

The social solidarity manifested in Japan's pension reforms

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Introduction

1. 'Social solidarity' appeared in the 2001 MHLW annual report
 2. Suspicion over intergenerational solidarity
 3. The current pension crisis
 4. The 2004 pension reform
- Concluding remarks

Introduction

This article explores how the concept of solidarity has been made sense of in relation to the crisis and reforms of the public pension system in contemporary Japan. In particular, the focus of discussion will be placed on the current pension issues such as problems with increasing non-payment of national pension contributions, because these problems illuminate the question on the relevance of solidarity in Japanese society.

In Japan already in the 1920s some leading scholars and bureaucrats paid attention to the concept of social solidarity when they were studying social policies mainly through European—German, French and British—examples. However, because those Japanese experts were not aware of the significance of individuals as essential constructs of a society, the Japanese discourse on social solidarity in those days tended to end up with such an interpretation that the solidarity would emerge by itself within a society without any commitment of individuals. Consequently, the Japanese understanding of social solidarity in those days was far from the idea of social solidarity that was expressed in France by Léon Bourgeois (Takahashi 1997: 40). In the post-1945 era it is hard to admit the concept of social solidarity as an explicit class base of welfare state, as is pointed by Peter Baldwin regarding Europe (Baldwin 1990), has been settled in the foundation of welfare system in Japan. In a word, the dominant welfare discourse in contemporary Japan has been systematically avoiding direct reference to social classes or class conflict. Among a variety of solidarities, ranging from family solidarities, community solidarities to solidarity of (workers') Solidarity, the last one has been screened out from the official discourse of social solidarity in Japan.

Still, some of the social security laws in Japan explicitly refer to solidarity as basic legal norm. For example, the national pension law states, "People's mutual solidarity

should prevent the life security from being threatened by old age, disability or death” (Article 1). The law on health care for elderly people mentions, “People, on the basis of the spirit of self-help and solidarity, fairly share the costs of health care for elderly people” (Article 2-1). In January 2004 the Supreme Court stated in a lawsuit that the basic ideas of social security system were social solidarity and mutual help (Hori 2004 : 99). As for relations between social norms and legal norms, ie. a question whether social solidarity as social norm can also be relevant as legal norm, experts do not reach agreement. Hori Katsuhiko reminds us that the idea of social solidarity concerning relations between people manifests utilitarian idea on reciprocity or (give-and-take) exchange : the right to live as ground for public assistance concerns relations between people and state (Hori op. cit. : 100).

In comparative studies of welfare state the concept of solidarity—especially social solidarity—has often been associated with social democratic welfare. It appears the Japanese welfare state has little to do with such social solidarity, and the debates on welfare regimes imply a considerable distance of Japan from the social democratic welfare regime (see e.g. Tominaga 2000). In point of fact, Japan is among those industrialized countries where the membership rate of labour unions is particularly low. On the other hand, the term ‘social solidarity’ (*shakai rentai*) has recently been referred to in official documents such as the 2001 annual reports of the Japanese Ministry of Health, Labour and Welfare (later called MHLW).¹ In the following three questions are examined ; first, what kind of ‘social solidarity’ has the Japanese Government attempted to invoke for the readership of the report ; secondly, the intention of the Government in rediscovering social solidarity ; and thirdly, what kind of theoretical implications can be pointed to regarding the comparative perspectives on social solidarity.

1 . ‘Social solidarity’ appeared in the 2001 MHLW annual report

The term of ‘social solidarity’ was referred to in the 2001 MHLW annual report in the context where the MHLW focused on the relationships between individuals and a society and discussed how self-support of individuals could be reinforced through social solidarity as a foundation of social security system. The MHLW states, “The system for self-support should be established as a safety network for individuals coping with troubles or failure, because the self-support should essentially be derived from individuals’ efforts. From this point of view, the social security system that is based on the spirit of social solidarity among many people plays an important role. Owing to the social security system, individuals’ self-support can be secured mentally and economically as the social security provides medical care or income security for those individuals facing unpredicted problems. Besides, the social security helps individuals to undertake challenges without fearing risks and to better achieve their self-support” (MHLW 2001 : 121-122).

