

# A Comparative Look at the Feasibility of Basic Income in the Japanese Welfare State

*Yannick Vanderborght and Yuki Sekine*

## INTRODUCTION

Basic income (BI) supporters like to present their proposal as an idea whose time has come (Standing 2011: 171–182). All too often, however, they remain quite vague as to what this exactly means and to the reasons why this is more the case now than ever before. In this chapter, we explore this issue in further detail by focusing on the Japanese case in a comparative perspective.<sup>1</sup>

Our approach is partly based on an adaptation of the analytical framework designed by Jurgen De Wispelaere and José Antonio Noguera (2012), aimed at facilitating the systematic exploration of the political feasibility of BI. In their view, a policy scheme such as BI “is politically feasible when the background conditions are such that there is a reasonable probability of the policy becoming actualized in the foreseeable future” (2012: 17). Among these “background conditions,” they distinguish between four social conditions of political feasibility: institutional, strategic, psychological, and behavioral. In this chapter, we shall make an attempt at examining some of these dimensions of feasibility, even if we shall insist on the *institutional* aspect in particular. By doing so, as is made clear below, we will also slightly deviate from the initial framework proposed by De Wispelaere and Noguera. Our main goal shall consist in opening new avenues for research on BI in Japan and elsewhere, by stressing some of the most crucial aspects of the relevant political and social context.

The first section of this chapter is devoted to a general overview of the Japanese welfare system, which has too often been presented as “impossible

to fit.” While it is true that Japan cannot be easily put in any of the ideal types discussed in the literature in comparative social policy, we will show that its main characteristics are close to what can be found in many Western welfare states.

Against this background, the second section deals with the *institutional* dimension of political feasibility. Here our interpretation of this social condition differs from the one suggested by De Wispelaere and Noguera. Whereas they merely insist on the viability of a policy in terms of implementation (the capacity to administer the new policy), we will rather focus on the achievability of BI with regard to some structural conditions, namely the main institutional features of Japan’s welfare system and their impact on poverty and inequality. In particular, we shall ask, how does the idea of a universal and unconditional cash benefit fit into the current state of social protection in Japan? At a more general level, how do the recent trends in poverty and inequality affect the chances of BI?

Taking these broad institutional conditions into account, the third section then briefly focuses on two of the remaining background conditions identified by De Wispelaere and Noguera. We first deal with the strategic feasibility of BI, duly defined as the capacity of its supporters to build a robust and successful political coalition in its favor. Second, we briefly examine the psychological aspects of feasibility, that is, the probability of gathering sufficient public support for BI among the mass public. We shall leave aside another background condition, the behavioral aspect of feasibility, which refers to the possible effects on the labor market behavior of individual workers. As is stressed by De Wispelaere and Noguera themselves, the careful assessment of this condition might require the development of agent-based models or even field experiments. This is obviously beyond the scope of this chapter.

As we shall see, our first exploration of these social conditions does not allow for unfettered optimism with regard to the political prospects of BI in Japan.

## THE WELFARE STATE IN JAPAN: A COMPARATIVE OVERVIEW

One can hardly deny the fact that Japan does not fit easily into one of the three worlds of welfare capitalism identified by Esping-Andersen (1990, 1996). This has been widely discussed in several books and articles in the last two decades and is still very much a topic of discussion in the comparative literature.<sup>2</sup> We do not intend here to give a complete overview of this important and challenging debate; rather, our modest goal is to briefly focus on some of the main characteristics of the Japanese welfare system and enlighten its most crucial aspects as far as our exploration of the political feasibility of BI is concerned.<sup>3</sup>

By international standards, Japan can still be considered an average spender in terms of social protection expenditures. According to the latest

data from the Organisation for Economic Co-operation and Development (OECD), its total spending was 22.3 percent of GDP in 2010, just above the OECD average of 22.1 percent. This remained far below the level of spending in highly decommodifying welfare states such as Belgium (29.5 percent), Sweden (28.3 percent), or France (32.4 percent). Thus if one only looks at this crude indicator, Japan is clearly closer to liberal countries such as the United States (19.8 percent) or the United Kingdom (23.8 percent).<sup>4</sup>

However, for at least three interrelated reasons one should not too quickly conclude that therefore Japan unambiguously belongs to the “liberal” family of welfare. First, traditionally the level of public spending has been high in some specific programs such as health care and, above all, pensions. Second, in many ways, the real impact of the limited size of welfare spending has been compensated by the existence of functionally equivalent programs and the gendered division of labor (Estévez-Abe 2008; Miyamoto 2003). These substitutes include work-based protection through lifetime employment and other forms of corporate support (company welfare), public work investment, massive subsidies to rural areas, public promotion of savings, and the (controversial) fact that full-time housewives perform most of the care work aimed at dependent relatives (family welfare). Third, by contrast with the US or UK case, in Japan poverty rates and the degree of inequality have remained low—at least until recently.

Before coming back to some of these specificities, let us now briefly explore the core features of Japan’s welfare state, starting with social insurance programs.

### *Social Insurance*<sup>5</sup>

Social insurance in Japan consists of five branches covering seven risks: health care, old-age pension (also covering invalidity and survivor benefits), accidents at work, unemployment, and finally, nursing care.

