

Gender Equality and Women's Pension Rights in Japan

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Abstract

In recent years, derived pensions for housewives have drawn criticisms in Japan as a gender bias for the male breadwinner/ female homemaker households. Many prominent feminists support measures to remove or curtail these arrangements in favour of a gender neutral pension system. Nonetheless, it is an open question whether redressing gender assumptions in the pension system can help redressing another form of gender inequality, that is, gender gap in pensions and women's greater vulnerability to poverty in old age.

The purpose of this study is to reconsider the 'women's pension problem' by unravelling the ways in which it is perceived and to reframe the policy issue so that the definition of the problem can better accommodate concerns about economic security in old age for women. Building on the insights of feminist scholarship on women's social citizenship, this study explores, firstly, why concerns about gender inequality in pension outcomes have failed to impinge on the political agenda as a primary problem to be tackled in Japan, despite increasing cries for gender equality in the nation, and secondly, what are the implications of this neglect for women's economic welfare in old age and gender equality in outcome.

In so doing, published governmental documents, deliberations in the Diet and reports from key advisory committees are closely analysed in order to examine the changes and continuities of the 'women's pension problem'. In the latter part of the thesis, income statistics and pension simulations are used to explore the implications of recent pension reforms for women's equal pension rights and women's economic welfare in old age.

The findings caution against the moves to remove or curtail derived benefits for dependent spouses as well as point to the need to distinguish gender neutralisation and assimilation to male gender model in the pursuit of greater gender equality.

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List of Acronyms

- ACSS The Advisory Council on Social Security System (*Shakai Hoshō Seido Shingikai*)
- APD The Additional Pension for Dependents
- BIPS The Discussion Group for Basic Ideas for the Pension System (*Nenkin Seido Kihon Kōsō Kondankai*)
- BP Basic Pension
- BSP Basic State Pension
- EPI The Employees' Pension Insurance (*Kōsei Nenkin*)
- LDP Liberal Democratic Party of Japan
- LIS The Luxembourg Income Study
- MHLW The Ministry of Health, Labour and Welfare
- MHW The Ministry of Health and Welfare
- NP National Pension
- PDSSC The Pension Division in the Social Security Council (*Shakai Hoshō Shingikai Nenkin Bukai*)
- SPWL The Study Group on the Pension System which Responds to Changes in Women's Lifestyles (*Josei no Raifu Sutairu no Henka nado ni Taiōshita Nenkin no Arikata ni kansuru Kentō kai*)

| | |
|------|--|
| S2P | State Second Pension |
| SP | The Survivor's Pension |
| WPI | Workers Pension Insurance (<i>Rōdōsha Nenkin</i>) |
| TFR | Total fertility rate |
| SCAP | The Supreme Commander for the Allied Powers |
| WP | The Widow(er)'s Pension |
| WPE | The Welfare Pensions for the Elderly (<i>Rōrei Fukushi Nenkin</i>) |

Usage for Japanese Names

Japanese names are given in the text in their normal Japanese order, surname first.

However, all names in references appear in first name-surname sequence.

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Part One

Introduction: Ageing Population and Women's Old-age Pensions

Housewives are unfairly privileged in the Japanese pension system. This criticism has been repeatedly put forward since the 1985 pension reform in Japan, which has granted an individual pension entitlement to non-employed spouses who are exempt from paying social security premiums¹. Many Japanese regard this arrangement as an anomaly, but their evaluations vary. Some problematise the arrangement from a gender equality perspective, drawing attention to its gender reinforcing effect (Ida 1998; Takenaka 1989; Yokoyama 2002). Others regard it as problematic from a perspective of equality between households and its regressive nature, pointing out the inverted relations between the level of household incomes and the probability of wife's employment (Shiota 2000). On the other hand, some accept the arrangement as fair, arguing that housewives do not earn enough incomes of their own, but that they also should be guaranteed their own pension rights (Hori 1997). Surveys also demonstrate that some defend the arrangement on the basis of equal value of paid and unpaid work, claiming that housewives contribute to the pension system through their unpaid work, especially through care work (for example, see MHW 1999).

With these conflicting views rigorously expressed, calls for reforming women's pensions in Japan are increasingly centred on 'housewife privileges' in the system. Problematisation of women's pensions in this way has led many proponents of gender equality to demand gender neutralisation of the system by removing the underlying bias towards the male breadwinner/ female homemaker households. As a result, issues of gender equality in pensions are often framed in popular discourses as

¹ In the thesis, the money paid for the coverage of the Japanese public social security system is referred to as 'premiums' rather than 'contributions'. This is because the Japanese word '*hoken ryō*' is closer to the former in the meaning and this difference has important implications for the discussions in the thesis.

issues of inequality between ‘housewives’ and ‘working women’ rather than of inequality between women and men in Japan (for example, Chūkō Shinsho Rakure Henshūbu 2002).

Nonetheless, it is an open question whether redressing gender assumptions in the pension system can help redressing another form of gender inequality, that is, the gender gap in pensions and women’s greater vulnerability to poverty in old age. It is well documented that there is a significant pension gap between women and men in Japan (MHW 2000). International comparisons also indicate that the average economic status of Japanese older women is often worse than their counterparts in other major OECD countries (OECD 2001b). With the government’s current moves to limit the level of public pension benefits, older women’s economic situations may be further aggravated. On the other hand, the prospect of better pensions in their own right does not look promising for today’s working-age women, either. Their levels of earnings – a good predictor of future pension levels – remain much lower than that of men. Cross-national comparisons confirm that the Japanese gender gap in wages is still one of the widest (Japan Cabinet Office 2007a).

The tension between policies to redress embedded gender bias and gender inequality in outcomes is one of the greatest dilemmas which divide those who advocate equality between women and men (Pateman 1988). This raises the multifaceted nature and dynamic meaning of the concept of gender equality.

Aim of the research

The notion of gender is now widely recognised as a valuable analytical tool. This is especially the case now that the very foundation of post-war welfare systems, namely

the male breadwinner/ female homemaker family model, is crumbling. Nonetheless, many policy discussions on actual welfare reforms do not always take gender perspectives into account. While the need for the shift of the boundaries between the state, the market and the family for welfare provision is widely discussed, policy makers often fail to pay enough attention to the changing family and gender roles. Nor are the implications of reforms well explored in terms of inequalities between women and men. A case in point is pension reforms. Although the increasing role of private pensions has significant gender implications to the detriment of women (Ginn and Arber 2001b), this dimension of privatisation is often neglected. The research presented here brings the issues of gender equality to the centre and aims to provide this often-neglected link of a gender perspective in the debates on pension reforms in Japan. The study explores the meaning of gender equality in the context of pension reforms in Japan and its implications for women's economic welfare in old age.

The purpose of this study is to reconsider the 'women's pension problem' by unravelling how the issue of gender equality has been perceived and to reframe the policy issue so that it can better accommodate concerns about economic security in old age for women. The focus of the thesis is changes and continuities in the notion of 'women's pension problem' in Japan and the way concerns about gender equality have been addressed in the history of the Japanese public old-age pension system. In the study, embedded assumptions in the policy debates and in pension reforms are extracted not only about gender relations but also about inter-generational relations and about the state's role for welfare provision because of their significance in determining women's economic welfare in old age. In so doing, published governmental documents as well as the deliberations in the Diet and reports from key

advisory committees are closely examined. The research also considers the pension outcomes for women under a certain balance of competing equality claims. In the latter part of the thesis, income statistics and pension simulations are used to explore the implications of certain pension arrangements for women's equal pension rights and women's economic welfare in old age.

This study is therefore relevant to policy makers who support the cause for gender equality in the pension system as well as for those who share the general concerns about economic security of the major population in the aged society, that is, older women. Although the study is focused on Japan – a non-Western post-industrial state, the findings of this study may still be relevant to policy makers of the West (see, for example, Doling, Jones Finer, and Maltby 2005).

The research questions and methods are discussed in more detail in Chapter 2. The rest of this chapter reviews the background of this research and outlines the structure of the thesis.

Population ageing and trends in pension reforms

Population ageing and its associated 'problems' are by now familiar issues in many post-industrial democracies. However, the context differs and the extent varies across countries. In order to situate one of such 'problems', that is, women's old-age pensions, in the country-specific setting of Japan, and present a relative picture about them, this section compares the Japanese situations with those of other major OECD countries.

For more than half a century, many policy makers in Japan have expressed their concerns about ageing of the population. As early as 1956, the Ministry of Health

and Welfare (MHW) pointed out the need to prepare for the advent of an ageing society in its annual report (MHW 1956). Nonetheless, population ageing has not yet lost its value as news in Japan, occasionally hitting headlines with much impact. This unabated interest partly stems from uncertainties about the extent to which the population ageing may proceed. According to the 2005 census, Japan has become the oldest nation in the world, surpassing Italy in the proportion of the population aged 65 or over. Yet, there are many signs that the population ageing in the country will advance further. The birth rate is still on the decline, while the life expectancy remains longest in the world. In 2005, the total fertility rate hit the record low of 1.26 and the life expectancy at birth was 85.5 for women and 78.6 for men².

Moreover, Japan has one of the fastest and largest ageing populations. As Table I.1 shows, as recent as in 1950, the proportion of those aged 65 and over in Japan was the smallest among the major OECD countries – just below 5 per cent. By the end of the 20th century, however, the country became one of the most aged societies along with Italy and Sweden, and by the mid-21st century, more than one third of the Japanese population, or about 36 million people, is expected to be classified as the elderly (IPSS 2002).

² MHLW (Ministry of Health Labour and Welfare). 2005b. Kan'i Seimei Hyō.

Table I. 1 The proportion of the population aged 65 and over

| | Japan | Italy | Germany | France | Sweden | UK | USA |
|-------------|--------------|--------------|----------------|---------------|---------------|-----------|------------|
| 1950 | 4.94 | 8.26 | 9.72 | 11.38 | 9.41 | 10.73 | 8.26 |
| 2000 | 17.34 | 18.24 | 16.37 | 16.31 | 17.27 | 15.86 | 12.3 |
| 2010 | 22.54 | 21.12 | 20.39 | 16.90 | 18.56 | 16.49 | 12.79 |
| 2030 | 29.57 | 29.14 | 26.55 | 24.24 | 23.11 | 21.44 | 19.25 |
| 2050 | 35.65 | 35.53 | 28.41 | 27.11 | 24.74 | 23.17 | 20.65 |

Note: The figures for 2010 onwards are projections.

Source: IPSS 2002

As elsewhere, population ageing is associated with a series of ‘problems’. With this rate and extent of changes in the population profile, these ‘problems’ may manifest themselves in more pronounced forms in Japan than in others countries. What is often forgotten, however, is that the majority of the elderly³ are female, and hence these ‘problems’ are more likely to be experienced (or caused, depending on the perspective) by women. Yet, curiously, issues associated with ageing population are often discussed with men in mind or in a gender neutral way at best. This would not be problematic if old age is experienced in a similar way by both women and men. However, many studies indicate otherwise (for example, Arber and Ginn 1991; 1995). Since how an issue is construed as a problem forms the basis of policy recommendations to address the issue (Bacchi 1999; Gusfield 1981), apparent gender neutrality in the policy discussions may lead to women’s disadvantages or their issues remaining unresolved where there is a significant gender gap in situations. The neglect of gender difference in mainstream policy discussions is certainly the

³In this thesis, the age 65 is used as a line over which people are addressed as ‘the elderly’ or ‘older people’ unless otherwise noted.

case with old-age pensions, one of the most explicit areas of concern in the aged society.

The declining proportion of the population in the labour market means that the cost per person to support those outside the labour market increases. Using the concept of dependency ratio⁴, the increase in the proportion of the elderly prompted heated and recurrent debates about the affordability and sustainability of the current pension system in the aged society (for example, Takayama 1998). Against this background, the Japanese government has rigorously pursued policies to 'adjust' the public pension system to the aged society at least since the 1980s. The premium rate was repeatedly raised as the population ageing proceeded, which in turn encouraged younger generations to support policies to contain the pension level in order to moderate further increases in payment. In contrast to the reforms in the late 1960s and the early 1970s, major pension reforms every five years⁵ in the following decades became almost synonymous with pension retrenchment.

International trends for the promotion of private pensions and the rise of neo-liberalism in the 1980s also facilitated the pursuit of these policies for the government. Indeed, international organisations such as the World Bank actively encouraged governments to limit their role in the provision for old age, taking advantage of, as well as by contributing to, the scaremongering discourses of 'old-age crisis' or 'demographic bomb' (World Bank 1994). While the extreme views

⁴ While the dependency ratio is widely used in policy debates, the concept has been extensively critiqued for depicting a misleading picture. For a critique of the concept, see, for example, Johnson, Paul, and Jane Falkingham. 1992. *Ageing and Economic Welfare*. London: Sage.

⁵ The government is required by law to conduct the Financial Adjustment every five years to recalculate the actuary balance of public pension schemes and adjust the levels of premium and annuity accordingly. In the past, the Financial Adjustment was often brought forward due to socio-political reasons. The year of the Financial Adjustment often sees other major changes in the pension system.

which called for the total privatisation of pension schemes has been somewhat subdued in the international arena since then, unabated population ageing and prolonged weak economy in Japan still provided enough impetus for the government to further retrench the public provision for old age without much resistance from its citizens.

However, when these moves of the government are examined from a perspective of individual pensioners' economic security, there are many unaddressed issues. One of these issues is poverty and inequality in old age. In Japan, as elsewhere, the older population is disproportionately represented in the lowest income group⁶. If today's level of provision is not enough to prevent poverty for many older people, what would be the consequences of the government's recent welfare retrenchment for future pensioners? This question is especially relevant to women, whose life expectancy is longer while their lifetime earnings are generally lower than men. Issues of ageing are indeed women's issues.