It is essential to clarify how the MHLW connects self-support, safety network, social solidarity and social security. The crucial point is especially how the MHLW relates self-supporting and social solidarity. As a norm, individuals should be able to make themselves self-supported by their own efforts first. When one is in trouble, social security is to provide help and assistance. In a sense, social security can function not only as a safety network for dealing with personal misfortunes and vulnerability but also as a measure for controlling the risks. Diverse distribution of resources and capitals among individuals for having access to self-support is not explicitly questioned. In comparison with the global debate on human security and human development, this official statement on individuals and society misses details regarding the diverse vulnerability of individuals and the risk perception.

The meaning of the 'spirit of social solidarity' (*shakai rentai no seishin*) is not made explicit in a concrete way in this text. Instead, the report continues with a discussion about the question to which degree individuals are interested in their society by referring to some public opinion surveys². It is pointed out that according to the survey in 2000 by the Cabinet Office nearly half (47.5%) agreed to the view that people should pay more attention to the nation state or society (rather than merely personal life). Those who were more interested in betterment of personal life amounted to 31.4%. The survey on voluntary activities by the Cabinet Office indicates the increasing social attention to contribution to community through voluntary activities (MHLW 2001 : 122).

Individuals' attention to or interest in society may increase because of growing concerns about the ageing of Japanese society or about the environmental problems. These domestic and global social issues have made a contribution in reminding citizens that some issues or matters are social rather than personal. However, it is hard to reach a clear conclusion about the present state of social solidarity in Japan only from the opinion surveys on 1) general interest in society, 2) social contribution through voluntary activities, and 3) intergenerational solidarity. The approach by MHLW to social solidarity has too narrowly fixed the scope of discussion. Whereas it has taken it for granted that the social security system is based on the sense of social solidarity, the social makings of the sense of solidarity are not directly addressed except generations. Other attributes than age or generations are left unquestioned, although gender, social strata or regional diversity could be useful indicators for developing a deeper debate on social solidarity.

Still, despite the narrowness of the scope of the discussion, the MHLW at least has a clear tendency to insist on the sharp division between the younger and older generations. The younger, the less is shared with older generations in terms of any of the three points (interest in society, social contribution and intergenerational solidarity) (MHLW 2001 : 122-123). In the report youth are not publicly blamed for their negligence of social solidarity nor is any concrete measure proposed to encourage

Japanese youth (those in their 20s) to have a sense of solidarity. Still, the reference to such an intergenerational gap implies a deep concern with the difficulty of sharing social solidarity over generations. The MHLW did not continue to directly discuss the social solidarity in the annual report of 2001. However, similar concern was expressed in the annual report of 2002 in terms of the public anxiety with the basic pension system concerning the financial crisis and also the uncertainty of individuals' income security.

2. Suspicion over intergenerational solidarity

The MHLW does not provide a clear explanation for why Japanese youth are characterized with such low scores in the indicators on social solidarity: whether such a tendency implies more than a general feature that can be perceived as the split and confrontation between the younger and older generations. In past decades the Japanese policy-makers have been tempted to avoid such decisions that would harm the vested interest of the older generations. Consequently, such efforts at drastically changing the pension system have been postponed to the future, to the hands of the younger generations. In particular, such pension reforms that would increase the financial burden of the older generation tend not to be directly handled but rather to be pushed forward to the future generation. Masamura Kimihiro states, "The Japanese Government in the 1970s and 1980s remained consistent in doing something to temporarily suit the occasion and forwarding solutions of difficult problems to the future" (Masamura 2000: 15).

The older generation records higher voting rates than the younger and it is also the older generation who have more influence on politics (Ibori 2002: 37). In Japan the conflicting interests between younger and older generations have not become too explicit because the voice of the younger has remained less significant in the Japanese political arena. Such political imbalance implies the 'counter'-ageism that takes it granted for that the younger people deserve less respect, power and influence than the older ones and tends to be undermined in the political culture that endorses age-hierarchy. In a situation in which most of the labour force are not organized into collective protection through labour unions, the younger citizens have few choices, except personal complaint, to express their discontent with the current pension system. In this sense the erosion of pension schemes is associated with the political malpractice.