*Public health care insurance*, providing care and benefits compensating income losses during illness, aims at universal coverage, though it is segmented between employees in the private sector and their dependent family members, employees in the public sector and family, the self-employed or the nonemployed, and people over 75. Public assistance (“livelihood protection”) recipients are not covered by health care insurance, as their medical costs are covered by public assistance itself.

Employees of larger firms (more than 700 employed) may form their own corporate health insurance society within the company, which will need to be approved by the Ministry of Health, Labor and Welfare, in which they can decide to raise the employer’s contribution and provide additional advantages to those insured. Employees of smaller firms and of larger firms that have not constituted their own insurance society will contribute to the government’s managed health care fund. The self-employed and nonemployed enroll into the National Health Insurance managed by the municipality of their place of residence.

One of the issues relating to public health care insurance is the increasing proportion of unemployed and precarious workers insured under the national health insurance, which is stressing its budget. An even more pressing issue is the fact that many of them simply fail to enroll, hence are deprived of health care insurance. It is, together with old-age pension, one of the problems surrounding the lack of protection of low-paid and precarious workers. Despite these limitations, Japan's health care system conducts a wide-ranging prevention policy, including free health checks often provided by local entities, which may in part contribute to its relatively low health care expenditure per capita.

*Old-age pension* is a pay-as-you-go insurance-based system that uses the contributions of those who are currently economically active to finance the benefits of those who are currently retired. In 1986, Japan introduced a national basic pension for all citizens, to which one starts contributing at the age of 20, regardless of employment status (students and nonemployed are also enrolled at 20, although they can delay contribution until they start to earn an income). Within the framework of the BI discussion, it is relevant to investigate the features of this universal basic pension system in some detail. Figure 2.1 shows the complex interaction between the basic pension and other retirement programs.

This basic pension constitutes the main public pension for the self-employed (insured of “1st category”), who pay a flat-rate contribution, the amount of which is fixed by law, and are entitled to a fixed amount of pension at retirement, depending solely on the length of contribution. For the employees (insured of “2nd category”), the basic pension is the basic part of their retirement pension, whose amount is fixed according to the length of contribution (40 years for maximum rate), topped with an earnings-related pension, the amount of which will depend on the contribution record. Employers contribute for half of their employees' pension. Employees' dependent spouses (insured of “3rd category,” whose income does not exceed 1.3 million JPY per year) have an individual right to the basic pension, which is financed by the employees' earnings-related pension fund. This is viewed as an obstacle to women's social mobility, due to the threshold of 1.3 million yearly income as a condition to keep the entitlement—although this argument becomes less

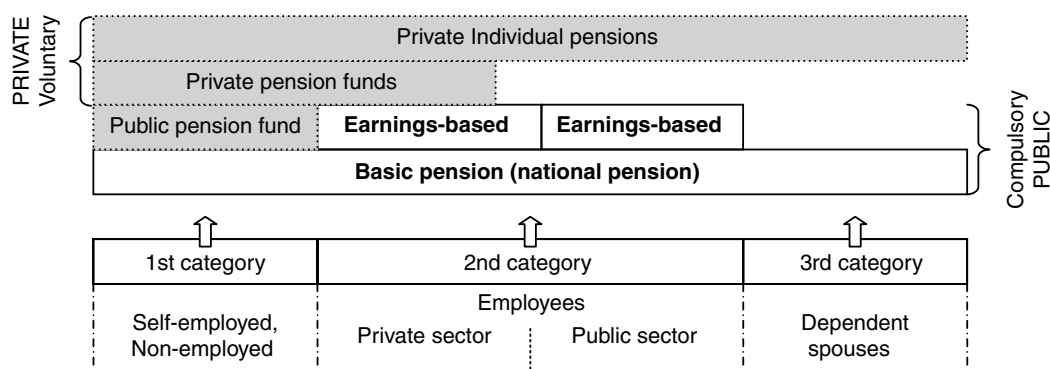


Figure 2.1 The basic pension and other retirement programs

and less valid as the dependent wife's employment status could entitle her to an income and rights that will surpass her rights as a dependent spouse.

There are several issues with the basic pension, in addition to the (not minor) challenge of aging. One of them is the high rate of the insured of "1st category" who do not contribute or even register to the system, although they are required to do so by law. A substantive proportion of them are employed people with precarious employment status, who either do not qualify for the "2nd category" (employees), because of their temporary contract status (less than 4 to 6 months according to the type of contract), or their part-time status (less than 30 working hours per week), or whose employers fail to register as qualifying employees. Their failure to register and/or to contribute will consecutively lead to a situation where they will either have no pension at retirement, or an insufficient one. This relates to the more general problem of the lack of sufficient social protection for precarious workers.

The replacement rate of the old-age pension, while it is around 55 to 60 percent for employees who will receive a combination of their basic pension and an earnings-based pension, is much lower for the self-employed and nonemployed who will only receive the basic pension. Unless they have been voluntarily contributing to public or private pension funds, their retirement pension will be quite low.

As regards *accidents at work and unemployment (the workers' insurances)*, the social insurances for accidents at work and unemployment, jointly forming the "labor insurance," are to be contracted by business units that employ at least one worker, and insurance fee is calculated and contributed for by employers according to the number of workers covered by each insurance. The workers' accidents compensation insurance widely covers any worker, whatever the type or duration of her or his labor contract, including student job holders, and covers the medical care pertaining to the industrial accident or disease, and possible losses of income during the incapacity to work. By contrast, the unemployment insurance, providing both for unemployment benefits and active measures to prevent unemployment, has been far more restrictive in its personal scope, although it was extended by recent reforms.