Changing families

Lower pension benefits, or lower individual incomes in general, do not necessarily mean economic hardship for the recipients. Lower individual incomes can be supplemented by the pooling and sharing of incomes within the household. While this basic unit is usually understood as a couple in the West, in the case of Japan, where the multi-generational living arrangement has not been uncommon, the picture can be more complicated. In Japan, families of descending line have been playing an important role as a buffer against the risks associated with old age such as low

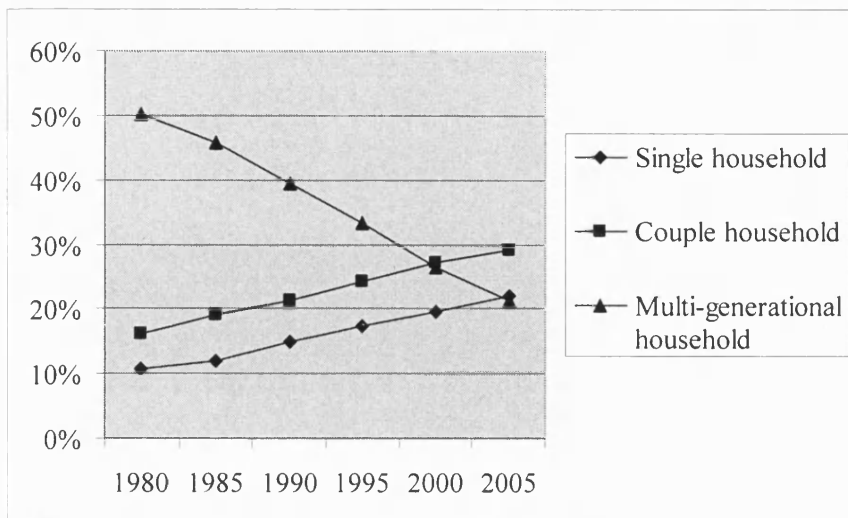
⁶ See Chapter 6 for details of older people's economic situations.

incomes. Research suggests a strong link between older people's incomes and their living arrangements. The lower their own or their spouse's incomes are, the more they are likely to live with their adult children (Fukawa 2000; Funaoka and Ayusawa 2000).

However, the situation of household structure is fast changing in Japan. The strong correlation between living arrangement and income level means that if older people can afford to live separately from their children, many people may do so. Moreover, the other two major factors which affect the decision on living arrangements – norms on family obligations and care needs (*ibid.*) – are also fast changing to facilitate separate living. The government survey shows that, in 1981, about 59 per cent of people aged 65 and over thought it preferable to live with their adult children and grandchildren, while the equivalent rate declined to 35 per cent by 2005 (Japan Cabinet Office 2007b: 24). The positive attitudes towards separate living may be further encouraged by the introduction of long-term care insurance in 2000.

Against this backdrop, the proportion of multi-generational households is decreasing, while that of couple households is on the increase. Figure I.1 shows the trend in living arrangements for those aged 65 and over since 1980. In 1980, about half of the households with older person(s) were multi-generational households. However, by 2005, the proportion declined to 21.3 per cent. On the other hand, the proportion of those who lived only with their spouse significantly increased. Between 1980 and 2005, the proportion of couple households in which either one or both of them were aged 65 and over increased from 16.2 per cent to 29.2 per cent. Moreover, the solo-living of older persons is also fast increasing. In 1980, 10.7 per cent of households with elderly were single households. By 2005, the proportion rose to 22 per cent.

Figure I. 1 The proportion of types of households with those aged 65 and over



Source: Japan Cabinet Office (2007b: 20) Kōrei Shakai Hakusho

These changes have significant gender implications. Given the generally longer life expectancy of women, households consisting of an elderly couple are likely to become households of a widow who lives alone. Whether elderly widows would eventually move to their child's household or remain as a single household is an empirical question out of the remit of this thesis. At least, the available statistics show the significant increase in the number of elderly women who live alone. In 1980, 11.2 per cent of older women (about 0.7 million women) lived alone, while the equivalent proportion in 2005 was 19 per cent (about 2.8 million women) (Japan Cabinet Office 2007b: 25)⁷. Moreover, against a background of increase in divorce and non-marriage, the number of women who would find themselves living alone in old age is expected to increase.

Out of choice or otherwise, older women who live alone are often in the lowest income group in Japan as will be seen in Chapter 6. Whether today's younger

⁷ The equivalent proportions of men were 4.3 per cent (0.2 million men) in 1980 and 9.7 per cent (1.1 million men) in 2005.

women are likely to experience disadvantaged economic status in old age like today's female pensioners is a grossly neglected question.

Gender inequality in paid work

The level of earnings and the status in the labour market have significant implications for the economic welfare in old age in Japan (Seike and Yamada 1998). This section looks at changes and continuities in the situations of Japanese women's paid work. Where relevant, the situations in Japan are compared with other major OECD countries, but especially with Britain and Germany⁸, in order to depict a relative picture.

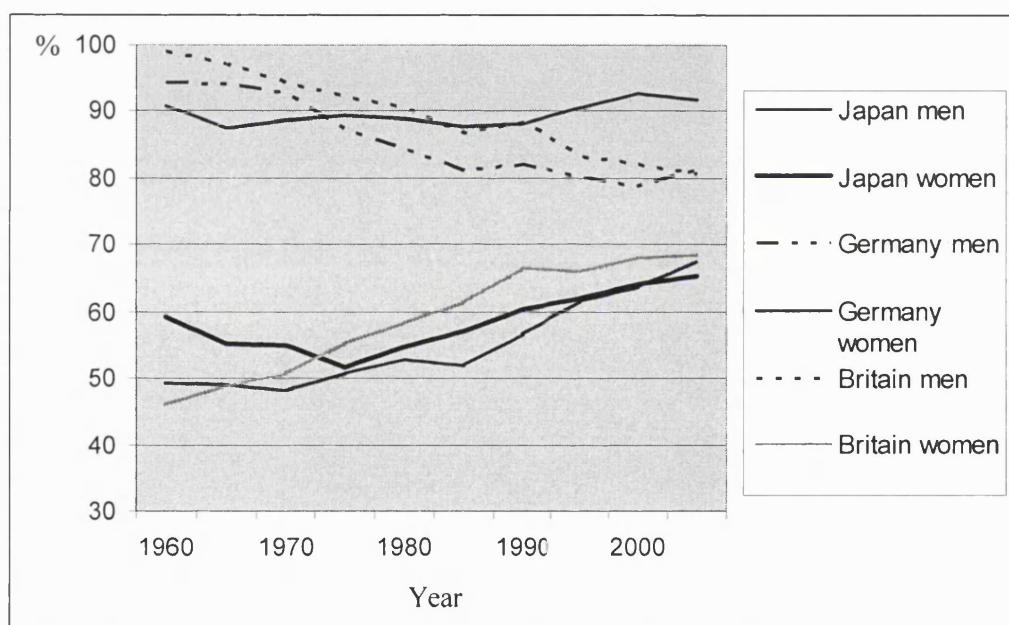
Despite the recent increase in female paid employment, there is still a significant difference between women and men in the labour market participation rate. In 2005, 65 per cent of Japanese women aged between 15 and 64 were in the labour market, while the equivalent rate for Japanese men was 92 per cent (OECD 2006). Although this gender gap has been narrowing since the late 1970s, the change is much slower in Japan than in other major OECD countries, including Britain and Germany. As Figure I.2 demonstrates, the gender gap in the labour force participation rate in Britain and Germany was much larger than in Japan until the mid-1970s. However, by 2005, the gender difference in the former two narrowed to less than 15 percentage points. This rapid change in Britain and Germany was partly due to the declining male employment rates. While the increase in female participation rate in these two countries was indeed significant⁹, the decrease in male rate was equally substantial.

⁸ For the rationale for the choice of Britain and Germany as a reference point, see Chapter 2.

⁹ Caution should be employed to interpret these statistics. As regional differences cannot be captured by national level statistics, discussions on the dominant gender model in Germany are especially difficult after the unification due to the significant difference in the norms on female labour.

In contrast, Japanese men's participation rate remained relatively constant for the last four decades, and by 2005, it became the highest of the three. As a result, although female participation rate in the three countries became more or less similar, the gender gap in Japan became the largest of the three countries. Considering the relative stability of the male participation rate and the slower increase in female rate in Japan, the relatively wide gender gap in the labour market participation rate is likely to persist for some time in the future in the country.

Figure I. 2 Labour force participation as percentage of population aged 15-64



Source: OECD (2006) Labour Force Statistics

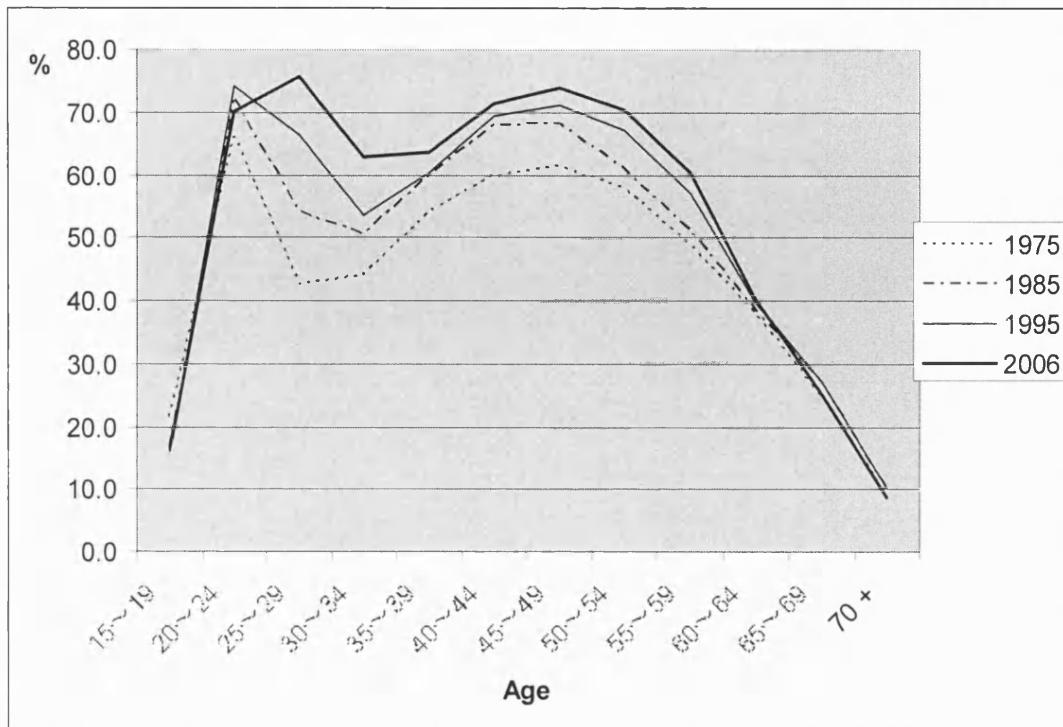
Moreover, the largest rise in the female labour market participation in the past three decades is to be observed in part-time employment. In 2005, 42 per cent of female employees in Japan worked part-time, while the equivalent rate was 40 per cent both in Britain and in Germany¹⁰ (OECD 2006). Although the number of male part-time

¹⁰ Part-time work is defined as work less than 30 hours per week for Britain and Germany, and less than 35 hours for Japan.

workers is also on the increase, the proportion is much lower. In the same year, 14 per cent of male employees worked part-time in Japan, while 10 per cent and 7 per cent did so in Britain and in Germany respectively (ibid.).

Another gender difference in working patterns is disruption of careers. Being often a main carer, many women have to compromise their position in the labour market in order to fulfil their care responsibilities. This manifests itself not only in the lower female labour market participation rate and atypical working hours but also in gender differences in working patterns over lifetime. More women than men disrupt their career for care-related reasons. Figure I.3 shows the changes over time in the labour market participation rate of women by age in Japan. With all years, the overall curve forms an M-shape with the rate dropping sharply in a narrow age group in the mid-life. This implies that many Japanese women withdraw from the labour market at their marriage or childbirth, and re-enter the labour market after their children have grown older. While the participation rate of the lowest point in mid-life years is gradually rising, the M-curve is still noticeable.

Figure I. 3 Female Labour Market Participation Rate, Japan



Source: MIC (2001) Labour Force Statistics

This kind of employment pattern is not particular to Japanese women. Indeed, women in Britain and then West Germany, for example, also had M-shaped working patterns until the 1990s. However, by the mid-1990s, they started showing continuous employment patterns similar to men's¹¹. As of 2006, Japan remains to be one of the few advanced economies in which women's participation rate by age shows an M-shaped pattern.

The effects of disrupted career can also be seen in women's generally shorter job tenure. Although the average tenure of female employees is on the gradual increase

¹¹ As those on maternity and parental leaves are treated as part of the labour force, the national differences in the length of leaves could affect women's participation rate during the childbearing and childrearing period. However, these periods are also treated as qualifying period for pension calculation purposes in many public pension systems. Thus, it should not be a problem to take the rates at face value for the purpose of the discussion here.

in Japan, this is also true with male employees, thus, the gender gap remains. In 2005, the average tenure of full-time female workers was 9.8 years, while that of men was 14.2 years (MHLW 2006). Another survey showed that, in the mid-1990s, less than 5 per cent of female employees in their 40s had worked in a same company since they had started as graduate recruits, while more than one third of male counterparts had done so (Economic Planning Agency 1997).

Once having left the labour market, it is often quite difficult for middle-aged women to re-enter it on a full-time basis. In 2005, of mothers who returned to the labour market with children aged between 4 and 5, more than a quarter had originally hoped to get a full-time job. However, only half of them successfully found one (Japan Cabinet Office 2006: 23). Looking from the demand side, most companies in Japan, especially large ones, prefer recruiting graduates fresh from schools for full-time positions. Even companies which recruit those in mid-career tend to be reluctant to hire on a full-time basis mothers who have been absent from the labour market for a period. According to a survey in 2000, only 19 per cent of companies which recruited people of mid-career for full-time positions employed mothers who interrupted careers for childrearing (ibid: 25). As a result, many female returnees to the labour market take up part-time jobs.

These gender differences in working patterns have significant implications for the gender gap in wages. Firstly, shorter job tenure often results in lower job positions and lower pay in Japan (Koike 2005). In 2005, only 10 per cent of managerial positions were taken by women in Japan (Japan Cabinet Office 2006). Moreover, women's average shorter job tenure has a considerable negative effect on their pay. According to the estimate by the government in the mid-1990s, women who

withdraw from the labour market for five years between age 27 and 32 would reduce their lifetime earnings by 27 per cent. If the returnees work part-time and adjust their annual earnings in order to keep their status as dependants of their husband for the coverage of social security and other benefits¹², the loss reaches as high as 78 per cent (Economic Planning Agency 1997).

Secondly, part-time workers are generally paid lower wages than regular full-time employees. Indeed, in Japan, the distinction between part-time workers and regular workers is often due to the difference in job security and remunerations rather than working hours or job content (Bishop 2000). In 2005, the hourly wage of female part-time workers was 46 per cent of full-time male workers¹³ (Japan Cabinet Office 2006). The pay gap is more significant in annual earnings. In 2006, part-time female employees earned only 20 per cent of full-time male employees (MHLW 2006).