The discussion about the problems with the non-payment of contributions in the national basic pension scheme implies two conflicting positions in the ways of understanding the essence of the problems and human nature. This question is related to the conflicting positions on welfare state legitimacy. One represents an inherently rationalist understanding of welfare state support as being the function of the benefits people can expect, while the other emphasizes the moral probity of the welfare state as being that which makes it worth supporting (Mau 2004: 55). For instance, Komamura

Kôhei, economist, takes the approach of rational individuals with keen interest in what is offered by the welfare state. Therefore, Komamura points out that the limit in actual effect of compulsory contributions tends to mislead some individuals to opt for the risk of non-payment (Komamura 2000 : 118). For 'rational individuals' it is a matter of great concern how much one should pay for the pension scheme and how much one would benefit (Komamura op. cit. : 101). In this context the distrust and reluctance of rational individuals is regarded as the main reason for the inactive payment of contributions. The declining economic capacity of individuals due to recession is not always the reason for the nonpayment (Komamura 2001 b : 109).

On the other hand, intergenerational solidarity has been an important essence of the current pension system with the aim of regulating and reducing the risks that often appear as the excessive income gap between retired pensioners and those active in labour market. Although the intergenerational social justice can well be legitimized from the viewpoint of macro-economics, this approach is not persuasive for individuals living in the world of micro-economics (Komamura 2000 : 102). In contrast, a more normative approach argues that it is in principle wrong to only focus on the 'loss and gain' in a pension system. The social security system seeks to provide a sense of security through benefits rather than to redistribute the incomes, and the question concerns the relations between the paid contributions and the redistributed 'sense of security' (Masamura 2000 : 28).

The split between the rational choice approach and the normative approach is connected with the different understanding on relations between risks and solidarity. Saitô Jun'ichi categorizes four reasons for solidarity : life risks, life contingencies, empathy for others' hardships and plurality of life (Saitô 2004). The solidarity for the reason of risks is a consequence of the idea that people are concerned about their own lives and, therefore, the consideration for others' lives is not an essential condition for this kind of solidarity (Saitô 2004 : 288). The solidarity for the reason of risks has been institutionalized as social insurance systems, but people no longer support it so actively. The understanding that risks are symmetrically or at random shared among people is not broadly supported along with the development of biotechnology and with the growth of economic inequality (Ibid.). These points are helpful for a better understanding of why the solidarity approach to legitimacy of social insurance tends to meet with a deep suspicion among those with a strong orientation to self-interest but with less empathy for others' hardship.

In this connection the liberalist voice in welfare discourse that appraises the strong individuals as ideal should be remembered. It is obviously easier to associate the focus on strong individuals with a rationalist/self-interest position rather than an altruistic position. The strong individuals are usually assumed to be able to rationally calculate their 'loss and gains,' because the liberalist discourse especially appreciates the self-reliance of individuals. In order not to rely on others or government people are expected

to stick to self-interest and to be calculating. Along this line it is understandable why the nonpayment of contributions in public pension increases when people distrust the pension system. However, the rational choice approach itself is not perfect, because it applies only for the condition that allows individuals to choose. Less attention has been paid to those who have performed well the duties by paying contributions in a “pay-as-you-go” system that does not leave room for escape from payment.

3 . The current pension crisis

In Japan the current pension crisis is concerned with the basic pension as well as with the employees’ pension schemes. Ôsawa Mari points out that the erosion of social insurance is occurring in Japan along with the decrease in the number of insured, with the decline of collected insurance contributions, and with the increasing non-payment of insurance contributions. The causes of such crisis are not limited to the unemployment or decline of wages in the economic recession in the 1990 s. Instead, it is because the Japanese social insurance is not universal, divided according to occupations, size of companies, marital status and so on (Ôsawa 2004 : 14). The basic pension is financed through the combination of the contributions (two-thirds) collected from the insured of all pension schemes in addition to the state funds (one-third). With such a design it was intended to support the basic pension funds by contributions collected from employees’ pension schemes and to prevent the basic pension funds from confronting fatal crisis (Toshima 2001 : 105). In fact the anticipated crisis has become real and other pension schemes are not free from problems or crisis either. However, the following analysis is concentrates on the crisis of the basic pension scheme, because the dysfunction with payment of contributions threatens the financial ground for the basic pension. Deep suspicion hangs over the validity of the basic principles in social security concerning the pension system, such as solidarity and social justice. In recent years the sustainability of the basic pension has been doubted, not only because of the ageing of society but also due to the increased nonpayment in the category of self-employed. The following part analyses the crisis of the basic pension from various aspects.