As a matter of fact, in the course of these last couple of years, and particularly during the economic crisis that hit Japan's economy in the aftermath of the financial crisis in 2008, the personal scope of the unemployment insurance has been gradually extended to cover in particular workers with "irregular" contracts, precisely those pointed at as the most probable "working poor." This extension of coverage has been made possible by successive reforms in 2009 and 2010, reducing the minimal duration of the contract in order for a worker to be covered, from one year to six months (in 2009), then further reduced to 31 days (in 2010). Only workers whose contract is concluded for a term shorter than 31 days will now be excluded from the *usual* scope of the law, and be covered by a special, distinct unemployment insurance "for daily workers," with separate rules for the calculation both of the contributions (slightly higher) and benefits (calculated by days worked). Those who work

less than 20 hours per week are completely excluded from the unemployment insurance, which raises another issue with regard to casual workers.

The reforms of 2009 and 2010 also modified requirements to receive unemployment benefits, reducing the work history condition of 12 months during the last two years before unemployment, to 6 months during the year preceding unemployment, however only for workers who bear no responsibility for the loss of employment, namely those who have been dismissed, downsized, or lost their job due to bankruptcy.

The Japanese labor law does not restrict fixed-term labor contracts as in many European countries, neither in terms of total duration of successive contracts nor in terms of number of successive contracts. However, the unemployment insurance law has been modified to treat workers whose fixed-term contract has not been renewed equally to workers whose “regular” work contract has been dissolved. These reforms have had the obvious purpose to extend the benefits of unemployment insurance to workers under an “irregular” work contract, who had been largely excluded from its scope until then.

In addition, special measures have been taken for workers who do not meet the requirements for receiving unemployment benefits, to provide them with an income approximately equivalent to the livelihood assistance (see below), on the condition that they undergo professional training as an active employment measure. One key issue remains the case of employers who elude the law by failing to register workers to this insurance, even if they meet the conditions, be it willingly to avoid additional costs or simply because they are unaware of the new regulations. Although the law provides for sanctions for that kind of failure on the part of employers, these are very rarely implemented in practice.

Considering the *nursing care insurance*, Japan is not only the most aged population in the world, reaching a 23 percent aging rate in 2010 according to government’s estimates, but it also holds a record of having aged at an extremely fast pace, much more so than in European countries. Social issues deriving from this rapid aging, coupled with one of the lowest fertility rates in the world, have added to the existing financial pressure on social security and urged the government to adopt, first in 1995, the Basic Law on Measures for the Aging Society. In general terms, this law is aimed at tackling aging, basically by keeping people healthy and economically active as full members of society as long as possible and by providing them with the necessary medical and personal care. While care services were in part provided by social assistance for the elderly (Law of 1963), they have also relied heavily on family members, often children and/or their spouse. This has put so much social pressure and burden on the families, both financially and physically, as well as mentally, that it has grown to a true social issue of family breakdowns, with cases of mistreatment or even induced suicides by the caregivers and the care-receivers in the worst cases.

It was in such a feeling of urgency that the nursing care insurance was created by the law in 1997 and implemented from 2000. All residents must

compulsorily enroll and start contributing to this social insurance from the age of 40, according to one's revenues and a rate fixed by the local entity of residence. Services are provided only from the age of 65, after an assessment of the state of dependency conducted by the municipality staff and based on a questionnaire, a survey at the residence and the opinion of the house doctor. A noticeable characteristic of this insurance is that it encourages private sector caregiving businesses, as a way to secure the necessary volume of services, as well as encouraging private competition in order to enhance the quality of services provided.

Financial costs for the nursing care insurance have grown steadily since 2000, starting at 3.6 trillion JPY and reaching 8.9 trillion by 2012. The law has been revised several times, putting an increasing emphasis on preventive measures, coordination with health care for the elderly, and care at residence as opposed to the placement in institutions, also increasing the role played by local entities in the management of the insurance and the provision of services. The Basic Law on Measures for the Aging Society has been followed by a series of programs and laws reforming labor legislation to maintain employment until 65, expecting from senior citizens that they stay producers as well as consumers of goods and contribute to Japan's economic well-being.

### *Social Assistance*

Most OECD countries have implemented some sort of residual safety net under the form of a means-tested minimum income. This is also the case in Japan, where according to the Livelihood Protection Law (or Public Assistance Law) enacted in 1950, all needy individuals are entitled to receiving public assistance. In its Article 1, the law provides that its purpose is, based on the spirit of Article 25 of the Japanese Constitution (which states a right to a healthy and cultured minimum standard of living), to guarantee a minimum standard of living for all citizens living in poverty, according to their level of hardship, both by providing necessary public assistance and assistance for their self-support.

However, the law further states in its Article 4 (Supplementary Nature of Public Assistance) that public assistance shall be provided on the requirement that the person living in poverty utilizes all his or her assets, abilities and any other means available to him or her in order to maintain this minimum standard of living (al.1), as well as any support given by family members according to the duty of support prescribed by the Civil Code (al.2). These provisions do not prevent, however, the provision of necessary assistance in emergency cases (al.3).