In addition to these factors, there are also other possible causes for the gender pay gap in Japan. One is a well-known phenomenon across countries: horizontal segregation. Women are more likely to be found in lower paying industries. Other factors are more relevant in the employment practices in Japan such as company sizes and fringe benefits. In Japan, wage levels and the scope of fringe benefits are significantly different across different scales of companies (Tachibanaki 1996). Generally, employees in large companies enjoy higher wages and more generous fringe benefits than those in small or medium-sized companies. Women are more likely to be found in smaller-sized companies. Moreover, fringe benefits such as

¹² The earning level used in this simulation was 1 million yen.

¹³ The average wage for male part-time workers was 53 per cent of the full-time male workers in the same year.

dependant allowances and housing allowances, which constitute a significant part of the total salary (Peng 2000: 107; Tachibanaki 1996), are often paid only to male employees on the assumption that they are the breadwinner in a household. In the case of part-time workers, of which women are the majority, they are usually excluded from these benefits because of their employment status.

These factors combined, the average hourly earnings of full-time female employees in Japan was only 65 per cent of male equivalents in 2001 (Davies 2003). This gender gap is much wider than other major OECD countries. For example, full-time female employees' average earning was 74 per cent of men's in Germany (in manufacturing) and 82 per cent in Britain in 2001 (ibid.). Moreover, gender inequality is generally much wider in respect of annual earnings than hourly wages in Japan, where annual bonuses usually amount to several-months worth of salary. In 2006, the average annual earnings of full-time female employees in Japan were 62 per cent of full-time male employees' earnings (MHLW 2006).

While the above contributing factors to the gender wage gap in Japan could be argued as the gender neutral results of women's choices in the labour market as well as their abilities as human resources, research also suggests the effects of rigid gender assumptions and persisting discrimination against women (Tachibanaki 1996: 170-199). Moreover, in many cases, women's choices in the labour market are arguably constrained ones, especially with regard to the disruption of careers and working hours. Various surveys suggest that if conditions allowed, many women would continue employment and/ or work full-time (see below). One of the major factors for this disparity between preference and reality is unpaid work as the following section demonstrates.

Gender inequality in unpaid work

Despite the significant advancement of gender equality movements and policy developments, women across countries still spend longer hours on unpaid work than men within a household. Although men's absence from unpaid work is increasingly problematised with the rise in women's paid employment, inequality in unpaid work has been slower to change than that in paid work.

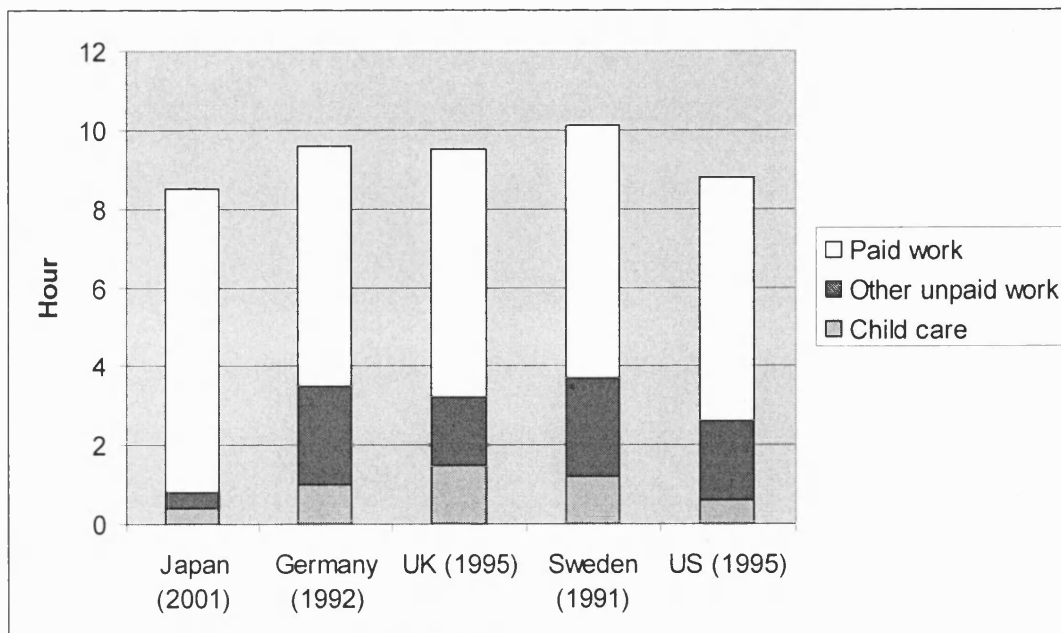
This is certainly the case in Japan. While the number of people who subscribe to the rigid male breadwinner/ female homemaker model is decreasing, there are still many people who support the model. In an opinion poll in 2004, while 49 per cent of the people surveyed strongly or relatively disagreed with the statement that 'men should work outside and women should stay at home', 45 per cent of the people strongly or relatively agreed (Japan Cabinet Office 2004a). Among the respondents, more men than women agreed with this gender division of labour. About half of the male respondents agreed with the statement compared with 41 per cent of female counterparts (*ibid*). Moreover, men's disagreement with the statement did not necessarily mean their willingness to shoulder the share of unpaid work. According to a survey in 1997, more than half of the husbands in dual-earner couples replied that they were not prepared to do household chores, while half of their female counterparts said the household chores should be equally divided within a couple (Economic Planning Agency 1997).

The actual division of labour within a household reflects these at best lukewarm attitudes of men towards sharing unpaid work. In 2001, the average share of men's unpaid work measured by time was almost similar between male-breadwinner households and dual-earner households; about 30 minutes per day (Japan Cabinet

Office 2006: 65). On the other hand, in the same year, the time spent on unpaid work by employed wives (both full-time and part-time) and non-employed wives was 4.2 hours and 7 hours respectively. Furthermore, the time men spent for unpaid work did not change much for more than three decades. In 1970, employed men spent 26 minutes for unpaid work on weekdays (Economic Planning Agency 1997). This continued absence of men from unpaid work is in a stark contrast with the increased presence of women in paid work. With continuing unfair distribution of unpaid work within the household, employed women are significantly overworked.

International comparison demonstrates that the time Japanese men spend for unpaid work is one of the shortest among major OECD countries (see Figure I.4). While men in all the five countries spent much shorter time than their wives for unpaid work, the extent was more extreme in Japan than in other countries.

Figure I. 4 Time spent on paid and unpaid work by men in couple households with children under 5, Average hours per day



Note: Data for Japan are for fathers of the under 6.

Source: Cabinet Office (2006) Table 1-3-4

The shorter time spent by Japanese men on unpaid work is often explained by their physical absence from home. Their working hours and commuting time are notoriously long among major advanced economies. Especially, male employees in their 30s generally work the longest hours. In 2005, they worked about 50 hours per week on average (Japan Cabinet Office 2006: 12)¹⁴. The proportion of male employees whose average weekly working hours exceed 60 hours is also the highest in this age group; about 23 per cent (ibid.). If the commuting time is combined, the time left for unpaid work is indeed limited. Also, general corporate culture strongly discourages employees from taking paid holidays and leaves, even if it is a statutory right. Moreover, long-distance transfers which would necessitate relocation are not uncommon among Japanese companies.

However, this is in a way made possible by the (assumed) provision of unpaid work by women in the household (Osawa 1993). With the influx of women in the labour market and the introduction of new care-related laws in the 1990, businesses began introducing some family friendly policies and working arrangements. However, the corporate culture has been slow to change. Moreover, family friendly policies alone do not challenge the norms on women's role in care work. Reflecting the persisting gender norms which allocate main care responsibilities to women, there is a significant gender gap in the usage of parental and care leaves. In 2005, 98 per cent of employees who took parental leave were women. Moreover, among employees who became parents in the surveyed year, 72.3 per cent of female workers took parental leave, while only 0.5 per cent of male counterparts did so (MHLW 2005a). Although the rate of male workers who take the leave is on the gradual increase, the

¹⁴ The figure excludes commuting time.

low replacement rate of cash benefits (40 per cent of the salary) as well as the inflexibility of the leave (only one parent can take the leave and not interchangeable between the parents) make it more economical for a couple to choose wives to take the leave, given the general gender gap in wages.

Against this backdrop, despite the rise in the proportion of married female employees in the labour market, the participation rate of mothers with young children has not changed much throughout the 1990s. In 1992, the labour market participation rate of married women aged between 25 and 49 with children under 3 was 32 per cent, while the percentage in 2002 was 30 per cent (Japan Cabinet Office 2006: 9). These rates were about half of those for married women in the same age group without children. Indeed, many women still cite care responsibilities as the main reason for resigning jobs. In 2003, 76 per cent of previously employed mothers with pre-school children cited child care and other home responsibilities as the main reason for their resignation, about one third of whom suggested they would have continued employment if circumstances had allowed (ibid: 9). In 2003, only 23 per cent of mothers remained employed throughout their pregnancy and the first year and half after the childbirth (MHLW 2003).

Care work assumed mainly by women is not only for children. This is especially the case in Japan. Although the situation is changing, social norms oblige married women to give direct care for their parents-in-law, especially if their husband is an eldest son (Someya 2000). As leaving the care for ageing parents (-in-law) to social services is often frowned upon, the care provided by these women is quite intensive and intimate in nature. Moreover, as the three-generational households are not uncommon, many married women live with their parents-in-law, giving

uninterrupted care. Although this household type is decreasing, daughters-in-law are still the primary carers. In the mid-1990, 33.4 per cent of the bed-ridden elderly were cared for mainly by the spouse of the child (most likely daughters-in-law) compared with 27.9 per cent by the spouse and 20.6 per cent by the adult children (MHW 1996).

With the population ageing, however, how to finance and provide long-term care for the growing number of the elderly with diversifying needs became an urgent political issue. Since the late 1980s, but especially in the 1990s, socialization of care for the elderly progressed rather rapidly. Both domiciliary care services and institutional care facilities were significantly expanded under the inter-ministerial long-term plans (the Gold Plans in 1989, 1994 and 1999), and access to these services became ensured as citizens' rights rather than being at the state's discretion with the enactment of the Long-Term Care Insurance Law in 1997 (enforced in 2000). Statutory care leave was also introduced in 1995 (enforced in 1999), which entitled employees to a leave to care for their families for up to three months with cash benefit of 40 per cent of ones' previous earnings. Behind these moves towards the socialisation of care was the widely publicised plight of carers and the cared for and gradual awareness that similar situations could be found close to home¹⁵.

Nonetheless, long-established norms on gender and intergenerational relations are slow to change in reality. In 2004, 66 per cent of the principal carers were the family members who lived in the same household, and only 14 per cent were professional carers. Among these live-in family carers, 24.7 per cent were the spouse, 20.3 per

¹⁵ One of the early and most influential was a novel by Ariyoshi, Sawako. 1972. *Kōkotsu no Hito*. Tokyo: Shinchō sha. In this novel, Arisawa depicted a working wife who had to care for her father-in-law with dementia (in English translated version 'The Twilight Years').

cent were the spouse of the child (most likely daughters-in-law) and 18.8 per cent were the child (Japan Cabinet Office 2006: 70-72). It remains to be seen to what extent the new legislative developments will defamilialise the care for the frail elderly.

Despite the significant contribution made by women through their unpaid work, it is not reflected in the 'contribution-based' pension system in Japan. On the contrary, those who take the main responsibilities for care work are penalised by lower pension benefits in their own right or by the precariousness of their entitlement as dependants.

The structure of thesis

This thesis is comprised of four parts. Part 1 (Introduction, Chapters 1 and 2) introduces the research and its key concepts, locates the research within a broader theoretical framework and introduces the method to be used. Chapter 1 reviews the existing literature on the role of ideas on policy making and on the relations between welfare states, families and women. In Chapter 2, the research questions are identified and an analytical framework for the research is developed. This is followed by the description of the data and method utilised and the explanation of reasons for the choice of these data and method. In Part 2 (Chapters 3, 4 and 5), the development of old-age pensions for women in Japan is examined with a focus on the debates on equality and fairness as well as on rights and obligations for welfare provision. In Part 3 (Chapters 6 and 7), the actual and simulated economic situations of women in old age are examined with several criteria and the pension reforms are evaluated from a gender equality perspective. Part 4 (Chapter 8) summarises the

findings and contributions of the research and presents the conclusion and discussions.

Chapter 1 Gender Equality and Women's Social Citizenship

The role of the state in welfare provision has been constantly redefined, reflecting and affecting the definition of the role of the market, civil society and the family. In a way, state welfare is based on the changing assumptions and norms about the roles of individuals in various spheres of a society. Yet, individuals do not benefit from state welfare in the same way to the same degree. On the contrary, resources are often distributed to them unequally. This necessitates another ingredient of state welfare, namely, legitimacy of the recipients' eligibility. In a democratic society, where individuals are understood as fundamentally of equal worth in principle, this should be based on the common belief that beneficiaries of the state welfare deserve what they are receiving, that is, fairness.

The other side of this coin, however, is that once a system is accepted as fair, certain inequalities can be regarded as legitimate. For example, the difference in the level of unemployment benefits between recipients can be legitimised when the inequality is presented as a fair result of differential levels and period of past contributions of the unemployed under a social insurance system. On the other hand, the difference in the level of benefits can be challenged by those who emphasise equality in economic security guaranteed by the state during unemployment. Yet, an equal level of benefits regardless of the level of past contribution can be criticised as unfair or as unequal in the level of contributions. As this example illustrates, the legitimacy of certain ways of redistribution can be constantly under challenge from competing and conflicting claims for different kinds of 'equality' and 'fairness'. As a result, discourses of equality and fairness abound in most reforms in state welfare systems.

This point is certainly true of various pension reforms in Japan. Since its inception, the Japanese pension system has gone through a series of reforms under the banner of equality and fairness, be it between occupations, households, generations, or paid and unpaid workers. However, the content of rights and the definition of equality are constantly contested and compromised by ideas such as obligations and difference.

In this chapter, these related but sometimes competing concepts are considered from a viewpoint of women's social citizenship rights. The main focus is the concept of gender equality and its application to women's access to state welfare. First, the chapter briefly reviews recent emphasis on discourses in the analysis of welfare reforms to provide the theoretical background of the thesis. This is followed by an overview of debates on social citizenship. Especially, this section looks at various meanings of gender equality and women's citizenship. The final section reviews feminist literature on state welfare with a focus on Japan. Drawing on the insights of feminist literature on social citizenship and welfare states, this section offers a critical appraisal of the existing literature on public pensions in Japan and presents the rationale for this study.