3.1. ‘Dropouts’ from the national pension scheme

In 2002 only 62.8% of those in the self-employed category fully paid the monthly contributions, dropping 8.1% in comparison with the previous year (*AERA*, 2003.9.15 : 68). The drop-out problem especially for non-employed or self-employed people is serious (Takayama 2004 a : 255). Behind this problem there are various reasons ranging from lack of the sense of intergenerational solidarity, distrust in and discontent with social security policy (Komamura 2001 a : 140), to economic difficulties individuals have faced during the recession. Concerning the potential impact of recession on increased non-payment of contributions, a careful discussion is required. In the following the reasons for nonpayment of national pension fees are examined on

the basis of the reports 3 prepared by the Japanese Government, Bureau of Social Insurance in July 2003.

The payment rate of category (1) has been in gradual decline from the peak of 85.7% in 1991-1992 to 70.9% in 2001.⁴ The number of those who were charged in the national pension scheme increased from 16.83 million people in 2001 to 18.36 million in 2002. About half of them (51.4% in 2002) are those aged between 20 and 39 : those between 20 and 29 accounted for 32.3%. The younger the person, the lower the payment rate is. The rate with those in their 20 s remained 48% (Shakai hokenchô 2003a : 2-3, 6). At the same time, in 2002 the number of those in pension category (1) (self-employed, and so on) increased and the number of cases of approval for full exemption from contribution payment decreased to half, and consequently the payment rate dropped to 62.8% (Shakai hokenchô 2003a : 2). By analyzing the factors of the sharp decline in payment rate between 2001 and 2002, the Bureau of Social Insurance concludes that about 50% of the decline was related to the review of the exemption system regarding contribution payment. In reality this review meant tightening the conditions for full exemption and led to the reduction to half from the previous year in the number of those for whom full exemption was approved. Secondly, the inactive payment among those who entered the national pension scheme — either through change of employment status or by reaching the age of 20 — is pointed out as a factor accounting for about 20% of the decline. Thirdly, a slight decline in the payment rate was also observed as to those covered by the national pension scheme during 2001-2002. Fourthly, the change of payment method along with administrative reform confused the insured in the national pension scheme and caused problems with collecting pension contributions (Shakai hokenchô 2003b : 2).

The review of the exemption system in 2002 refers to the modification in the pension policy mainly targeting low-income households. As the pension contributions have gradually been raised, the number of those who do not pay the contributions or pay only irregularly has also increased. This situation threatened the principle and financial foundation of the national pension. In order to seek a solution to this problem the 50% discount was introduced for those without sufficient income. This was an attempt to avoid the increase in the number of those citizens who drop out from the national pension scheme, whereas the condition for approving the full exemption was tightened as of April 2002, too. The number of those for whom full exemption was approved decreased nearly by half from 2.77 million in 2001 to 1.44 million in 2002. Those for whom half exemption was approved were 0.34 million. Those who were entirely exempted in 2001 but gained no exemption in 2002 reached nearly one million, and their payment rate remained barely 14.5% (22.4% in 2001) (Shakai hokenchô 2003a : 7). According to the Bureau of Social Insurance, such a sharp drop as that of 2002 must be temporary because the review of the exemption system concerns only the year 2002. However, the above mentioned Bureau's reports manifest officialdom's deep

concern about the crisis on the overall decline of the payment rate. As the Bureau of Social Insurance itself has set a policy goal of reviving the payment rate to 80% in five years even by doubling the personnel for collecting the fees (Shakai hokenchô 2003b), the crisis of the national pension is not temporary nor yet over.

In short, for improving the payment rate of the national pension the policy response of increasing the manpower of Bureau of Social Insurance can only be a partial and short-term solution. The manpower approach does not reach other deeper factors such as the young who fall in the national pension scheme but are inactive payers. Still, Japan's case is not too unique insofar as we bear in mind the increasing flexible work in other economies under globalization. The social injustice in this sense is a threat to the intergenerational solidarity that is a normative basis for the public pension system as social insurance. The irregular situation created by pension dysfunction is unfair to employees who are regularly charged directly from their monthly salaries. Although adult citizens of 20 years and over are all required to belong to one of the public pension schemes including national pension, there are few sanctions against nonpayment. Such institutional ambiguity of leaving the national pension system "basically compulsory but *de facto* voluntary"⁵ has also invited the current pension crisis. Though the sanctions are being reinforced, it only concerns high delinquent cases that is a small piece of huge iceberg of nonpayment problems.

