed with. But such actions in history have been rendered as top-down acts of benevolence, and never considered an essential ingredient of basic human rights.

The idea of political freedom and human rights (*jiyu minken*) entered Japan’s collective consciousness only after the Meiji Restoration, and was made popular by a famous quotation of Samuel Smiles by Yukichi Fukuzawa (see Kinmonth 1981: ch. 2). Moreover, it took almost a century for the idea to gain acceptance. Although the Taisho era (1912–26) was later described as the period of “popular democracy,” this idea could not be supported by way of any organized, political front. On the contrary, the first National Health Insurance Act of 1922 was enacted with the aim of pacifying radical movements that had shown signs of aggression during that era. Professor Okochi (1936/49–51), who published his monumental study of the history of German ideas of social policy in 1936, claimed later in his theory of social policies (1949) that social expenditures were an absolute necessity for modern monopolistic capitalism in order to sustain itself. This may remind one of a famous premise by Schumpeter (1942) that it is nothing but the success of capitalism that sows the seeds of socialism (or of the welfare state).

Under the insufficiently developed system of social security, common citizens had no other choice but to seek their own means of self protection—in other words, by way of mutual assistance, mostly through kin-based relations or their artificially extended versions, supported also by communal actions of some kind (Ishikawa 1967: ch. 3). Relatively high rates of personal savings may have been (at least in part) ascribed to the same motivation (compare Nakamura 1993).

Luckily, Japan inherited an initial condition for modern industrialization: social investments had been expended in the mid-nineteenth century by way of investing in (a) popular education (see, for instance, Dore (1965)), and (b) social overhead (facilities and organizations for water control, and the like). The latter laid a foundation for advances in agricultural productivity in the modern period (Umemura 1981). Relatively low population pressure was also a contributing factor. Ironically, the long-lasting dual structure in the economy has also been a favorable factor in that it has sustained a traditional family-oriented scheme of economic calculation based on household utility maximization, thus offering an opportunity for greater employment-sharing (compare Georgescu-Roegen (1966: ch. 11)).

By the end of the age of high-speed economic growth, the factors that delayed the initiation of active social expenditures rapidly disappeared. In fact, public opinion polls had already been clearly registering a change of emphasis by the end of the 1990s—a shift from (national) pensions to terminal care. This indicates the extent to which the national pension scheme has been assimilated into the minds of the people (Takayama 1997: 341). As Kaneko (1997) observes, the success of industrialization itself constituted a fundamental reason for the emergence of an urgent need for social expenditures. Needless to say, however, a system of social welfare that is too extensive creates fiscal difficulties. How one keeps a proper balance between the two is an important (and still unanswered) question that needs to be tackled as Japan moves into the twenty-first century.

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## Glossary

- Act to Encourage the Modernization of Medium- and Small-Scale Enterprises: *Chusho kigyo kindai-ka sokushin ho*.
- Basic Act of Agriculture: *Nogyo kihon ho*.
- Basic Act of Medium- and Small-Scale Enterprises: *Chusho kigyo kihon ho*.
- Basic National Pension Fund: *Kokumin nenkin kikin*.
- Civil Code: *Mimpo*.
- Cleaning Act: *Seiso ho*.
- Democratic Party: *Minshu to*.
- Employment Insurance Act: *Koyo hoken ho*.

Garbage Cleaning Act: *Obutsu soji ho*.

Health Insurance Act of 1922: *Kenko hoken ho*.

Income-Doubling Plan: *Shotoku baizo keikaku*.

Income Supplement Act: *Seikatsu hogo ho*.

Japan Socialist Party: *Shakai to*.

Liberal Democratic Party (LDP): *Jimin to*.

Minimum Wage Act of 1959: *Saitei chingin ho*.

National Health Insurance Act: *Kokumin kenko hoken ho*.

National Life-Cycle Plan: *Shogai sekkei keikaku*.

National Pension Act: *Kokumin nenkin ho*.

Public Housing Loans Corporation: *Jutaku kinyu koko*

Record of the Social Welfare Administration: *Shakai fukushi gyosei gyomu hokoku*.

Special Commission on the Renovation of Government Bureaucracy: *Rinji gyosei chosa kai* (abridged as “*Rincho*”).

Survey of National Life: *Kokumin seikatsu jittai chosa*.

Unemployment Compensation Act: *Shitsugyo teata ho*.

Unemployment Insurance Act: *Shitsugyo hoken ho*.







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