1.1 Ideas, discourses and policy changes

A growing body of literature on welfare reforms points to the central role played by ideas and discourses in policy-making processes and policy outcomes. Policy problems are understood not as something to be identified by reform-minded policy makers but as issues discursively constructed as such (Bacchi 1999; Fraser 1989; Gusfield 1981). Moreover, once certain ways of problematisation become dominant, reform proposals on the issues are more likely to be framed in that context, constituting policy paradigms (Hall 1993) or cognitive locks (Blyth 2001). Thus, a

set of ideas and discourse serves as a framework for constructing certain situations as problems as well as for determining conceivable policies to respond to the situations.

With this insight, discourse analysis has become an important research approach to understand changes and continuities among welfare states. Among the studies which take this approach, two broad strands are noticeable, resulting from differential emphasis on the role of discourses. In one of the strands, discourse analysis is situated as a complement to institutional accounts or interest-based analyses of policy making by incorporating a hitherto marginalised factor of 'legitimacy' (for example, Béland 2005; Cox 1998; 2001; Schmidt 2001). In these studies, discourses are equated with rhetorical strategies consciously deployed by political actors to frame issues in such a way to legitimise their version of reforms. In this sense, claims to greater equality and fairness – two often employed concepts in welfare proposals – may well be understood as weapons of political actors in distributional struggles (Blyth 2001) rather than as attempts to enhance the democratic ideal.

On the other hand, other studies draw attention to power relations embedded in discourses on policy problems (for example, Bacchi 2004; Bacchi 1999; Fraser 1989). Rather than seeing the dominance of certain problem representation as a success of certain political actors, these studies question which power relations are challenged and which are left intact in the problematisation. At the basis of these questions is the understanding that no discourses on policy problems can exist independent of existing discourses of social institutions such as the family, the law, the capitalist economy to name but a few. With this understanding, those in this position express their scepticism about the ease with which people can 'choose' discourses according to their political interests. According to them, it is difficult for individuals, who are

located in existing institutions in one way or the other, to perceive and challenge the embedded power relations which are legitimised and obscured by the dominant discourses of these institutions (ibid.). Indeed, political compromises between proponents and opponents of certain policy proposals may be possible because both sides accept certain prevailing power relations as given (Bacchi 2004). Nonetheless, many theorists of this strand still believe the possibilities of contestations, pointing out the multiplicity and incoherency of any discourses (Bacchi 2004; 1999). In this sense, demands for greater equality and fairness need careful analysis of their implications for the existing power relations.

These differences in the two strands have significant implications for the question of why some ways of problematisation prevail as 'legitimate' while others do not, one of the key questions of the research presented here. Studies which view discourses as rhetorical strategies suggest that certain ways of problematisation succeed in prevailing because they are conducive to dominant norms and principles in the society (Cox 2001). Others also argue that new ideas are accepted only after being adjusted to compromise with the prevailing norms and principles (Elgström 2000). However, when norms and principles are understood as another set of discourses which legitimise certain power relations in the society, the above suggestions raise questions about the extent to which newly introduced reforms can challenge the existing power relations. If introduced reforms are based on the already prevailing frameworks of meaning embedded in 'norms and principles,' are they not merely a status quo with a new guise? Or, can incremental changes bring eventual transformation of power relations as they can apparently change distributional balance (Streeck and Thelen 2005)? Focused mainly on the 'intellectual path dependency' (Blyth 2001) and rhetorical analysis, however, these studies do not

explicitly examine the possibilities of changes and continuities in the power relations unless they are directly challenged by political actors.

In contrast, for the studies which are focused on power relations embedded in discourses, unravelling taken-for-granted assumptions in reform proposals is as important as examining explicitly made political challenges because that is where power relations reside without being questioned (Bacchi 2004; 1999; Fraser 1989; Miller 1993). This is true of the well-established democratic ideal such as equality among citizens. While equality is one of the most often cited principles in welfare reforms, certain inequalities are usually left unsolved or unproblematised in reforms. Furthermore, reforms introduced in the name of certain equality are not necessarily empowering for the targeted disadvantaged groups (see, for example, Bacchi 2004). According to this strand of analysis, this may be because newly introduced reforms are based on certain assumptions which endorse and reproduce the very power relations the reforms purport to challenge.

Concerned with neglected dimensions of gender inequality in pension reforms in Japan, the thesis takes an approach closer to the latter group of research. Before turning to the research design of this study, its key concepts – equality and social citizenship rights – are examined in the next two sections.

1.2 State welfare and women's social citizenship

Since T.H. Marshall (1950) theorized the welfare state in terms of the development of citizenship rights, the concept of social rights has become a cornerstone of welfare state analysis. According to Marshall, with the attainment of social rights in the 20th century, citizens' civil and political rights are not only protected but also

substantiated (ibid.). While his evolutionary view of citizenship rights and optimistic understanding of state welfare have been widely critiqued (for example, Fraser and Gordon 1998), the concept of social rights is still useful in the analysis of the welfare state. This is because the *idea* of social rights has gained real currency in the 20th century, based on the firm belief in fundamental equality among members of a society (Pierson 1998: 33). Indeed, the concept of social rights historically provided powerful ammunition to argue for the redistribution of resources through the state to redress social, economic and political inequality not only of class but also of many other forms of subordination.

However, it is problematic to celebrate state welfare simply as a manifestation of the advancement of citizenship rights. This is firstly because citizenship is about exclusion as much as about inclusion¹⁶. Defining the access to certain state welfare as citizenship rights entails questions who are eligible citizens, and offers legitimacy for the exclusion of other social groups. Thus, once certain social groups are accepted as different from fully-fledged citizens because of their certain attributes, the former are no longer considered to be eligible for equal rights guaranteed to citizens. While this point is easy to recognise with ‘foreigners’ within a country, this is also relevant to those whose nationality is of the country they live in but are considered to be different because of their sex, age, disability, ‘race’ or ethnicity to name but a few.

Secondly, the nature of social rights is not a pre-determined end state but a constantly contested one (Barbalet 1988; Pierson 1998: 34; Turner 1986). As citizens are not a monolithic group and their interests are diversely formulated, citizens of various

¹⁶ See Chapter 2 in Lister (1997) for a concise review on this dual dimensions of the concept.

social groups are in effect constantly competing with each other to legitimise their claims to resources as citizenship rights. Research also implies the vulnerability of citizens' entitlements to state welfare based on needs instead of rights (Nelson 1990). Theorising the politicisation of claims to state welfare as struggles over the definition of needs, Fraser suggests the importance of establishing justified needs as social rights (Fraser 1989: 183). Far from being uniform and static, therefore, the concept of social rights is both diverse and fluid.

Lastly, the definition of social rights is not free from prevailing discourses of the existing institutions in a society. Claims to state welfare are inevitably brought forward based on various assumptions on the role of the state, the family and the market, whether to challenge them or to endorse them. Moreover, this is a bi-directional process. While these assumptions help to legitimise certain welfare systems and policies, these systems and policies in turn define the meaning of social rights. Indeed, welfare reforms in many countries have been pursued resulting in and from the changing meaning of social citizenship (Cox 1998). Thus, what are considered to be as legitimate social rights are intrinsically bound up with social relations, and power relations within it, of a society.

These points suggest two issues. One is the importance of the context in which particular state welfare systems emerge. The definitions of rights and obligations of citizens differ over time and place, responding to ideology, historical legacy and the social struggle fought by various social groups in a given society, resulting in the diversity of welfare states (Baldwin 1990; Esping-Andersen 1990; Myles 1984). This manifests itself in the cross-national differences in views with regard to what is the basis of the public provision (individual entitlement/ solidarity), to what extent

the state should provide (social minimum/ income maintenance) or to whom benefits and services should be provided (targeting/ universality). These views are reflected in turn in the bases of entitlement such as needs, contribution, marriage or residence. Where the system takes a contribution principle, this inevitably lead to the judgement of what is considered to be contribution and who should contribute.

The other issue implied by the above three points is that state welfare is another form of legitimised unequal distribution of resources among citizens. If the legitimacy for the inequality in the market is merit, that for differential levels of resources from the state is contributions and/or needs defined by set criteria. The state distributes resources according to the set criteria in the name of social citizenship, but the levels of allocated resources are usually differentiated among individuals. Indeed, the objectives of resource distribution by the state are usually not sameness in the levels of resources available to individuals in a society, even when the notion of equality is invoked. In order to understand this legitimation, the paired concept of rights – namely, obligations – is useful. Citizenship rights are often understood to entail citizenship obligations¹⁷. Thus, claims to state welfare without fulfilling perceived obligations often fail to legitimatise themselves as social rights or even fail to form themselves. As both rights and obligations are bound up with prevailing norms and principles, they are not free from power relations of a society any more than is state welfare.

The dynamic nature as well as socio-historic specificity of state welfare is well captured by various cross-national comparisons and historical accounts of welfare states (for example, Baldwin 1990; Esping-Andersen 1990; Myles 1984). However,

¹⁷ For a brief review on the relationship between the two, see Lister (1997: 20-22).

many of these studies are focused on only one of many power relations – class – and try to explain changes over time and cross-national diversity in the scope and design of state welfare in terms of political struggles by labour. The sole focus on class often results in lack of questioning of the assumption that paid employment should be the base of the entitlement for rights-based state welfare. Ignored in these accounts are those who are often marginalised in paid employment such as women, the elderly, the disabled or ethnic minorities. Analyses sensitive to these factors paint a different picture of state welfare and social rights as demonstrated by feminists' analyses of social citizenship.

1.2.1 Women's exclusion and inclusion

Fundamental equality among citizens is perceived as one of the most unchallengeable principles in democratic societies. Yet, it is long acknowledged that women are excluded as full citizens in both theory and practice (Lister 1997). In many societies, women attained their civil, political and social rights at different times and in different forms from those of men. Indeed, the concept of citizenship itself has developed while grossly neglecting women's experience. Although women's rights and obligations as citizens have been differently defined from those of men in many societies, classic theories about citizenship either ignored the differential treatment of women or rationalised it. In his early work on citizenship development, Marshall (1950) did not take account of the distinct path women's citizenship had followed. Women were simply non-existent in his theory. On the other hand, when women appeared in a citizenship theory at all, they tended to be considered in terms of their particularity. Hegel believed that women could not be independent citizens in the same way as men. In his view, women 'naturally'

belonged to the sphere of the family, which required attributes and principles different from those of civil and political spheres. Thus, he argued, women should be incorporated into a society as members of the family, which was headed by a male citizen (cited in Pateman 1988).

Women's exclusion, however, needs to be understood in the light of their differential inclusion in practice. Pateman (1988; 1992) suggests that women are both excluded and included on the same basis, that is, motherhood. Women are excluded as citizens because the attributes associated with motherhood, namely, caring and nurturing, run counter to the image of a citizen as an autonomous economic and political being or a soldier. On the other hand, women's contribution to a society is valued in terms of these maternal virtues. Thus, women are included as mothers who also contribute to the society. Indeed, devoting oneself to economic and political activity or bearing arms is only possible with the availability of unpaid work in the family undertaken by others. Under the modern welfare state, full participation in paid employment has become an important citizenship obligation (*ibid.*). While unpaid work often hinders women from fulfilling this condition, and thus marginalises them as fully-fledged citizens, it can also lead to their accrual of certain entitlements as citizens. To the citizenship tradition, therefore, women's exclusion and special inclusion has been a necessity rather than an underdeveloped phase of the concept (Fraser and Gordon 1998; Lister 1997; Pateman 1988; 1992).

Women's contributions through motherhood are, however, often not counted as of equal value of contributions through paid employment, leaving women with lesser citizenship rights as dependants of male citizens. Thus, the problem with women's citizenship is not simple exclusion as earlier liberal feminists assumed, but the male-

oriented nature of the concept, which is based on the opposite of what women represent – namely, the private sphere, motherhood and care (Pateman 1988). Unless the traditional meaning of citizenship is challenged, the mere extension of the concept to women can only confirm women's second-class citizenship, demanding them to become like men, and denying their experience and difference. Thus, women have had to fight not only for their full citizenship rights but also for the transformation of the meaning of citizenship itself.

In the quest for a more inclusive concept of citizenship, the meaning of being a citizen has been re-examined. If the image of citizens based on dichotomous values of the genders is something to be denied, what value still remains for the image of citizens regardless of their sex? Feminists' answers vary, but one of the most recurrent values is autonomy. Women's constrained autonomy has been long pointed out as evidence of women's second-class citizenship. Indeed, women's economic independence has long been the focal point of feminist movements because it is regarded as the key element for the existence or the exercise of an autonomous voice (Hobson 1990; Orloff 1993). Moreover, in the attempt to substantiate women's autonomy, the concept of autonomy itself is being reinterpreted to include gender-sensitive rights. Most feminists now agree that rights to physical independence should include bodily integrity such as reproductive rights (Shaver 1993/4). Related to the tension between interdependence and independence in care relationships, Susan James (1992) argues for emotional independence and the importance of enhancing women's self-esteem. Yet other feminists focus on time as a resource, and problematise the unequal allocation and rewards of time usage between women and men (Bryson, Bittman, and Donath 1994; Scheiwe 1994). Against a backdrop of growing demand for the reconciliation of paid work and

unpaid activities, the allocation of time for certain activities between citizens and across one's life-course is becoming one of the key issues. Introducing various embryonic attempts and policy proposals in welfare states, Bussemaker (1999) argues for time-autonomy as citizenship rights.

These attempts to incorporate new dimensions of citizenship rights can be understood as a manifestation of continuing belief in the potential of the concept of citizenship to enhance the ideal of equality among citizens. However, equality between women and men itself is not straightforward as will be explored in the next section.

1.2.2 Equality between women and men

Most feminists now reject assimilation into the male image of citizens as a route to gender equality. However, how to conceive equality and difference between women and men has been a heated debate. The tension between equality and difference has sometimes been interpreted dichotomously, forcing women to choose one or the other route to full citizenship. Although, at least in theory, the dominant feminist claims have been for both equality and difference (Bock and James 1992), differences in the emphasis can lead to conflicting approaches and strategies in practice, such as maternity protection versus equal treatment at a workplace.

Shared demands for women's full citizenship notwithstanding, feminists differ widely in their visions and approaches to full citizenship. Although feminists' positions regarding women's citizenship are diverse, it is still helpful to categorise them into three strands in order to grasp an overall picture. One strand of the arguments is that women be valued for their difference from men. The proponents,

whom Dietz (1987) calls maternalists, believe that the revaluation of motherhood is the key for women's citizenship. It is argued that qualities associated with motherhood and women are intrinsically of equal value with those associated with traditional citizenship and men. Thus, the problem is undervaluing of 'female' attributes, and stratification of masculinity and femininity. Some feminists go further, and suggest the superiority of 'female' attributes and the positive function of women's difference for the public sphere (for example, Elshtain 1998). According to them, female attributes, which manifest themselves in 'maternal thinking', are of superior quality as the basis of a true citizen. Thus, it is argued, women must seek to incorporate the maternal thinking into the public sphere and humanise it (ibid.). Women's difference is thus understood as the basis on which equal citizenship is formed rather than as a hindrance.