3.2. Impact of the change in the labour market

The change the national pension scheme is confronting is not limited to the dropouts —those who have been in this pension scheme and become unable to fully pay contributions for some reason— but also concerns with the increase of those shifting from other pension schemes. The number of the category (1) remained stable in the first half of the 1990s but turned to increase in the late 1990s: between 1995 and 2002 the number rose to 3.26 million. In recent years approximately 4 million people annually shifted from category (2) to category (1), which means dropouts from full-time employment (Ôsawa 2004: 16). It has been pointed out that 52.6% of those who have changed their employment and pension status (of full-timers) by becoming either unemployed or part-timers did not pay the pension contributions. Since 2000 over half of those in the national pension scheme are the young aged between 20 and 39 and their payment rate remained as low as 51.6% in 2002 (Shakai hokenchô 2003 a: 3, 6). Those young "dropping in" to the national pension scheme are increasing and from this point of view it is hard to expect that the problem with nonpayment would soon be overcome (Ôsawa 2004: 17).

The aspect of the 'drop-ins' of the young generations implies a significant change in the labour market. In fact, part-time workers now play a very important role in the Japanese economy. The proportion of part-time workers doubled from 10% in 1980 to over 21% in 1997 and the range of part-time jobs steadily diversified including the IT industry and the service industry (Tamai 2003: 43). The part-time workers and

contract workers used to remain in a lower and peripheral position in the hierarchy of labour forces of large companies, where the core labour forces was designated to full-time workers (Mori 2003 : 20). The pattern of employment in Japan has recently been changing as full-timers substantially decreased and instead part-timers increased in times of recession (Wakisaka 2003 : 26). In brief, the part-time jobs are diversifying and simultaneously the part-time workers may be the core labour force for companies.⁷ Moreover, the difference in the patterns of employment between the young and the middle-aged is also growing.

According to Genda Yûji, those baby-boomers now aged 50 and over have more or less maintained their permanent and full-time employment, which has made it more difficult for the young labour force between 20 s and early 30 s to be employed as full-timers. For those aged 50 and over the full-time employment is the vested interest that tends to deprive young people of opportunities for full-time employment (Genda 2001 : 63). Even though the young without full-time employment tend to be in an insecure situation, their discontent has not explicitly been discharged to the older generations clinging to their own interest at the cost of the youth. Since Japanese society allows the young to be protected by parents, the insufficient job security of the young is not thought to be so a serious problem as in a similar case with the middle-aged or older. The social rhetoric on the increasing number of the young who are employed only as temporary or part-timers often blames the young themselves for an inappropriate attitude to working life or for lack of seriousness in job-hunting (Genda op. cit. : 61-65). Although the family looks after the young in non-permanent employment for a while, such a situation is unlikely to encourage the young to pay in full for the national pension. In point of fact, the influence of globalization has much changed social settings of the welfare state and as a consequence, a variety of social risks tends to be concentrated on youth (Komamura 2003 : 237).

In this sense the growing demand for flexibility in the Japanese labour market under the pressure of global economy has been increasing the risks of social exclusion for the young people across gender division. Jinno Naohiko points out that political and business leaders have been supporting the downsizing of public sector through reforms for downsizing of state finance. Ultimately social exclusion will be accelerated and the whole society will be embraced by market economy. Winners in competitive economic activities are highly admired as resourceful hard workers, whereas losers and socially disadvantaged people are regarded not to be resourceful or hard working (Jinno 2002 : 27).

3.3. Side-effect of the decentralization reform

As earlier mentioned, it has become more difficult to regularly collect the insurance contributions for national old age pension. It is partly because the responsibility for collecting contributions was shifted from the municipalities to the central government as a consequence of administrative reform aiming at the promotion of the

decentralization (Shakai hokenchô 2003a : 13). In the context of the administrative reform it should naturally be a task of the 'state' government as the matter is the 'national' pension. Until 2001 it was local municipalities who were responsible for collecting contributions: in 3,300 municipalities there were 12,000 full-timers and 2,000 part-timers in total who were in charge of this task (*AERA Ibid.*). Moreover, municipalities were able to make use of local networks through residential community units (*chônaiikai* or *jichikai*) who could successfully press residents for payment. As a consequence of the shift of this task from municipalities to the central government (Bureau of Social Insurance), the manpower decreased drastically. The correlation between the termination of involvement of residential community network and the decline of payment rate has officially been recognized (Shakai hokenchô *Ibid.*). The Bureau of Social Insurance has nation wide 312 local branches with 5,800 staff in charge of pension affairs. However, it is only about 2,700 full-time staff and 1,900 part-timers who handle the task of collecting contributions with a little help from local networks (*AERA Ibid.*).