The first alinea of Article 4 of the law is commonly interpreted as putting a heavy work requirement on applicants and has been implemented accordingly by municipal welfare offices, in such a way that it denied assistance to most people within the working age range (under the pensionable age), unless they justify their state of needs by an illness, disability or single parenthood (or rather, single motherhood). They were also instructed by the

Ministry of Health, Labor and Welfare (MHLW) to apply the law in that sense.

The assistance itself is strictly means-tested, in particular as concerns savings in money, requiring the applicant to the assistance to literally use up all of their assets in order to qualify for the assistance. Since early 2000s, following court decisions concluding to an excessively strict application of the law by local officials, and the shocking occurrence of a rejected applicant's death from starvation, a revision of the law has been under way, emphasizing on the “activation” side of the law—which would allow a combination of cash benefits and personal job-seeking advice and assistance. Estimates of the take-up rate of public assistance for people living below poverty line range from below 20 percent to a maximum of 30 percent (Komamura 2008).<sup>6</sup>

When passed the narrow test of qualification, however, the amount of public assistance allowance, calculated on the household-structure and type of region (urban or rural) according to the cost of living, is relatively generous, approximately 80,000 JPY for a single person household in an urban area, 120,000 JPY for a couple with no dependent child, and 166,000 JPY for a single mother with two small children—an amount very close and sometimes higher than the monthly income of a full-time worker under the minimum wage. The latter fact has incidentally led to the revision of the minimum wage law in 2007, introducing a provision stating that the minimum wage must at least equal the livelihood assistance standard (see Komamura 2008: 90).

However, all income earned while receiving the benefits will be reduced from them, which will lead the recipients to either try to hide these from the officials or fall into the poverty trap. The length of time that recipients receive benefits are usually long, which might demonstrate the occurrence of the poverty trap.

As for financing, according to the Law on Local Finance (1948) and the Law on Public Assistance (1950), the costs for public assistance benefits paid by prefectures and municipalities are financed by 75 percent from the national budget, while the remaining 25 percent are borne by the local entities. In fact, since the local public finance reform conducted by the Koizumi government in 2004 (the so-called *Sanmi-ittai* reforms), which resulted in a large cut in local tax allocation transfers from the central government to local entities, the competence of local governments with regard to welfare and public assistance has gradually been increased, which has only partly been accompanied by budgetary transfer such as the right for local entities to raise additional taxes (Sekine 2008: 51–52).

## INSTITUTIONAL FEASIBILITY: STRUCTURAL CONSTRAINTS AND NEW OPPORTUNITIES

As was mentioned above, this second section does not deal directly with a more narrow interpretation of “institutional feasibility,” that is, the administrative capacity to implement a BI. Given the key role played by the state



bureaucracy in Japan, this is undoubtedly of great interest, but would deserve a separate chapter. Here we shall rather focus on some of the structural conditions outlined in the section “The Welfare State in Japan: A Comparative Overview,” and see how they potentially affect the achievability of a transition towards a BI society in Japan.<sup>7</sup>

### *The Importance of Work-related Benefits*

In Japan, even more than in other advanced welfare states, access to social programs is highly dependent upon one’s position in the labor market. The first and most obvious cause of this relates to the very form taken by the patchwork of publicly funded transfers. Based on the Bismarckian contributory logic, they provide benefits that vary according to one’s occupational status. As we have seen, examples can be found in the fragmented pension system, in health care, or in the field of unemployment where benefits mainly accrue to specific categories of workers with a significant previous work record.

Historical accounts of the Japanese welfare system show that this fragmentation is partly due to past electoral strategies of the Liberal Democratic Party (LDP). In the early days of the welfare state in the 1950s, but also during the welfare expansion of the 1960s and 1970s, the targeting of transfers toward specific social groups was used by the LDP to win and secure electoral support. This “political exchange of benefits and votes,” carefully analyzed by Estévez-Abe (2008: 112–125), resulted in a fragmented redistributive system that was de facto excluding a significant proportion of the adult population.<sup>8</sup> Chopel, Kuno, and Steinmo insist on this point:

(...) unlike the more comprehensive social welfare systems developed in most other countries at the time, specific structure of social spending and tax policies in these years were designed to target small producers, farmers, and the self-employed, *but not* the unemployed, single mothers, or the otherwise left behind in the capitalist economy. In truth, they were subsidies to key elements of the LDP constituency (2005: 26).<sup>9</sup>

The second cause of this close link between work and access to various kinds of benefits lies in Japan’s “generous informal system of social protection” (Schoppa 2006), provided via company welfare. This is of particular importance in comparative perspective, as it tends to be overlooked when the focus lies on public spending only. In fact, through multiple mechanisms, private companies have offered access to social benefits to their core labor force. In particular, the guarantee of lifetime employment and the seniority wage system have played a key role of protection against the risk of unemployment and provided a welcome shock absorber in times of economic downturn. “(...) for most of the postwar period, Japan’s large firms and their core male workers were committed to a long-term relationship, whereby workers were recruited as young school leavers, received vocational

training within the firm, and moved up the job ladder until their mandatory retirement age” (Estévez-Abe 2008: 171). In addition to job security, which was at the core of Japan’s social contract until the 2000s (Lechevalier 2011), employees enjoy other fringe benefits from the company such as housing, family, and transportation allowances, as well as access to specific health care arrangements. This means that major companies still devote a significant share of their labor cost on employee welfare.