That women should be valued as women, who represent different values and functions from men, is not a new argument. Indeed, it can be traced back to very early feminists. In Britain at the end of the 18th century, for example, Mary Wollstonecraft argued for sex equality on the grounds of women's social role as a mother (Pateman 1992). In Japan, 'motherhood protection debates (*bosei hogo ronsō*)' erupted at the beginning of the 20th century, in which feminists such as Hiratsuka Raichō argued that women's contribution as mothers was equally as important as men's contribution in the public sphere and thus it should be explicitly acknowledged by the state (Mackie 1997: 86-91). In both countries, some suffragists demanded an equal vote for women on the grounds of the social benefits 'women's distinctive nature and social role' could bring to the public sphere. Although the claims of 'maternal thinking' being women's attributes have been vigorously challenged as ahistorical and being based on false distinction between the public and

the private (Dietz 1987; Siim 2000), this line of argument has been recurrent since then.

On the other hand, another strand of feminists emphasise women's economic independence and equal treatment with men in the public sphere. This position was represented by Yosano Akiko in the above debates on motherhood protection in Japan. She argued that women's lives should not be reduced only to motherhood and that women should be economically independent without depending on the state or on men (Mackie 1997: 86-91). She herself was not only a mother but also a wife, a breadwinner, a poet and an activist to name but a few. This position would be shared by many feminists today who problematise the gender division of labour. To the eyes of feminists in this strand, the arguments of maternal feminists risk the danger of perpetuating women's marginalised position by endorsing the gendered boundaries between the public and the private (Dietz 1985). Contrary to maternalists, feminists in this strand are generally positive towards deconstructing 'women's attributes' and thus are willing to demand measures which would enable women to participate in the public sphere on an equal footing with men such as maternity leave and childcare services.

As can be seen in these gender specific demands, feminists in this strand do not necessarily deny women's difference from men. Nonetheless, for maternalists who argue for equal value of 'women's attributes', the demand for equal treatment of women and men risks the danger of women's assimilation to a male citizen model, endorsing 'male' value at the cost of the marginalisation of 'female' value as a valid basis for full citizenship (Elshtain 1998).

This longstanding tension between the two strands is increasingly viewed as an issue of gender relations rather than a women's issue. With women's influx into the labour market together with the equalization of formal rights between women and men, questions have been raised about the absence of men in unpaid work. Reconsidering citizenship rights and obligations on the basis of gender equity, Fraser (1999) suggests that an ideal model of a citizen is the universal caregiver, who participates in both paid employment and care-giving. It is now generally acknowledged that the gendered division of paid and unpaid work is an issue not only for women but also for men.

Arguments based on this recognition are the tenet of the third strand of feminists. Those in this position regard equal treatment of women and men as a basic principle for equal citizenship. However, their demands also include measures which encourage women's paid work and men's unpaid work. Thus, from this viewpoint, social institutions which are based on the assumptions of the gender division of labour are problematic because they explicitly or implicitly reinforce the gendered social roles. The goal, therefore, is a gender neutral social system which recognises citizens' rights to and responsibilities for both paid and unpaid work.

Theoretical advancement notwithstanding, this position faces serious dilemmas when it encounters with women's 'traditional' entitlements as wives and/or mothers. On the one hand, these entitlements are often gender reinforcing, and therefore can be understood as the evidence of gender bias in state welfare. On the other hand, they can also be regarded as practical measures to mitigate women's generally lower level of benefits by better accommodating women as carers in practice or by compensating for women's marginalisation in a real world which is gender unequal. Some

examples are maternity leave and derived benefits such as survivor's pensions and old-age pensions for dependent spouses. Moreover, gender neutralisation – removing provisions based on the male breadwinner/ female homemaker model – does not necessarily provide a consideration of how to narrow inequality in outcome between women and men here and now (Sainsbury 1996). Thus, when women's generally disadvantaged position vis-à-vis men in reality is problematised, the proposals for redressing measures often go back to arguments on 'equality (equal treatment with men)' and 'difference (women's specific rights)'.

In practice, however, all the three perspectives of equal treatment, women's rights and gender equality are necessary to achieve equality between women and men (Booth and Bennett 2002). The question is more about which perspective should be applied to a specific case. In the attempt to transcend the impasse, it is useful to employ the differentiation of interests proposed by Molyneux (1998). According to her, women's interests can be differentiated between practical and strategic interests. Practical interests are formed on the basis of the existing gender relations, while strategic interests are formulated from challenging these relations (ibid.).

The practical and strategic interests suggested by Molyneux can be re-formulated as dual strategies for short-term and long-term gains respectively. Indeed, considering the slow pace of changes in reality, both changes for immediate effects and for future better prospects should be considered. Thus, fair shares of access, rights and responsibilities in public and private sphere for both women and men can be understood as strategic interest of a long term. Even if this strategic interest is agreed, it may also be acceptable, and sometimes necessary, to demand civil, political and economic resources based on the recognition of women's role in the

private sphere as a short-term practical interest, so that women's welfare can be enhanced even in the existing gender relations.

Nonetheless, the real dilemma of choice between these different interests in actual policies remains. This is because women are not a monolithic group, and the extent and the forms of disadvantages as women differ between individual women. Indeed, gender is not a sole identity which informs individuals' interest. The class and 'race', for example, can still be major factors which may diversify interests among women in welfare states (Meyer 1996). Moreover, as the next section further explores, the perceived interest of full-time housewives and that of full-time working women, for example, can be vastly different from each other. This confirms possible diverse and conflicting interests among women, which make it difficult to talk about 'women's interest' and 'gender equality' in a real policy context without reservations.

The next section reviews feminist critiques on state welfare and how these dilemma with regard to women's social citizenship are played out in the context of old-age pensions in Japan.

1.3 Women and welfare state

The structural bias for a certain family model in state welfare has long been pointed out by feminists. As classic theorists argued, the welfare state may indeed be based on class arrangements, but it is also based on gender arrangements, often called gender contracts, of which the male-breadwinner model is the dominant model across welfare states (Duncan 1995; Land 1994; Lewis 1992; Lister 1992). This recognition is part of the achievement of scholars inspired by second-wave feminism. While the first-wave feminists demanded women's equal civil and political rights,

the second-wave feminists challenged the socially constructed sex roles and their stratifying effects despite the attainment of statutory equality in civil and political rights. One of the most noticeable differences between the first and the second-wave feminism can be found in the attitudes towards the state. In contrast to the earlier feminists who regarded the state as more or less a neutral institution and thus generally had more optimistic views on the state's intervention, feminists in the 1970s onwards often challenged the state as a part of a large system which systematically subordinated women to men¹⁸.

It is not surprising, therefore, that early attempts to theorize the welfare state from a gender perspective were mainly focused on its oppressive nature towards women. Criticising the welfare state as a manifestation of interests of both men and capitalists, it was argued that state welfare was constructed in such a way that it encouraged a particular family form and work arrangement from which men and capitalism profited (McIntosh 1978; Pateman 1988; Wilson 1977). In challenging this more subtle form of social stratification, the systematic subordination of women to men was often termed as patriarchy. In the efforts to theorize patriarchy and the welfare state, the effective shift from private patriarchy to public patriarchy was noted (Walby 1986; 1990). According to this view, what changed with the advent of the welfare state was that women became directly exposed to patriarchal relations in the public sphere of the labour market and the state rather than indirectly via the patriarchal family.

¹⁸ However, the uncritical acceptance of the state as the key player to redress gender inequality by liberal feminists was still criticised by some feminists such as Elshtain (1998).

The notion of a patriarchal welfare state was further encouraged by a series of findings on the disadvantaged economic status of women in the welfare state (for example, Glendinning and Millar 1992; Goldberg and Kremen 1990). It was argued that most of the state welfare schemes were skewed towards the contingencies which were more likely to occur in men's life courses. Some saw this as a two-channel welfare system, where most women are covered by social assistance as clients while most men are covered by social insurance as rights-holders (Fraser 1989; Nelson 1990). Although the thesis of the dual welfare system has been criticised for its neglect of derived rights as wives and the diversity among welfare states (Sainsbury 1993), the entitlements in social security systems are indeed stratified, often bringing fewer benefits to entitlements as wives or mothers (Sainsbury 1996). According to these accounts, state welfare may have changed the way and the extent of women's subordination but not eradicated their subordination itself.

However, the concept of patriarchy received heavy criticisms for being, among others, essentialist and ahistorical (for the review of the concept, see Duncan 1995). Increased academic interest in cross-national comparisons since the late 1980s further encouraged more nuanced views on the relations between women and the welfare state. Jane Lewis, for example, suggested that despite the shared norm on the gender division of labour, namely the male breadwinner model, *the degree* of its strength differed across countries (Lewis 1992). On the other hand, Theda Skocpol demonstrated the differences in *the form* of the male breadwinner model manifested in state welfare, using the development of mother's pensions in the US as a case study (Skocpol 1992). The growing attention to cross-national diversity also led to the increasing interest in the historical context in which various welfare institutions developed as well as in the political struggles among diverse social groups for their

claims to welfare resources. Reflecting this trend, more recent attempts to theorize the welfare state from a gender perspective try to accommodate better the fluidity and diversity of gender relations as well as women's agency (Connell 1987; Duncan 1995).

In summary, contributions by feminist scholars have greatly illuminated the gender bias embedded in state welfare, which manifests itself in the differential treatment of women and men and/or women's generally lower level of benefits as wage earners in the welfare system. While these situations can be commonly observed across countries, more diversity-sensitive approaches to the 'gendering' of welfare states have also exposed differences in the degree and the form of these shared traits among welfare states.

In order to see the country-specific context, the following sections focus on the state welfare in Japan and review the literature on women's pensions in the country.

1.3.1 The Japanese welfare state

Analyses of the Japanese welfare state often stress its difference from western welfare states. During Japan's economic success in the 1970s and 1980s, the difference was often emphasised in a positive note, interpreting the 'uniqueness' of the welfare mix in Japan as one of the important factors of its apparent success (for example, Nakagawa 1979). In the 1990s, attempts were made to compare Japan in a more systematic way with other western welfare states (Esping-Andersen 1990; 1997; Goodman and Peng 1996; Gould 1993; Kwon 1997). Most of these studies also concluded that Japan was qualitatively different from other western welfare states. Inspired by the seminal work by Esping-Andersen (1990), some even argued

that Japan and other emerging welfare states in East Asia such as South Korea and Taiwan should be classified as a separate welfare regime qualitatively different from western welfare states (Goodman and Peng 1996; Kwon 1997). These attempts at systematic comparison of Japan with other countries have provided some important insights into the characteristics of the Japanese welfare system. One of the most often pointed out 'unique' features of the Japanese welfare system was the strong reliance on the family and on companies for the provision of welfare.

Nonetheless, there are some limitations in these studies because comparison between countries of significantly different cultural backgrounds necessitates sacrificing detailed accounts of differences in the meaning of apparently similar institutions to a certain extent (Peng 2000). Although the importance in Japan of the family and enterprises as welfare providers is well acknowledged, cross-national qualitative differences and similarities of these two institutions and their relation with the state are not usually analysed (ibid.). Thus, for example, although Japan is not included in Lewis's analysis of gendered welfare states (Lewis 1992), Japan would be categorised as a welfare state of strong breadwinner model in her typology along with Britain and Germany. However, understanding Japan simply as a strong male breadwinner welfare state would not reveal the importance of normative gender roles as daughters/ daughters-in-law or sons/ sons-in-law in Japan despite their significant implications for the gender division of labour and state welfare in the country.

In contrast, Japan-specific features of companies and the family form the central theme of many Japan-focused studies on state welfare. One of the major key concepts often employed in these analyses is 'companyism' or a corporate-centred society (*Kigyō Chūshin Shakai*). The corporate-centred society is understood as a

society where the corporate sector wields significant power in socio-economic and political spheres of a society and its norms and principles control the everyday life of individuals. According to the proponents, this society emerged in post-war years of economic growth as large corporations secured the loyalty and commitment of male labour in exchange for an inclusive management style, lifetime job security and a plethora of fringe benefits (Baba 1991; 1997; Watanabe 1990; Watanabe 1997). Moreover, for this company-centred society, the rigid gender division of labour is a factor indispensable to their functionality (Osawa 1992; 1993; 1998). Lifetime job security and seniority-merit based salary are possible because of the exclusion of women as fully-fledged employees. Women's unpaid work as wives and daughters-in-law also makes it possible for male workers to commit themselves to paid work, which often involves long-hours working, long-distance and sudden transfers and occasionally even separate living (*tanshin funin*).

Scholars who share this view explain that the Japanese welfare system, including both public and private, has developed based on these social relations. In the corporate-centred society, economic welfare of the family is guaranteed by the company via the breadwinner, and care services are provided by housewives who are in turn economically provided for by the breadwinning husband. Putting the economic growth as the top priority, the state endorsed the corporate centred nature of the Japanese society and the male breadwinner/ female homemaker model as its basis (ibid.). Economic security of the family was regarded by the general public as being best provided by the employment of the male breadwinner, and the advancement of his and his company's positions were regarded as the advancement of the welfare of the family and vice versa. The perceived congruence between the welfare of the family and the growth of the company, and the state's role in it, are

well captured by the New Life Movement in the early post-war years (Gordon 1997). In the Movement, various programmes were created in the initiatives of large companies and the state in order to 'educate' housewives of the workers to become better equipped with the necessary knowledge and skills required to provide better 'housewifery' services at home. On the other hand, at least until the late 1980s, the availability of public care services is generally limited on the assumption that most people have female family members to provide necessary services.

The significant importance of the family and companies to the welfare arrangements in Japan means that a lack of gender perspective would lead to a particularly unsatisfactory result as an analysis of the Japanese welfare system. Nonetheless, both comparative and Japan-focused bodies of literature did not always take into account the factor of gender in their analysis. The next section reviews the growing body of literature which is sensitive to gender aspects of state welfare, especially in the field of public old-age pensions.