The change in the divisions of labour between local and central administrations appears rather mechanical on the surface because it is based on the aim of the administrative reforms for reducing the over-all manpower of governments. However, in the term of citizens' behavior and norms, the difficulty the Bureau of Social Insurance is now facing implies a crucial point. The collection of contributions seems to have become increasingly difficult in the 1990 s despite efforts by municipalities in collaboration with local communities (Ono 2002 : 91). Some of those who used to behave themselves under external pressure change their behavior (of payment) when they see an opportunity for disobedience (non-payment). It appeared as if the collection of contributions was institutionalized for years through local networks in which public sector (municipalities) and semi-public/local units smoothly collaborated. However, the change in payment method has led to a sharp drop in payment, which implies that the payment was not necessarily internalized at individual level. It can be understood in another way, too, by pointing to the weakened integration in local communities, which is also true in contemporary Japan. This makes explicit the question concerning the deconstruction of the myth of group solidarity and collective behavior of Japanese people.

3.4. The institutionalized distrust and discontent with the pension system

The public pension system has been reviewed every five years by examining the balance between contributions and benefits, which is reminiscent of the ethos of Bismarckian of social insurance⁸. The regular reviews are based on the long-term outlook of development of the national pension system by analyzing the results of the national census (every five year, most recently in 2000) and the recent economic situation. The reviews include nationwide discussions and the Diet makes the necessary legal amendments for the public pension. As Kenjô Yoshikazu points out, on

the one hand, this review system is a carefully designed practice for coping with the uncertain future and with the limited human knowledge of future projections. However, on the other hand, the review system has had political shortcomings because the nationwide discussion about the national pension tends to be annoyed by disagreements among pension experts. Consequently, the review system has invited such a situation that manipulates the distrust against pension at the level of the popular discourse (Kenjô 2004 : 23). This is a paradoxical consequence of the increased social attention to pension reforms, because the popular discourse has deepened the popular suspicion over the sustainability of the pension system. In short, citizens have been informed about the pension reforms but consent was not necessarily achieved. Instead, citizens have regularly been reminded of the dysfunction of the pension system and the distrust and discontent with the system have grown.

Although the basic pension of 1985 has been a common ground for all, the different levels of benefits between pension schemes have been one of the sources of disputes. At the beginning the benefit of the basic pension was determined by focusing on two factors. First, the basic pension aimed at securing a minimum living standard for later life and the concrete amount was calculated in accordance with the standard of public assistance. Secondly, the policy consistence was regarded to be important : before 1985 the former pension system would monthly provide ¥47,000—¥48,000 (355—363 Eur) for those with full entitlement by paying contributions for 25 years (Kataoka 2000 : 96). In 1999 the monthly benefit was raised to ¥67,017 (507 Eur), which has been retained until today in 2004. Experts' opinions are divided regarding the question about whether this amount is too small or too generous (Kataoka op. cit. : 99). In the light of the accordance with public assistance and of policy consistence the amount seems adequate. However, once it is compared with benefits of labour pension for employees in the private sector, the national pension appears highly modest. For instance, in 1996 the labour pension on average monthly offers as much as ¥170,300 (1,288 Eur), while the average amount of national pension remained to be ¥46,000 (348 Eur) (Kataoka op. cit. : 98-99). Although such a discourse obviously tends to skip the basic facts related to the difference of these schemes and thus to be misleading, it represents the voice of those citizens who are discontented with the current pension system and reluctant to pay for it.

4 . The 2004 pension reform

On the 5 th of June 2004 the pension reform bill passed the Diet. This most recent reform does not, however, drastically change the pension system. Kaneko Masaru criticizes this bill by stating that it was poorly grounded. The main purpose of the bill is to guarantee 50% as the replacement rate for an average household by gradually raising the contribution rate of employees' pensions up to 18.3% by 2017 (at present 13.58%) and by maintaining this rate as fixed from 2017. In fact the replacement rate

would remain around 40% as to the standard household of male-breadwinner model. In other cases such as dual-breadwinners and singles the rate would decline even to 30% (Kaneko 2004). In addition, on the 10 th of June, soon after the bill has been passed, the Japanese Government announced that the total fertility rate was 1.29 in 2003, again continuing to decline from the previous year (1.3 in 2002). The 50% replacement rate was calculated on such estimation on demographic development that the total fertility rate would be stable in 1.39 until 2050 (Asahi shinbun 11 th June 2004).