Both in the case of public spending and company welfare, transfers and benefits are mainly if not exclusively aimed at workers. This clear institutional pattern obviously turns the idea of a universal benefit that is totally disconnected from any productive contribution, as is the case of BI, into an oddity within the structure of the Japanese welfare state. In particular, the fact that the Japanese social contract gives a prominent place to private corporations shows that, as was rightly stressed by Ito Peng, “*employment security* has served the most important welfare function in postwar Japan” (2000: 93, our emphasis). Although it does not necessarily means that income security provided by the state should be considered as a totally unrealistic objective, these institutional features might nevertheless seriously reduce the chances of BI to be actualized in the near future. However, as will be discussed below, one should pay careful attention to the fact that this social contract has been rapidly unraveling since the late 1990s (Schoppa 2006, Lechevalier 2011).

### *The Renewed Interest in Universalism*

However true these statements about the work-based character of social transfers may be, the concept of universalism is not totally absent from the Japanese welfare state. In fact, soon after the Second World War, it was even a guiding principle for the emerging programs that were implemented under American impulse: “(...) the GHQ [General Headquarters] demanded that laws and policies treat all citizens equally rather than as members of various privileged groups” (Estévez-Abe 2008: 106). For instance, this “nascent universalism” influenced the design of the first unemployment insurance scheme, introduced in 1947, which at the time had a much broader coverage and included marginal workers. However, soon after the end of the Allied occupation, the conservatives gradually started to use the strategy of “political exchange of benefits and votes” already mentioned. The electoral system, based on the Single Nontransferable Vote, gave individual candidates in multimember districts powerful incentives to opt for deeply entrenched forms of favoritism and particularism (Noble 2010), especially at the local level. “Under the auspices of these conservative politicians, Japan came to abandon many of the universalistic programs put in place by New Dealers in the Allied Occupation” (Estévez-Abe 2008: 111).

This situation did not change substantially before the late 1990s, when the electoral system was transformed into a much more (although not exclusively) majoritarian system.<sup>10</sup> This reform, voted in 1994 and effective since 1996, gave more power to party leaders and less room for intraparty

competition between individual candidates within a given electoral district (Stockwin 2008: 156–178). As a consequence, electoral campaigns are now “considerably more issue oriented” than was the case before (Rosenbluth & Thies 2010: 101). Above all, in such a system *swing voters* are key players, since attracting their vote might be a key condition to win the seats in single-member districts. Thus by contrast with the previous system, the new electoral rules make it more attractive for parties to focus on policies with a greater appeal to unorganized voters. In other words, in postreform Japan, universalistic programs have tended to move quickly onto the political agenda. This has been obvious in the field of pensions, with the increase of public subsidies for the basic pension system in 2000, or in the field of unemployment, with the previously mentioned gradual extension of the coverage (see also Estévez-Abe 2008: 277–281).

Perhaps the most illustrative example of the universalistic turn in social policy has been the implementation of a quasi-universal child benefit for the first time in the history of Japan’s welfare state.<sup>11</sup> In 1972, following a variety of local initiatives, large families with more than three children were eventually entitled to a national means-tested children’s allowance for the third child under the age of five (Tokoro 2010). Even if it was gradually expanded in subsequent years, the Japanese child benefit was obviously modest compared to its European equivalents (Fukawa 2008: 61). This allowance remained targeted at poor families only and the amount of the benefit itself was rather small. As is stressed by Schoppa (2006: 179), “by the 1990s the value of this source of support had eroded to the point that it had little impact on the average family’s finances.”

By the late 1990s, at least two political parties were pressing for a reform of this program: the New Kōmeitō (an ally of the dominant party LDP) and, above all, the newly formed Democratic Party of Japan (DPJ, created in 1998). A universal child benefit raised at a substantial level was one of DPJ’s main electoral promises during the 2009 electoral campaign. When the DPJ came into power after its landslide victory, it quickly tried to introduce the scheme, but had to face fierce opposition from the LDP, especially after its defeat at the 2010 Upper House election. The final compromise amounts to a substantial increase of the coverage, with higher benefits than under the previous system, but with an income cap for high-earners. Even if the latter provision constitutes a strong deviation from the DPJ’s original plan, the move toward a more universalistic scheme is undeniable.

In spite of these developments, it is true that the exact impact of the electoral reform on social policy is rather ambiguous. The fact that organized groups have lost part of their grip on policymakers has also made it easier for national figures to dismantle existing programs and protections. This has been particularly obvious during the five-year term of LDP prime minister Junichiro Koizumi (Lechevalier 2011). Moreover, somewhat paradoxically, the necessity to attract swing voters and the greater volatility in seat allocation have made governments more reluctant to raise new taxes in order to fund moves to universalism (Estévez-Abe 2008: 278). Even if the political

consequences of the March 2011 earthquake and the Fukushima Daiichi disaster cannot be underestimated, the 2012 defeat of the DPJ is also, to a large extent, attributable to its decision of raising the sales tax.<sup>12</sup> Finally, universalism itself is not uncontroversial in Japan: as in most OECD countries, selectivity is often seen as superior in terms of meeting the needs of beneficiaries. Tokoro even concludes that there is still “strong public hostility against the concept of universalism” (2012: 654).