1.3.2 Gender equality and old-age pensions in Japan

In Japan, the feminist critiques of the gender bias in state welfare started relatively late. Influenced by the theoretical development in Europe and the US, feminists in Japan began analysing state welfare from a gender perspective from around the 1990s¹⁹. Nonetheless, the 1990s onwards saw a rapid increase in studies on embedded gender bias in the Japanese welfare system. In these studies, it was pointed out that the Japanese welfare system treated married women first and

¹⁹ For a concise review of this development in Japan, see Sugimoto, Kiyoe. 2004b. *Joshō: Feminisuto Shakai Fukushigaku wo mezashite* (Introduction: Towards the study of feminist social welfare). In *Feminisuto Fukushi Seisaku Genron (Welfare Policy from a Gender Perspective)*, edited by K. Sugimoto. Kyoto: Minerva.

foremost as full-time unpaid workers and withheld developing appropriate social services. As such, women were included in the welfare system as economic dependants through entitlement as wives (Ida 1998; Osawa 1992; 1993; Shiota 2000; Sugimoto 2004a).

The late start of welfare analysis from a gender perspective in Japan, however, does not necessarily mean that there were few studies on women's disadvantaged position in state welfare until then. On the contrary, there were robust critiques of the situation especially from the 1970s (Sugimoto 2004b; Tamiya 2003). However, at first, feminist critiques were more focused on the lower level of women's share in state welfare and unsatisfactory 'protection' of certain categories of women such as widowed mothers rather than on the gender bias in state welfare (ibid.).

This is certainly the case with old-age pensions. Demonstrating the persistent gender gap in pensions and economic hardship faced by older women, feminists in the 1970s and early 1980s in Japan often demanded the improvement of derived benefits as wives (Shimada 1981; Takenaka 1977). Although many of them also pointed out derived benefits as the manifestation of women's marginalised position as pensioners in their own right, they nonetheless supported derived benefits as a practical measure to improve women's economic welfare in old age. For example, Takenaka (1977) attributed women's weaker pension rights to the existing pension system which was based on the household as a basic unit rather than individuals. She criticised that women were excluded from the pension system as fully-fledged members but treated as dependants of their husband due to their weaker economic positions in the family as well as in the labour market (ibid.). Still, she and others generally demanded for the rise in the level of survivors' pensions and additional pensions for dependent

spouses despite the danger of consolidating the very foundation they criticised, namely, the household-based state welfare (Tamiya 2003).

After the 1985 reform, however, this line of argument for derived benefits began being criticised for ignoring single women and divorcees, who may also be disadvantaged in the labour market due to their sex and their responsibilities for unpaid work (for example, Shiota 1997, 2000). Indeed, the derived rights cannot benefit single parents or unmarried carers despite their contribution to society through their care work. With the rise in non-marriage and divorce, it has increasingly become difficult to legitimise derived rights for dependent spouses as 'women's interest'. Pointing out the diverse economic situations among women, some even argue that housewives are generally in the privileged social group, which benefit from the contribution made by working women and men (Hatta and Kimura 1993; Kido 1993; Shiota 1997)²⁰.

Moreover, the focus of feminist academics began shifting from 'women's oppression' to 'gender bias' in state welfare. Reflecting this theoretical development, most feminist studies on the pension system are now critical about derived benefits. Especially, the non-contributory basic pension for dependent spouses introduced in the 1985 reform has been criticized as a prime example of gender bias towards the male breadwinner/ female homemaker households (Shiota 2000). Historical analysis of the public pension system from a gender perspective also revealed the continuity of the underlying norm of the male breadwinner/ female homemaker model in the system (Murakami 1994; Tamiya 2003; Yokoyama 2002). These studies often argue

²⁰ More explicitly using the concepts of class and 'race', similar argument was put forward by Meyer in the context of the public pension system in the US (Meyer 1996).

that measures to improve derived benefits would perpetuate gender inequality by reinforcing the gender division of labour within the household as well as in the labour market. As such, most of these critics call for a gender-neutral welfare system based on individuals rather than the household as a basic unit (for example, Ida 1998).

In a sharp contrast with feminists in the 1970s and 1980s, therefore, those in the 1990s onwards tend to criticise derived benefits for wives as gender unequal and regard housewives not as the victims of gender inequality but the beneficiaries of the gender unequal system. Those in this camp usually support measures to neutralise the underlying gender bias for the male breadwinner/ female homemaker households in the welfare system. According to them, one of the measures to achieve this in the pension system is to remove the derived benefits, especially, the non-contributory basic pensions for dependent spouses (for example, Hatta and Kimura 1993; Ida 1998; Shiota 1997; 2000; Yokoyama 2002).

On the other hand, there are some voices which express concerns about the possible negative effects of this trend on women's economic welfare in a real world, which is gender unequal. Pointing out the current political climate of welfare retrenchment, they warn that the concept of 'gender neutrality' is more likely to be used in political rhetoric to level down, rather than level up, state welfare, leaving women generally worse off (Ito 2004; Sugimoto 2004b). Indeed, as seen above, gender neutrality does not necessarily mean gender equality in outcome or better state welfare for all. These proponents argue for the importance not to ignore the gender inequality in outcome here and now and point out the need to pursue measures to overcome it (ibid.).

The contrast in these approaches to women's pensions – equal treatment of both sexes vs. special considerations for women's disadvantaged position – in a way parallels with the theoretical dilemma between equality and difference in women's citizenship reviewed in the previous section. In the theoretical development, this impasse is sought to be resolved with the attempt to create a truly gender neutral citizen model by questioning the male-oriented nature of the apparently gender neutral 'standard' in the citizenship concept itself (see the previous section). However, in the debates on gender equality in pensions in Japan, few questioned whether the apparently gender neutral 'standard' practices expected from members of the Japanese pension system are truly gender neutral. Rather, the lower level of women's pensions has often been explained as a simple result of women's 'atypical' working patterns and disadvantaged positions in the labour market (Hori 1996). Indeed, women tend to earn less, work part-time and have disrupted careers due mainly to family responsibilities. According to those who attribute women's lower pensions solely to the labour market practices, therefore, the redressing measures should be sought in the area of labour market policies rather than in pension policies (ibid.). Even those who argue for redressing measures within the pension system tend to accept women's 'atypical' working patterns as the cause for their lower pensions, reaching to the conclusion that the only way forward would be tax-financed universal basic pensions for all citizens based on social rights (Ito 2004).

Nonetheless, gender gap in pensions is caused not only by women's differences in the labour market but also by the structural bias towards men of the pension system (Allmendinger, Bruckner, and Bruckner 1993; Falkingham and Rake 1999). Many pension systems, including the Japanese one, are structured to link earnings and benefits, to limit entry with time and earnings thresholds, and to set the minimum

required period of contribution, all of which are based on criteria closer to male working patterns. Thus, although tax-financed basic pensions may indeed be the only solution to all forms of pension inequality in old age, this is not necessarily the case if the concern is about gender gap in pensions. The gender gap in pensions can also be tackled through questioning the male-oriented criteria in the pension system (ibid.).

Preoccupied with the critiques of apparent gender bias in the form of derived benefits, however, few feminists in Japan pursue this line of argument. Most of them simply emphasise the importance for women to be included in the pension system as wage earners rather than as dependants without seriously questioning whether this path of inclusion would lead to decent pension benefits for all women in their own right. In a way, it can be said that these feminists pursue gender equality in pensions through assimilation into the norm based on the male-oriented life course model. As feminist critiques of citizenship theory suggests, however, the final destination of this pursuit may be legitimisation of women's second class citizenship in the form of lower pension benefits without any practical compensatory measures for 'women's difference' such as derived rights.

Considering the recent trend in pension policies, the marginalisation of issues with regard to pension outcomes can be detrimental not only to gender pension gap but also to women's economic welfare in old age. In the next section, the recent trend in pension policies across welfare states and its gender implications are considered with a focus on Japan.

1.3.3 Pension privatisation and women's economic welfare in old age

Across welfare states, older women are more represented in lower income groups than older men. This is also the case in Japan. Empirical studies still show women's economic vulnerability in old age, especially for single women, due mainly to their low level of pensions²¹.

However, the recent trend in pension policies across welfare states does not suggest a brighter picture for women's economic welfare in old age. With the heightened awareness of population ageing, concerns about the increase in the cost of public pensions have mounted pressures for their curtailment across welfare states. This purported economic imperative is often backed up by arguments for intergenerational equity. In these arguments, generations are placed in an antagonistic position, where one generation's gain is said to lead to another generation's loss (Cardarelli, Sefton, and Kotlikoff 2000; Thomson 1989). Although these arguments have been extensively critiqued (Arber and Attias-Donfut 2000), older people are still generally depicted as dependants of the society. Against a backdrop of ascending neo-liberal ideologies and duty discourses (Dean 1999), self-responsibility and individual arrangements rather than collectivist approaches for economic welfare in old age have been vigorously promoted. Challenges to the post-war welfare arrangements have come from other directions as well. Due to the changes and diversification of families and people's life courses, social security systems based on a particular model of the family and life cycle begin to show their limitations (Börsch-Supan 2000; Esping-Andersen 1996).

²¹ See Chapter 6 of this thesis for more details.

These changes in socio-economic situations together with demographic concerns have contributed to the rise in the advocates of the shift from pay-as-you-go public pensions to funded defined contribution pensions as a main source of incomes in old age²². It was argued that funded pensions were more suitable than pay-as-you-go pensions in ageing societies because the former would be less influenced by demographic changes (OECD 1998; 2001a; World Bank 1994). The move towards defined contribution pensions would open up more possibilities for the private sector to operate individuals' pensions. Indeed, international economic organizations such as World Bank further enhance this move by advocating mixed income in old age with a strong emphasis on private pensions (*ibid.*).

While some question the purported economic advantages of privatisation and funded systems (Barr 2001), many welfare states are now following the package of further encouragement of private pensions. Faced with a rapidly ageing population, Japan is no exception to this trend. Although the government did not take the path for all-out privatisation of old-age pensions, it nonetheless introduced new funded private pension schemes as additional pensions in 2000.

However, privatisation of old-age pensions has significant gender implications to the disadvantage of women in general (Davies and Ward 1992; Ginn and Arber 1999a; 1999b; Waine 1995). Firstly, private pensions have few, if any, redistributive features between the insured. Thus, income inequality during working life is more likely to be reproduced in old age. For women as wage earners, this means the perpetuation, or even worsening, of gender pension gap already present under the current pension system unless women's gains from the labour market become on a

²² Most of the state pension systems are financed on a pay-as-you-go and defined benefit basis.

par with men's. Secondly, private pensions are more likely to disadvantage women as carers because few private schemes, if any, include a period of caring as a form of contribution. Reflecting the strong critiques against the sole focus on paid employment as the basis of social rights (Bussemaker 1999; Taylor-Gooby 1991; Twine 1994), many public pension systems now have some features to count caring period as contribution period. However, the possible positive effects of these moves on the pension level of carers could be cancelled out if the relative importance of incomes from private pensions increases in old age. As the majority of those who take time out of the labour market for care work are women, this difference between public and private systems has more significant ramifications for women. Lastly, private pensions are more likely to disadvantage women as wives because fewer private pensions have derived benefits for dependants. Thus, the enhancement of mixed income can lead to quite a disadvantageous system for those who have fewer or no gains from the labour market.

Considering these points, recent promotion of private pensions offers a gloomy prospect for women, who generally have lower incomes and longer life expectancy (Wilson 2000). Nonetheless, there have not been many discussions in Japan about the possible negative effects of private pensions on women's economic welfare in old age. One of the reasons for this silence may be that the private pensions introduced in 2000 are top-up occupational pensions within the existing public system rather than a substitute of the latter. As such, the strong link between the levels of paid premium and benefits is relatively well accepted without criticism. Moreover, unlike countries such as Britain, private pensions do not yet constitute a major part in the total incomes of older people in Japan (OECD 2001b). Thus, when

women's pension issues are discussed, it is often solely focused on public pension schemes in Japan.

Rather than privatisation of pensions per se, therefore, it can be argued that the possible disadvantageous pension trend for women in Japan is the growing acceptance of the main principle of private pensions – the strong link between paid premium and benefits – within the public pension system. This link is often justified in the name of 'insurance principle' in the social *insurance* system, while the possibility for redistribution represented by the word 'social' is marginalised.

The uncritical acceptance of the strong link between paid premium and benefits, however, would lead to even more unequal distribution of resources among older people unless certain pension benefits based on social rights are established. The review of the existing literature has also revealed that the rise in critiques of pensions from a gender perspective could ironically enhance this trend by focusing on gender neutrality through equal treatment.

Refocusing on the issue of gender equality in outcome, this study explores how the link between paid premium and benefits has been legitimised in the history of the Japanese pension system, and considers its implications for gender pension gap and women's economic welfare in old age. In the next chapter, the design of the research is explained.

Chapter 2 Research Design

This chapter explains the design of the research presented here. First, the chapter introduces the main research questions and the focus of the analysis. Then, methods utilised for the research are described and the rationale for the choice of the methods is explained.

2.1 Research questions and framework for analysis

The main concerns of this research are women's economic security in old age and the gender gap in old-age pension benefits. The central questions of this research are firstly, why concerns about gender inequality in pension outcomes have failed to impinge on the political agenda as a primary problem to be tackled in Japan, despite increasing cries for gender equality in the nation, and secondly, what are the implications of this neglect for women's economic welfare in old age and gender equality in outcome. While gender inequality in pension outcomes can be measured in many ways, it is defined in this research as the gap between women and men in the level of their own old-age pension benefits. In the study, this inequality is also referred to as the gender pension gap.

The answer to the first central question is sought by examining how a certain boundary of state welfare and the way it redistribute resources have been problematised or legitimised in the history of the Japanese public old-age pension system. In the above literature review, it has been suggested that state welfare is redistribution of resources based on legitimised claims, but that the basis of the legitimacy can be challenged and replaced. It has also revealed that the basis of entitlement to state welfare can be different between women and men depending

prevailing norms and principles on gender roles. This research focuses on the changes and continuities of embedded assumptions on gender relations, intergenerational relations, and the state-individual relations embedded in the pension system, which helped to promote certain approaches to competing issues of equality and fairness at certain point of time.

In order to answer the second question, the situations of economic status of older people in the mid-1990s are first examined, and then, pension simulations are conducted using the life courses of hypothetical women. Combining these findings, the implications of the way women's pension issues are problematised in recent years are considered from a viewpoint of gender equality and women's economic welfare in old age.

2.2 Research methods

This research examines both the development of 'women's pension problems' in the Japanese old-age pension system and its implications for future female pensioners. This requires a mix of methodological approaches and data. In the first part, a historical analysis is employed, using mainly published government documents as the data. In the latter part, the implications of the problematisation of women's pensions are analysed, depending primarily on income data from published statistics and simulations. In the following, employed methods and data are explained.

2.2.1 Single-country focus and cross-national comparison

The thesis is a mixture of a single country focus and cross-national comparison. The historical part of the thesis (Chapters 3 to 5) is mainly focused on Japan, but the

quantitative part (Chapters 6 and 7) compares the Japanese situations with those of other countries, primarily of Britain and Germany.