In point of fact, the policy target of a 50% replacement rate was approved by the government and the coalition parties in December 2003. At that time the MHLW submitted a report on the direction and issues concerning the framework for pension reform. The issues are concerned with basic framework of pension system, benefits and contributions, the ageing of society, women's work and diversified work patterns, reinforcement of collection of contributions for the national basic pension, and promotion of integration of public pension system (MHLW 2003). As for the basic framework of pension system, the report provides three alternatives for the future in the search for a universal pension system. The alternatives are : (1) flat-rate basic pension funded by tax revenue, (2) combination of flat-rate public pension and additional private pension, and (3) combination of earnings-related pension and additional benefits, that is, a system similar to the so-called Swedish model of 1999.

This report remembers the 'solidarity' of the entire society as the essence of the Japanese pension system (MHLW *op.cit.* : 7), but does not give clear priority to these alternatives even though it is urgent to solve the problem with pension funds. The tax-funded basic pension may be a solution for overcoming the declining payment rate of contributions for national basic pension. However, this alternative would be in conflict with the spirit of self-reliance and self-help. This alternative means the public pension would be limited to flat-rate basic pension, and it does not well serve the purpose of public pension for providing sufficient income security for one's later life in comparison with active age. The third one would not be too realistic immediately in Japan where there is no social security number for every individual and therefore it is hard for the state to obtain information on incomes of all citizens. Still, the Japanese Government seems keenly interested in the Swedish model (MHLW *op.cit.* : 7-9).

Even without the courage of making a decision on changing the basic framework of the pension system, the report suggests that the share of the state funding for the basic pension should be raised from one third to a half in the near future. Regarding the level of pension benefits, the report takes the view that the contribution rate of the insured should also be raised so as to avoid the drastic increase of burden for the young generations. The 2000 pension reform once decided to freeze the contribution rate because of the economic recession. (MHLW *op.cit.* : 13-14) To defreeze the contribution rate is legitimized by reference to the rapid ageing of society (*ibid*), which is contradictory to the relatively optimistic estimation of demographic trends, in

particular, the total fertility rate mentioned above. The report proposes another modification in pension policy by shifting from a 5-year review system to a fixed contribution rate system. This means abandoning the regular review of the financial balance between benefits and contributions that the Japanese Government has conducted every five years for decades. The idea of a fixed contribution rate, including the macro-economic adjustment rate, is based on the Swedish model (MHLW *op.cit.* : 19-49). The report also discusses how to resolve the controversies on women's pensions, especially how to realize the social justice between women in different pension categories. Six different models are presented for responding to different types of women (MHLW *op.cit.* : 50-69). However, the 2004 pension reform did not lead to any concrete resolution for this issue.

Takayama Noriyuki, prominent pension expert, presents a critical and detailed analysis of this MHLW report. For instance, the MHLW attempts to legitimize defreezing the raising of contribution rate by stating that the contribution rate has been settled to about 20% in the West, where societies are already highly aged (MHLW *op.cit.* : 17). Takayama points out that it was many years ago when the contribution rate was raised to nearly 20% in the West, and in those days higher economic growth could be expected. Nowadays few industrialized countries are considering the raising of contribution rate, because such a solution would be a 'penalty to employment' and consequently be against economic vitality (Takayama 2004 b : 46). For stabilizing the pension finance there are four alternatives : (a) to raise the contribution rate, (b) to increase the share of state in basic pension funds, (c) to increase investment profits of pension funds, and (d) to regulate benefits. It is only (a) and (d) that the MHLW can directly control, because (b) is in the hands of the Ministry of Finance and (c) depends on the market (Takayama *op.cit.* : 58-59). The MHLW report suggests as the ultimate goal of reform a fixed contribution rate and a fixed benefit level in the public pension. This is based on the estimation of demography and economy in the near future and if the reality deviates from the estimation, the fixed contribution rate and benefit level would leave little room for the government to cope with challenges in the future (Takayama *op. cit.* : 65-66).