In sum, the 1994 electoral reform has clearly turned off Japan toward a new institutional path, and a more favorable structural context for social transfers that are not targeted at specific groups—as was the case under the old LDP system. At the same time however, as is evidenced by the debate on the children’s allowance, it seems that under present circumstances there is little hope for ambitious new social policies. Hence, even if this new institutional context might partly explain the growing interest in BI-related proposals, one should remain cautious about the probability of a quick and smooth access to the policy agenda.

### *The Rise of Poverty and Inequality*

We will end our exploration of the structural constraints by focusing on yet another recent development in Japan’s social context that might affect the achievability of BI: the rise in poverty rates and the growing gap between rich and poor. Until the 2000s, Japan was often described as an outlier in the OECD, for it managed to maintain relatively low levels of inequality and poverty, in spite of a deep and enduring economic stagnation. In the late 2000s however, the country could hardly be labeled a model in this respect. According to the latest estimates, both the poverty rate and the GINI coefficient are above the OECD average. 21.7 percent of the Japanese population now lives under the threshold of 60 percent of median disposable income, against an OECD average of 17.8 percent;<sup>13</sup> the GINI coefficient for disposable income is at 0.329, against an OECD average of 0.314.<sup>14</sup> Sociologist Yamada Masahiro even coined a new Japanese expression, *kakusa shakai*, in order to describe this evolution. The expression—which is now widely known by the general public—can be translated as “the unequal society” or “the society of disparities” (Holthus and Iwata-Weickgenannt 2010: 3; Yun 2010).

We cannot deal here with the various reasons that account for this evolution.<sup>15</sup> However, it is crucial to stress the fact that encompassing neoliberal reforms, especially under LDP prime ministers Nakasone (1982–1986) and Koizumi (2001–2006), played an important role in these developments. They affected negatively both the level of public spending, for instance in pensions and health care, and the scope of company welfare, for instance through the flexibilization of labor market regulations and the massive increase in temporary and part-time jobs. “The proportion of non-regular workers among the total workforce has increased from around 15 percent in the mid-1990s to more than 35 percent in recent years [i.e. late 2000s]” (Yun 2010: 2).

This impressive increase should also be considered from the perspective of gender inequality, as “the overwhelming majority of non-regular workers are women” (Abe 2012: 61).

The 2009 electoral victory of the DPJ, with an explicit pro-welfare platform, can be interpreted as a reaction against these trends (Lechevalier 2011: 136–140).<sup>16</sup> Indeed, in today’s Japan as in many other OECD countries, the need for redistributive transfers seems to be more pressing than ever since the end of the Second World War. However, due to its past policy choices, Japan seems to be ill-equipped to face such a challenge—much more in fact than most of its European counterparts. This is partly due to the fragmented mix of public programs and fringe benefits offered by companies that have tended to exclude irregular workers and women; but here one should also blame the meagerly developed system of public assistance, which shows, perhaps in the most blatant way, what Estévez-Abe has called “Japan’s aversion to cash transfers” (2008: 21).<sup>17</sup>

As was mentioned above, in principle, all Japanese citizens are eligible to the minimum income scheme, provided they pass the very strict means test. However, to date the concrete implementation of this social right only had a very limited effect on poverty, for at least three closely interconnected reasons. First, the scope of the means test tends to be rather wide, as applicants must not only provide data on their own individual resources, including savings, but also on resources of their extended family. Second, applying for public assistance is still seen as very stigmatizing. A huge proportion of potential recipients do simply not apply, be it because they see it as affecting their own self-esteem, or because they fear the reaction of their extended family if it has to be involved in the means test (Estévez-Abe 2008: 22). Finally, the local officials in charge of the program tend to be tough on potential beneficiaries and often turn away legitimate requests for assistance. According to Schoppa, they are “notorious for their harassment of mothers seeking aid” (2006: 46). As a result of this, Tachibanaki and Urakawa (2006: 111–149) estimate that the take-up rate of public assistance is now below 20 percent, an astonishingly low figure by international standards.

Needless to say, there is room for improvement, and BI perhaps indicates the direction into which such guaranteed income should evolve. In fact, even if it might sound paradoxical, such a universal benefit paid to rich and poor alike present many advantages for the least well-off: it does not imply any ex-ante means test, is not stigmatizing, and leaves very little room for administrative discretion. In this respect, turning the targeted children’s allowance into a quasi-universal benefit clearly was a step into the right direction. In order to deal with the growing proportion of people living under the poverty threshold, and given the flaws of the existing public assistance system, it is obvious that the idea of implementing some form of guaranteed minimum income security deserves serious consideration.

Moreover, if a BI can help to improve the situation of the worst-off, it can also be considered as a key component of any strategy aimed at coping with a

rapidly changing labor market. As the proportion of irregular jobs and low-paid occupations grow, questioning the very existence of the Japanese model of lifetime employment and firm-based social protection, the need for some form of guaranteed income becomes even more obvious (Standing 2011).<sup>18</sup> A BI can ease the transitions between unemployment and low-paid jobs by providing individuals with a most welcome income security. In fact, to some extent it can be considered as a job subsidy: contrary to the various forms of means-tested benefits, its universal character guarantees that even a poorly paid job will result in a higher net income. Crucially, however, it does not subsidize jobs at any conditions, as it the case of workfare schemes. Indeed, the unconditional nature of a BI gives all recipients the effective right to exit, that is, the power to refuse any jobs that they themselves consider unpromising or unattractive. In other words, because it is universal, BI functions as a subsidy for less productive work, and since it is unconditional it does not serve as a subsidy for degrading jobs.