The single-country focused approach in the historical part is firstly because this study is an attempt to understand the changes and continuities of people's perception of a certain institution – a public pension system – in the country specific context. As noted above, cross-national studies may lead to obscuring qualitative differences of rough equivalents of social institutions (Peng 2000), while a single-country focus allows an in-depth analysis of state welfare in a country-specific socio-economic and political context. Another reason is practicality. As this thesis tries to capture changing discourses on pension reforms spanning over 100 years, the sole focus on Japan is a practical choice in order to manage the study within the limitation of resources.

However, in order to learn a relative status of the country in terms of various measurable indices, the understanding of other countries' situations is useful. Moreover, comparison with other countries can illustrate different solutions and alternatives to similar policy issues. Indeed, comparative studies have demonstrated that welfare states pursue a range of different pension policies in the face of similar socio-economic constraints (Ginn, Daly, and Street 2001). In this sense, single-country studies and cross-national comparative research are mutually complementary for the understanding of welfare states, and neither would be complete without being informed from the other approach. Although this thesis presented here does not conduct cross-national comparison of policies or political processes, it compares in its latter part the institutional factors within the public pension system which produce, ameliorate or magnify the gender gap in pensions.

Looking at only three countries, the thesis does not take the welfare regime approach as exemplified by Esping-Andersen (1990). There are many examples which deliberately chose not to take the regime approach, although the choice of countries may be affected by the existing typologies (for example, Daly 2000; Daly and Rake 2003; Sainsbury 1996). As noted above, however, the approach of this study is also different from the latter group of studies, because it does not treat all chosen countries with equal weight. The focus is firmly put on Japan, and cross-national comparison is conducted in order only to capture relative situations of income inequality between older women and older men in Japan as well as to better understand the structural factors of the Japanese public pension system which affect the gender gap in pensions.

By combining a single-country focus with comparative elements, I hope to strike an optimal balance between generalisation and specification in the discussion of Japanese women's pensions.

The choice of Britain and Germany as a reference point is firstly because of their influence, positively or negatively, on the Japanese pension system. Prior to the introduction of the public pension system in Japan in the late 1930s, the German system was closely studied and in the end a Bismarckian type of pension insurance was adopted. However, after the Second World War, the Japanese pension system incorporated various elements not dissimilar to the post-war British system, which is often taken up as an archetype of Beveridgean model. In a way, both models coexist in the post-war Japanese pension system.

Another reason for comparing Japan with Britain and Germany is similarities and differences of the dominant gender models in their social systems. Comparative

research suggests that social systems in both Britain and Germany are based on the strong breadwinner model (Lewis 1992). While Japan is often excluded from comparative studies of welfare states, rigid gender division of labour in the country suggests that it shares similar gendered assumptions with Britain and Germany, at least in post-war Japan. On the other hand, there are significant differences among the three countries in the configurations of welfare mix for care despite their apparent similarity in the gender ideal model. As noted above, the roles of women under the gender division of labour in Japan include not only as mothers but also as carers for their parents-in-law. On the other hand, despite the general emphasis on motherhood as in Britain and Germany, institutional care is not uncommon for pre-school children in Japan (Michel and Mahon 2002). In 2000, around 35 per cent children aged between 3 and 5 attended day care centres (full-day care), while about half of children in the same age group attended kindergartens (usually half-day care)²³.

By comparing the economic situations of older women in these three countries, the specificities and commonalities of women's social citizenship rights in Japan can be more clearly revealed.

2.2.2 Historical analysis

The first part of the thesis takes a historical approach in order to capture the dynamic nature of 'women's pension problem'. As reviewed in previous chapter, in the analysis of welfare states, it is important to look at the country-specific historical context in which each welfare state developed. The history is traceable not only of

²³ The rates are calculated from Japan Census in 2000 and Japan Statistical Yearbook (2004). Japan Statistics Bureau (Tōkei Kyoku). 2000. Kokusei Chōsa (Japan Census), Japan Statistics Bureau (Tōkei Kyoku). 2004. Japan Statistical Yearbook. The number of attendees for day care centres is only of those in publicly run or subsidized centres, thus, those cared in unauthorized institutions are not included.

the institutional arrangements but also of discourses which constituted the development. This thesis identifies norms and principles among key policy makers of the time on the various social relations which are challenged or left unchallenged in the way certain issues are problematised in pension reforms. Especially, by examining the changes and continuities in the way women's pension issues are problematised in policy proposals, the thesis analyses the underlying assumptions on the relations between genders, between generations and between the state and individuals and considers their implications for women's economic welfare in old age and gender equality in outcome.

The historical part of the thesis extensively uses policy documents by the government and public advisory councils in order to examine the explicitly stated goals of policies of the time and the ways women's pension issues were problematised in the period of interest. For the period from the 1990s onwards, many documents are directly available, and thus obtained, from relevant ministries or other public organisations as on-line documents through the Internet.

For the period between post-war years and the 1980s, many policy documents on social security can be found in a series of historical document source books compiled by Shakai Hoshō Kenkyūjo (1975a; 1975b; 1988a; 1988b). They are the compilation of key reports of relevant advisory councils of the government, draft bills, ministerial ordinances, published opinions and statements by political parties and other key organisations with regard to the social security system.

Another important source of policy documents for this period is official records of the development of the Japanese social security system edited by the Ministry of Health and Welfare (MHW, later the Ministry of Health, Labour and Welfare) and by

Kōseidan, a quasi-governmental organisation in charge of managing a part of the public pension fund. They are ‘Kōsei Nenkin Hoken 10 nen shi (10-year History of the Employees' Pension Insurance)’ (Kōseidan 1953), ‘Kōsei Nenkin Hoken 15 nen shi (15-year History of the Employees' Pension Insurance)’ (MHW 1958), ‘Kōsei Nenkin Hoken 25 nen shi (25-year History of the Employees' Pension Insurance)’ (MHW 1968), ‘Kōseishō Gojūnen shi (Fifty-year History of the Ministry of Health and Welfare)’ (MHW 1988) and ‘Kokumin Nenkin 30 nen no Ayumi (30-year History of the National Pension)’ (MHW 1990). These publications also contain excerpts or abridged versions of similar policy documents with the above books compiled by Shakai Hoshō Kenkyūjo. However, being focused on the public pension system, they provide more complete or near-complete versions of outlines and drafts of bills from the early stage of law-making, complete versions of finally legislated laws and more non-legislated regulations and ministerial ordinances as well as various cross-sectional statistics, which all provide valuable primary data on the public pensions.

In addition, the above books edited by MHW and Kōseidan also contain extensive quotes of remarks, opinions and official statements made by key high-ranked officials and ministers of the time both within and outside of the Diet, all of which are knitted together in a chronological order by a narrative of ‘insiders’. Moreover, these publications, together with another publication edited by Kōseidan, ‘Kōsei Nenkin Hoken Seido Kaikoroku (Memoir of the Employees' Pension Insurance System)’ (1988), include memoirs and interviews of key bureaucrats in MHW in the history of the public pension system, providing insiders’ views on the intended goals and political background of certain pension policies. This allows readers to put pension laws in a historical context.

These documents are complemented by the record of deliberations in the Diet and annual reports of relevant ministries in order to have a fuller picture of the debates in the policy-making process.

Utilising these materials, attempts are made to uncover the underlying assumptions of key policy makers on gender, intergenerational and state-individuals relations from what were proposed, legislated, rejected or neglected.

2.2.3 Statistical data

The latter part of the thesis is of quantitative nature. In Chapter 6, the economic situations of older people and income inequalities between women and men are compared between Britain, Germany and Japan. In the thesis, incomes officially in one's own name, that is, money either from the market or from the state but not from the family, are looked at. While neither household incomes nor individual incomes may directly show the real economic welfare of individuals in the household, individual incomes have significant meanings in the sense that it enables individuals to have an option of 'exit' (Hobson 1990, see also the next section).

Chapter 6 primarily uses the data from OECD publications on the retirement income policies in nine selected countries, but especially those from 'Ageing and Income' (OECD 2001b). Between 1999 and 2001, OECD undertook a research project to compare and examine retirement income policies of Britain²⁴, Canada, Finland, Germany, Italy, Japan, the Netherlands, Sweden and the United States. The results were published in a series of OECD reports such as Casey and Yamada (2002) and Yamada (2002), and were compiled in the final report, 'Ageing and Income' (OECD

²⁴ In order to avoid possible confusion, all data for the UK as well as those for Britain are categorised as data for Britain in this thesis.

2001b). For the purpose of this chapter, only the data for Britain, Germany and Japan are extracted from these reports.

The main income data set used in the above OECD reports is the Luxembourg Income Study (LIS). This data set is open to the public for research purposes and provides internationally comparable, standardised micro-data on incomes, based on national income surveys of participating countries. However, Japan is not a member country of LIS due to its statutory restrictions on the public access to national statistics, and thus, standardised comparable data were separately provided by the Japanese government for the purpose of this OECD project (Casey and Yamada 2002: 30-31). Table 2.1 shows the original sources of the income data for Britain, Germany and Japan used in this OECD-led project.

Table 2. 1 The original sources of income data for Britain, Germany and Japan

| Country | The original survey | Years of survey | |
|---------|--|-----------------|------|
| | | | |
| Germany | The Luxembourg Income Study (derived from German Socio-Economic Panel Study) | 1984 | 1994 |
| Japan | Comprehensive Survey of Living Condition of the People on Health and Welfare, Income Redistribution Survey | 1985 | 1995 |
| Britain | The Luxembourg Income Study (derived from The Family Expenditure Survey) | 1985 | 1995 |

Source: Yamada (2002: 27), Casey and Yamada (2002: 31)

The primary use of the data from these OECD publications in this chapter is mainly because of the unavailability of other internationally comparable data on older people's own incomes broken down by sex for Japan. As mentioned above, the access to micro-data collected by the government surveys is strictly limited by law in Japan even for academic research purposes. This means that individual researchers

should satisfy with officially published tables and charts derived from a survey of interest rather than directly manipulating the data according to their research purposes. Moreover, the results of income surveys are often presented as household incomes rather than individual incomes. Only limited data on older people's individual incomes have been made available to the public in Japan (usually available in the form of tables and charts in research reports commissioned by the government or annual reports by relevant government ministries). However, because they are usually focused only on Japan, the cross-national comparability may be compromised to a certain extent.

In contrast, the income data provided in the OECD reports mentioned above are shown as 'adjusted individualised household income' (Yamada 2002: 29). This means that, firstly, incomes of household members are aggregated and individualised based on the assumption of redistribution within a household and, secondly, the OECD equivalence scale is utilised to enhance the comparability between households of different sizes²⁵. Moreover, these OECD reports also provide individuals' own incomes broken down by sex in some occasions. In this sense, the said OECD reports are valuable source of data to understand the relative income situations of the Japanese elderly in comparison with those in other major countries. As one of the above OECD reports observed, this OECD-led project was the first of its kind to include cross-sectional data set on individual incomes of the Japanese elderly for cross-national comparison (Yamada 2002: 8).

²⁵ For calculation details of the data, see pp. 32-37 in Casey, Bernard, and Atsuhiko Yamada. 2002. Getting older, getting poorer? A study of the earnings, pensions, assets and living arrangements of older people in nine countries. *OECD Occasional Papers* 60. and p. 30 in Yamada, Atsuhiko. 2002. The Evolving Retirement Income Package: Trends in adequacy and equality in nine OECD countries. Paris: OECD.

Nonetheless, there are some limitations even with the data from these OECD publications. Firstly, although these OECD publications provide a significant number of tables and charts, they are not always broken down as one wishes, posing significant limitations on what can be analysed from the data. However, as the access to the original data set for Japan is restricted, the manipulation of the data is very limited. Secondly, being a cross-sectional data, they can only provide a snapshot at certain points in time – the mid-1980s and mid-1990s – rather than actual changes in individuals' income situations over the decade.

Still, the strengths of the data in the above OECD publications are far greater than the weaknesses, and because of this reason, although data from other publications are also used where available and applicable, income data presented in Chapter 6 are primarily derived directly from these OECD reports. This means that the tables and charts in the chapter are reproductions of those shown in the OECD reports for countries of our interest – Britain, Germany and Japan – unless otherwise stated.

2.2.4 Simulations

While secondary data are helpful to learn about past situations, these data cannot show the future prospects of policy outcomes. However, in order to make informed decisions on policies, certain forms of predictions for outcomes are indispensable. Especially for policies whose implications are played out over a long distance into the future such as pension policies, some form of 'looking into future' is necessary for the assessment. For this purpose, the thesis uses simulations based on the pension and taxation rules in Britain, Germany and Japan.

Among a number of simulation methods (see *inter alia*, Mitton, Sutherland, and Weeks 2000), the thesis employs one based on hypothetical individual models. This method has two distinctive features. One is that it takes a microeconomic approach, where the focus is put on the individuals' economic prospects rather than on the aggregate economy-wide impacts. While recent debates on pension policies in Japan tend to be focused on the macroeconomic dimension of pension policies such as fiscal implications or intergenerational resource distribution, the importance of microeconomic dimension such as the implications for individuals' economic security in old age cannot be ignored. Thus, simulations focused on a pension outcome for an individual with a certain life-course can provide another vantage point from which the adequacy of pension policies can be assessed.

Another feature of this method is great flexibility in constructing models. The data for simulations can be 'fictional' rather than nationally representative. Although this fact also means the limitation of the models in respect of actual representativeness of a population, there are several advantages which can compensate for this downside. One is increased feasibility of research even when the availability of nationally representative data or cross-nationally comparable data is limited (Johnson and Rake 1998; Rake 2000). In the research presented here, this is especially valuable because the area of interest is the outcomes of a pension system for younger women, which are determined by a series of life choices and circumstances spanning about 40 years of time. No data, including longitudinal data, can predict the life courses of current younger women in the next 40 odd years. Moreover, women's life courses are possibly more diverse than those of men's, and also can be more sensitive to cohort effects because of changing attitudes towards women's labour market participation.

Thus, the 'making-up' of life courses is a necessary step to explore the implications of current pension policies for individual women.

Related to this point, the second advantage of this method is that researchers can focus on cases which cannot be picked up by nationally representative surveys, for example, because of small sample numbers, but which may still have a significant meaning for policy discussions (Evans 1996). In this research, certain hypothetical life-courses are constructed not necessarily because of their likelihood in reality, but in order to illustrate the outcomes for stylised cases in a similar vein as ideal types.