In the meantime, after the Diet session on the 2004 pension reform bill started in April, it was revealed in public that several MPs – including Prime Minister Koizumi Jun'ichirô and some other ministers – partly neglected the payment of contributions for basic pension in the past. Komamura Kôhei points out that such mistakes or negligence by MPs makes it explicit that the public pension system has not been completed, and that the basic pension for self-employed people holds unsolved problems. The 2004 pension reform bill suggests raising the state's share in basic pension funds without seeking a fundamental solution to the problem of basic pension funds. It means that trust and security would not be achieved by the reform this time (Komamura 2004).

The coalition parties (Liberal Democratic Party and Clean Party) and the opposition Democratic Party agreed on the comprehensive review of pension system in the near future. This review aims to discuss the establishment of a universal pension system and to reach a conclusion by March 2007. However, despite the same expression as “universal pension system” the solutions differ between the coalition parties and the Democratic Party. The LDP and the Clean Party hope to integrate the employees’ pension schemes by combining the pension schemes now separate for the private sector and for the public sector while maintaining the national pension (basic pension for self-employed) unchanged. In contrast, the Democratic Party considers the integration of the three — national basic pension and employees’ pensions — into a universal pension system. (Asahi shinbun 13 th May 2004)

Concluding remarks

As above discussed, the Japanese Government has paid special attention to the social/intergenerational solidarity when legitimacy needs be sought for the continuity and *raison d'être* of current public pension schemes as social insurance. The significance of social solidarity is reminded with the warning that otherwise the nonpayment problem could hardly be overcome. In brief, the messages from the Japanese Government to citizens are rather eclectic and even contradictory. Still, there is little discussion in Japan as to whether the appreciation of strong individuals who are calculating and well aware of self-interest and the social solidarity encouraging intergenerational solidarity are incompatible or not. The strong individuals of self-reliance can be understood in different ways. In a neoliberalist view self-reliance and self-help of individuals have been associated with small government. In a social democratic approach to ensure self-reliance of individuals is regarded as a mission of welfare state. It is important distinguish the solidarity in equal relationships between citizens of self-reliance and the dependence of one (less self-reliant, weak individual) to others (stronger individuals). The Japanese Government has reminded the people of the term ‘mutual help’ that appears similar to ‘social solidarity,’ whenever the Government sees such reminder necessary, without clarifying how individual citizens are to be engaged in equal social relations that would make fair exchange of help and support possible. Other concepts such as ‘citizenship,’ ‘civil society,’ ‘social rights,’ ‘empowerment’ and so on that are familiar in the Western discourse on citizenship in welfare state are absent in the Japanese discourse of social solidarity.

By fixing the scope of solidarity in intergenerational one the Japanese interpretation on social solidarity has not successfully extended its reach to the most controversial point concerning Japan’s pension crisis, that is, solidarity between employees and self/non-employed people. In the case studies on pension reform in Central Europe, it is pointed out that the focus on intergenerational solidarity suits a story of social stability which supports minor reform of existing pension systems (Ney 2003 : 96). This is a case

with Japan too. Moreover, even concentrating on the intergenerational solidarity the official discourse does not problematize the vested interest of old generations but instead gives a doubtful look at young people. A potential risk for young people of facing social exclusion is growing in Japan — in addition to some other older social risks such as gender bias — as a consequence of intergenerational disagreement.

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Notes

- 1 The term 'social solidarity' is also mentioned in other aspects of welfare policy such as the improvement of social support for child-rearing. See Jisedai ikusei shien shisutemu kenkyukai (2003). The basic idea of this system emphasizes that the social responsibilities for elderly care in an ageing society and the social solidarity through which the responsibilities are to be shared by the whole society. See Takahashi (2004).
- 2 The original text states "kojin ga dono teido shakai ni me o mukete irunoka" (MHLW, 2001 : 122).
- 3 The reports are available from the web-site. See <http://www.mhlw.go.jp/shingi/2003/07/s0724-4.html>
- 4 The payment rate was 73.9% in 1961 and risen to 96.4% in 1976 as the pension benefits were improved (Asahi shinbun 24 th May 2004).
- 5 This makes sense for those self-employed or non-employed except students or spouses of wage earners. See Estienne and Murakami (2000 : 49).
- 6 In Japan part-time workers are those who work less than 35 hours per week and whose workplaces are not in primary industry.
- 7 In Japanese debates such developments of 'work society' have not yet been much recognized as Brazilianization in the way that Beck (2000 : 93) referred to Brazilianization in his discussion about Europe.
- 8 In European context Bonoli (2000 : 41) points out this ethos in pension reform in Italy, Germany and France.

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