In sum, the gloomy situation of Japan in terms of poverty and inequality, which was only briefly tackled here, certainly opens new windows of opportunities for a well-argued defense of BI. However, for some of the reasons already outlined above regarding the tradition of work-based benefits and the political reluctance to raise the level of general taxation, the fact that this situation makes a BI even more desirable in Japan does not turn it automatically into a feasible policy. As we will briefly see below, several other factors also tend to temper any form of optimism in this regard.

### STRATEGIC AND PSYCHOLOGICAL FEASIBILITY: SOME HOPE FOR BASIC INCOME?

Before we conclude, let us briefly explore two other dimensions of BI's feasibility in the Japanese context. As was mentioned in our introduction, we shall focus here on the strategic feasibility of BI, that is, the potential capacity of its supporters to build a political coalition in its favor, and its psychological feasibility, that is, the probability of gathering sufficient public support for BI among the mass public. What follows is a modest attempt at exploring some key aspects of these two dimensions of feasibility. It should be considered as an invitation for further research about BI in Japan.

As far as strategic feasibility is concerned, several features of the Japanese context are quite striking in comparative perspective. In several OECD countries, BI has been actively—and sometimes even exclusively—supported by Green parties,<sup>19</sup> and at some occasions by organized groups of activists from the civil society. The German case is very illustrative in this respect. Since many years the Green political movement is at the forefront of the BI debate (see for instance Jacobi and Strengmann-Kuhn 2012). Simultaneously, activists have managed to attract the media attention on the idea of a *Grundeinkommen* (BI in German) through a series of public events in several cities across the country (Liebermann 2012). They were also involved in

the organization of the international conference of the Basic Income Earth Network (BIEN), which was held in Munich in September 2012.

In Japan, the Greens have always remained at the margins of political life (Lam 1999, Higuchi et al. 2009). Even if they were active—and sometimes successful—at local level, until recently they never managed to form a true party at national level. Despite the flourishing of numerous small-scale green initiatives across the country, the political landscape itself is still very much dominated by the pro-business and pro-nuclear LDP (Lam 2011). In 2012 however, in the aftermath of the Fukushima Daiichi disaster, Japan's first green party was officially launched under the name Greens Japan (*Midori no Tō*). BI does explicitly appear in its official platform,<sup>20</sup> but in the context of the severe nuclear issue the party's political activism is mainly focused on strictly environmental problems. Above all, it remains a very tiny player on the national political scene, as the electoral system that is largely (although not exclusively) based on a winner-takes-all logic in single-member districts makes it difficult for the Greens to win seats, and be entitled to public funding. Hence, given the small scope of Greens Japan and the weakness of the green movement in general, one could hardly expect any significant push for BI from this side of the political spectrum, at least in the short term.

In recent years, BI was also officially endorsed by another small political party, the New Party Nippon (*Shintō Nippon*). In its 2009 platform, it advocated the introduction of an income guarantee for all Japanese citizens (Martin 2009), and since then its leader Tanaka Yasuo repeatedly champions BI. At the December 2012 general elections, however, Tanaka lost the party's only seat at the House of Representatives. In other parties, individuals have also expressed support for BI, but it never became an official policy. The most striking example is perhaps the case of Hashimoto Toru, a famous but very controversial figure. Hashimoto, since 2011 the mayor of Osaka (one of Japan's major cities), is one of the founders of the Japan Restoration Party (*Nippon Ishin no Kai*), a conservative and nationalist party which was launched in 2012 at national level. Hashimoto's defense of BI is close to Milton Friedman's minimal state scenario: suppress all social programs and replace them by a modest negative income tax aimed at promoting individual self-reliance.

Needless to say, Japan is currently far from seeing the emergence of a broad-based shared political platform favorable to the implementation of a BI. To some extent, this is by no means different from what can be observed in several other countries, where individual supporters of BI can be found within most political forces, but where it simultaneously lacks formal support from large organized groups (Caputo 2012). True, within the civil society a BI movement has recently emerged, as is evidenced by the launch of a Japanese BI network in 2007 (BIJN). It managed to organize several conferences and workshops, and it certainly contributes to the growing interest in the idea. At the same time, however, the fact that the Japanese civil society remains characterized by the “four smalls” (“small membership, small number of professional staff, small budget, and a small area of operation”

(Kawato et al. 2011: 117)<sup>21</sup>) makes it difficult for activists to gather significant support and access policymaking circles.

Hence, even if BI has gained increasing visibility, its strategic feasibility seems to remain problematic. But perhaps the BI movement, by raising the public awareness of the idea among the mass public—what De Wispelaere and Noguera refer to as its psychological feasibility—will eventually manage to mount pressure on political forces? In order to achieve such a result, activists will have to face several significant obstacles. As was shown by empirical studies, the current level of support for the idea of an unconditional cash guarantee is rather low in Japan.<sup>22</sup> In this respect, the stormy discussion on the BI for children under the DPJ government deserves careful attention, as it certainly shows that the aversion for cash transfers remains important among the general public. This discussion, Tokoro argues, made clear “that the Japanese public dislikes cash benefits” (Tokoro 2012: 654). Typically, in-kind services, rather than cash grants, are seen as better ways to allocate public resources to needy households.

More generally, the psychological feasibility of a BI might also be affected by Japan’s strong (and well-documented) work ethic. Even if the commitment to work is said to be gradually declining among younger generations, the idea that one should entirely devote oneself to one’s company remains widespread among Japanese men in particular. This translates into long work hours, an underutilization of annual leaves, difficulties in finding a proper work–family balance, and even extreme forms of “workaholism” (Mouer and Kawanishi 2005; Kanai 2009). In this context, the idea of granting everyone a cash grant that is disconnected from any productive contribution might sound, at best, rather bizarre. At the same time, however, activists can potentially argue that such a policy move is, for the very same reasons, more pressing than anywhere else.

## CONCLUSION

In Japan, the erosion of employment security—once the cornerstone of the social fabric—makes the implementation of new forms of income security more necessary than ever. BI is only one among many options currently under discussion. In the light of our analysis, it might even be considered as one of the least feasible. At the same time, however, arguing for and against BI forces us to think about the limitations of Japan’s welfare state and the ongoing transformations that affect it. Far from being a discussion that needs to remain confined to marginal circles, we strongly believe that the BI debate deserves to be part of any research program on these transformations.

In the Japanese labor market, the gradual phasing out of lifetime employment and company welfare, and the neoliberal reforms, have had a tremendous impact on many households. The fact that Japan is now above the OECD average in terms of poverty and inequality is the worrying symptom of a failing welfare system, and it obviously calls for an ambitious program of social policy reform.



The BI discussion can inspire more modest steps, perhaps more likely to gather a large political and public support. The idea of an even more inclusive social insurance, as defended by Takashi Suganuma (chapter 3 in this volume), is one of the options worth considering. A more inclusive and less conditional public assistance system is also most required, we would argue. Another promising step is certainly the implementation of an income guarantee for low-paid workers, under the form of an earned income tax credit, as is discussed by Takamatsu and Tachibanaki (chapter 13 in this volume). As already mentioned, the lack of protection for low-paid and precarious workers is one of the most pressing problems in today's Japan. Finally, the implementation of a truly universal BI for families—a reform that has been hotly debated since 2009—should certainly remain on the agenda.

The discussion of these reforms, and the reflections about a universal income guarantee, can be seen as a counterblast to what Ronald Dore once called the “diminished social cohesion” in Japan (2000: 68). In our view, there is no doubt that a more efficient and, above all, more just welfare state is a key to Japan's immediate future.

#### NOTES

1. We are grateful to Fumio Iida for his comments and suggestions regarding the history of Japan's welfare development. We are also grateful to the participants at the conference on basic income held at Doshisha University on May 18–19, 2013, in particular to Sébastien Lechevalier.
2. See for instance the volume by Saito et al. (2011), and in particular the chapter by Shinkawa (2011).
3. Among the numerous papers and books, see especially Esping-Andersen (1996); Miyamoto (2003); Kasza (2006); Schoppa 2006; Estévez-Abe (2008); Rosenbluth and Thies (2010); Lechevalier (2011).
4. All figures are for 2010. *Source*: OECD Social Expenditures Database, retrieved September 13, 2013.
5. See also chapter 3 by Suganuma in this volume.
6. See also chapter 6 by Kobayashi in this volume.
7. The next subsections mainly rely on the remarkable work of Estévez-Abe (2008).
8. Rosenbluth and Thies clearly follow Estévez-Abe (2008) and write that “distributional patterns in Japan's postwar economy cannot be understood without an appreciation of electoral politics and the demands of the LDP's favored constituents” (2010: 84).
9. See also Noble (2010); Schaefer and Nemoto (2006) analyze the LDP strategies in the field of public assistance and argue that the electoral fortunes of the party strongly influence spending.
10. For further details on the successive electoral systems in postwar Japan, see esp. Estévez-Abe (2008); Rosenbluth and Thies (2010); Kabashima and Steel (2010) offer a detailed account of the LDP system.
11. See chapter 4 by Abe in this volume.
12. Ironically, the LDP has decided to implement this very decision by raising the sales tax to 8 percent from April 2014, and probably to 10 percent by October 2015.

13. *Source*: OECD, April 2013. By way of comparison: Sweden 16.4 percent; Belgium 16.3 percent; France 13.5 percent; United Kingdom 18.4 percent.
14. *Source*: OECD, April 2013. By way of comparison: Sweden 0.259; Belgium 0.259; France 0.293; United Kingdom 0.342. See also McKenzie (2013) for a discussion of inequality in Japan.
15. See for instance Tachibanaki (2006).
16. Lechevalier (2011) devotes a whole chapter to the neoliberal reforms in Japan. His book offers a detailed account of the negative impact of these reforms.
17. For further details about the DPJ's failure to substantially reform Japan's welfare state, see esp. Lipsy and Scheiner (2012).
18. On the situation at the bottom of the labor market in Japan, see the memoirs of a Tokyo day laborer in Oyama (2005).
19. The ecologists' interest in basic income is due to their emphasis on postproductivism and temporal autonomy. On the latter aspect, see also chapter 15 by Hirano in this volume.
20. See <http://greens.gr.jp/policy/vision/>, retrieved November 4, 2013.
21. The expression "four smalls" was coined by Susan Pharr, and is quoted by Kawato, Pekkanen, and Yamamoto in their analysis of the state of civil society in Japan.
22. See chapter 12 by Itaba, and chapter 13 by Tachibanaki and Takamatsu, in this volume.

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