The third benefit of using hypothetical cases is that it can better control the variables. This is an especially valuable asset for cross-national comparisons. In comparative research, one of the major challenges is having too many variables. However, by holding factors constant other than the social systems of interest, this method can elucidate directly the link between policies and outcomes (Johnson and Rake 1998; Rake 2000). Since the objective of the research presented here is to examine the current pension systems per se in terms of gender gap in pensions and women's economic security in old age rather than the prediction of likely outcomes for existing populations, this simulation method is more appropriate.

The relative ease with which the models can be constructed together with the high comparability and flexibility of hypothetical cases has appealed to many researchers. One of the early and most extensive attempts is by Bradshaw and Piachaud (1980), who looked at child support package in 9 countries. In the area of pension policies, there are studies which used this method for a single country such as one by Falkingham and Rake (1999), Hills (2004) and Shiota (1997) as well as for cross-national comparison such as by Johnson (1998) and OECD (2001b; 2005).

However, in these examples, the unit of examination is either the household or male individuals. While an individual's economic welfare cannot solely be determined by her/his own incomes, the household-centred approach does have a limitation when one's interest is not only in women's economic welfare but also in gender equality. Research suggests the existence of inequality within a household, in which women are more likely to have smaller share of household resources than men if they are not her own (Pahl 1989; 2005). The thesis therefore looks at pension benefits paid directly to women rather than through their husband. While the survivor's pensions or their equivalents are taken into account, the dependants' additions paid to the head of households (usually husbands) are excluded.

The simulation results are interpreted on their own first. Then, they are further examined in combination with findings from other chapters in order to answer the research questions and discuss policy implications from a viewpoint of gender equality and women's social citizenship in old age.

Part Two

Chapter 3 Towards Inclusive Social Citizenship? Establishment of the Employees' Pension Insurance and National Pension

The history of public old-age pensions for the private sector is still relatively short in Japan. The first of its kind in the country was introduced in 1939 for workers in the shipping industry, the key sector of the time for warring Japan. The last of its kind, the National Pension (NP), was established in 1961 for those who were previously outside of the public pension system. In between, the inclusion of more citizens had been a recurring political issue. In post-war years, the demand for pension coverage for a wider population was often advanced under the slogan of 'pensions for all (*Kai nenkin*)'. Although NP was established as a response to this demand, one category of the population was excluded from mandatory membership of this scheme – namely, housewives of the insured employees.

This chapter examines how women's exclusion from the pension system was justified in the development of the Japanese old-age pension system for non-public workers. In examining this, what issues were considered as primary problems with the existing system for the provision for old age and what issues were left unproblematised are considered. In so doing, various underlying assumptions on the relations between women and men, between generations and between the state and citizens are elicited.

3.1 Modernisation and state welfare

Provision for old age was considered largely a private responsibility in Japan until the mid-20th century. It was the eldest son's duty, as an heir, to live with and provide for his 'retired' old parents, while it was his wife's duty to serve her in-laws. These norms of filial piety and rigid gender roles were closely intertwined with ancestor

worship and inheritance rules, rooted deeply in Japanese history in the context of patriarchal *ie* system. In the *ie* system, which literally means 'house', members in the household, kin and non-kin alike, were integrated into hierarchical relationships based on age, seniority and sex. The *ie* was supposed to be a self-sufficient entity, wherein all the needs of individual members for support were to be met²⁶. The transition to a modern society did not change these long-established practices significantly²⁷. Instead, this private welfare system was formalised by the Meiji Civil Code (promulgated in 1898), regulating relationships among members of a household until the end of the Second World War. The Meiji Civil Code legitimised, among other things, women's inferior position to men, the eldest son's inheritance rights and the responsibilities of the head of the household towards his 'retired' parents and other dependants²⁸. Thus, the family continued to be the core provider for the elderly in the new era.

This heavy reliance on private welfare was politically possible partly because Japan was still predominantly an agrarian society. In the early 1880s, 76 per cent of the male labour force in Japan was employed in the primary sector, while in the similar period, the ratio was 19 per cent in Britain, 36 per cent in Germany and 51 per cent

²⁶ For more detailed account of the *ie* system from an anthropological viewpoint, see Nakane, Chie. 1967. *Kinship and Economic Organization in Rural Japan, Monographs on social anthropology. no. 32*. London: Athlone Press.

²⁷ The year 1868, when the Tokugawa shogunate was replaced by the imperial court of Meiji (1868-1912) as the political ruler, is customarily regarded as the beginning of the modern age in Japan.

²⁸ The Meiji Civil Code was not necessarily the codification of existing practices. Rather, it was more of an imposition of norms of the ruling elite – *samurai* in feudal Japan – on the rest of the population. Indeed, before the introduction of the Meiji Civil Code, practices of family care, inheritance rules etc. were more flexible and varied significantly across regions. Moreover, even after the introduction of the Meiji Civil Code, old practices survived in some parts of Japan. For the diversity of the *ie* system across regions, see, for example, Nakane, Chie. 1967. *Kinship and Economic Organization in Rural Japan, Monographs on social anthropology. no. 32*. London: Athlone Press. For the 'invention of tradition' in early modern Japan, see, for example, Gluck, Carol. 1985. *Japan's Modern Myths: ideology in the late Meiji period*. Princeton, N.J.: Princeton University Press.

in the US (Maddison 1969: xvi Table 2)²⁹. Moreover, the need to manage the sophisticated irrigation system for rice production made cooperation among neighbours vital for survival, thus individual farming households were firmly integrated into a closely-knitted community formed around an irrigation system. In these closed communities, compliance with norms and order, including the responsibilities for the elderly in the community, was easier to enforce. Indeed, there were records of publicly enforced 'filial piety' and 'mutual help' (Garon 1997). In a way, provision for old age was based on the publicly managed private intergenerational contract in early modern Japan.

Under this social arrangement, public provisions for the elderly were limited to those who could not turn to their familial ties for support. Moreover, external aid was expected to be first sought within communities on an informal basis and public relief was considered to be the very last resort. While this kind of relief system was already well established in the Tokugawa era (1603–1867), the Meiji central government standardized these practices as a statutory national public relief system in 1874³⁰. The ordinance, *Jukkyū Kisoku*, laid down that only those who were unable to work due to old age (70 years or over), invalidity or sickness *and* had no kin were to be the objects of public aid. As can be seen in this limited scope of the state relief and reinforcement of customary practices, the new law did not significantly improve the lot of the poor elderly. On the contrary, evidence suggests a cutback of state relief in the process of welfare modernisation in Japan (ibid: 35-36). Indeed, the main purpose of this nation-wide legislation was to consolidate the power of the

²⁹ The year for the respective countries is as follows: 1872 for Japan; 1871 for Britain; 1882 for Germany; and 1870 for the US.

³⁰ For the historical legacy of the Tokugawa regime in the Japanese social welfare, see pp. 25-59 Garon, Sheldon M. 1997. *Molding Japanese minds : the state in everyday life*. Princeton, N.J.: Princeton University Press.

central government over the local self-governing bodies and publicize the emperor's reign in the precarious period of regime change rather than relieving the economic plight of the elderly (Garon 1997: 35-36; Murakami 2000).

The limited nature of the national poor relief system in Japan in a way hindered the emergence of old-age pensions as a form of poverty alleviation among the elderly commoners (Lewis 1981: 132). In countries such as Britain, the increasing cost as well as demeaning effect of poor relief was often pointed out as one of the key driving forces behind the development of the public pension system³¹. In Japan, however, these concerns were not pressing issues due to the state's rigorous efforts to contain the relief expenditure and portrayal of the public relief as charity from the state. Indeed, although British Poor Law and Old Age Pensions were relatively well-known among intellectuals and policy makers by the end of the 19th century, they were perceived in the main as negative examples for Japan to avoid following suit, as well as the source of complacency about the Japanese family system (Ishida 1989).

This heavy reliance on private welfare, however, began revealing its limitation as industrialisation and urbanisation proceeded³². In an attempt to respond to this situation, several bills were submitted to the Imperial Diet between the 1890s and the 1910s to replace *Jukkyū Kisoku*, among which, there was an early attempt to introduce old-age pensions. Nonetheless, these bills proved abortive in the face of arguments that heavy state intervention would not only cause a financial drain but

³¹ For the account of British case, see Hecló, Hugh. 1974. *Modern Social Politics in Britain and Sweden : from relief to income maintenance, Yale studies in political science ; 25*. New Haven ; London: Yale University Press, Thane, Pat. 2000. *Old Age in English History : past experiences, present issues*. Oxford: Oxford University Press.

³² However, the proportion of the population in agriculture was still relatively high; 44.7 per cent in 1938. See Table 9.1 in Minami, Ryoshin. 1994. *The Economic Development of Japan: a quantitative study*. 2nd ed, *Studies in the modern Japanese economy*. Basingstoke: Macmillan.

also crowd out informal support (Garon 1997; Murakami 2000). Many policy makers were especially wary of making poor relief a right of citizens. It was maintained that granting the poor a relief as a right would damage self-help initiatives, an important ingredient of poverty prevention (ibid.).

As a result, although some amendments to *Jukkyū Kisoku* were introduced, it was not until 1929 that a new law (*Kyūgo hō*) was promulgated to strengthen public responsibilities for poor relief. With this new legislation, the age threshold at and over which public relief could be granted was lowered from 70 to 65. Even with this new legislation, however, social rights to relief were not acknowledged. The benefits were offered as benevolence ‘from above’ rather than social rights of the poor. Moreover, able-bodied persons remained ineligible for relief. Thus, most people, including the elderly, did not have an easy access to the public relief even when faced with poverty.

3.1.1 Social problem in the quest for national wealth and power

In contrast to the slow development of state welfare for those who were ‘unproductive’, the need of state welfare was discussed relatively early for productive population. In the efforts to catch up with the West, Japan rigorously pursued industrialisation as a way to build up national power and wealth after the Meiji Restoration in 1868. As a result, the GDP share of mining and manufacturing jumped from mere 8 per cent in 1888 to about one third by 1938 (Minami 1994: Table 5.4). At the same time, increasing numbers of Japanese policy makers and intellectuals began seeing workers as a vital national resource, and thus, the health and welfare of population became the issues of national interest. From around the 1890s, the appalling working conditions and recruitment practices of factory workers

raised public criticisms, and calls for state intervention became increasingly vocal³³. Also, during this period, the labour movement gradually became active and fears of social unrest grew among policy makers. When the world's first social insurance was introduced in Germany in the 1880s, contemporary policy makers and intellectuals in Japan positively regarded them as an effective tool for labour control. Anticipating the rise of labour movements in Japan in the near future, some elites argued for the need to introduce pre-emptive measures (Saguchi 1977). Against this backdrop, a series of protective laws began being introduced from the end of the 19th century. This eventually led to the introduction of old-age pension schemes in Japan (ibid.). Rather than as an extension of poverty relief, therefore, the Japanese old-age pension system developed along a line of labour control as in the case of Germany.

However, the priorities for state welfare were felt in the immediate reproduction of today's labour in the form of protective legislation and health insurance, rather than a promise of security in the distant future such as old-age pensions. In 1911, the Factory Law was passed and in 1922, the Health Insurance Act was promulgated for miners and factory workers. While this trajectory of state welfare was common with many other European nations, this prioritisation was also related to the gender ideology and gender segregation in the labour market of the time. By this time, the ideology on ideal womanhood as 'good wife and wise mother (*ryōsai kenbo*)' was firmly established, and female workers were regarded first and foremost as mothers or mothers-to-be. Moreover, industrialisation in Japan was first led by the textile industry³⁴, whose labour was mainly consisted of young single women from poor

³³ For example, see Yokoyama, Gennosuke. 1950. *Nihon no kaso-shakai (Underclass in Japan)*. Tokyo: Iwanami Shoten.

³⁴ By the early 1930s, more than half of workers employed in factories with five or more employees were in the textile industry. See p.46 in Hunter, Janet. 2003. *Women and the Labour Market in*

farming families on a short-term contract. As a result, at first, welfare issues of industrial workers tended to be discussed within the framework of protection of health and moral virtue of future mothers (Hunter 2003) rather than acknowledging their rights as wage earners or long-term income security, although these latter issues may also have had profound impacts on female workers' well-being.

Only when the importance of male-dominant industries became more salient, did public attention begin to turn to longer-term income maintenance projects such as old-age pensions. By the beginning of the 20th century, heavy and chemical industries began taking hold, and by the end of the 1930s, these surpassed light industries in terms of the share of manufacturing output (Minami 1994: Table 5.6). These industries were male-dominated, and their jobs were considered to be more skilled, hence more likely to be on a long-term contract³⁵. Moreover, skilled 'elite' blue-collar worker households were increasingly assimilating to the male-breadwinner/ female homemaker model, which was already prevalent among burgeoning white-collar worker households by the 1920s (Chimoto 1990). This difference in the profile of the labour significantly affected the prospect of organised labour, their demands, industrialists' attitudes and state's policies.

Since the early 1920s, some company-led mutual associations in the male-dominated public sector began to provide old-age pension benefits³⁶. Several attempts were also made to introduce state old-age pension schemes to the private sector first for the key

Japan's Industrialising Economy: the Textile Industry before the Pacific War. London: RoutledgeCurzon.

³⁵ For a historical account of industrial relations in heavy industry of pre-war modern Japan, see for example, Gordon, Andrew. 1985. *The Evolution of Labor Relations in Japan : Heavy Industry, 1853-1955, Harvard East Asian monographs ; 117.* Cambridge, Mass.: Council on East Asian Studies Distributed by Harvard University Press.

³⁶ For the civil servants and military officers, pension schemes were already introduced in the late 19th century.

industry in Japan, shipping. Nonetheless, these attempts for state pensions were obstructed by resistance from large businesses, which preferred paternalistic corporate welfare and feared larger labour costs (Yamazaki 1985). Thus, people in general had no social rights to old-age public provisions until 1939, when the warring government felt the stronger need to exert its muscle to counter the opposition. Even then, inclusion in the pension system was delayed for women, because they firstly needed to be acknowledged as wage earners rather than as future wives and mothers.

3.1.2 Wars and the establishment of the public pension system

The introduction of a public pension system to the private sector was deeply related to the ongoing war. As the war dragged on, concerns about the labour shortage and stagnant productivity deepened among the policy makers. The introduction of public pension system was discussed in this context. The explicitly stated goal of its introduction was to enhance productivity by boosting workers' morale and discouraging their job hopping rather than to ensure their financial security in old age³⁷. The new system was also expected to control money circulation and to finance the war (Yamazaki 1985; Yamazaki 1990: 68-71)³⁸. It was, therefore, no surprise that pension schemes were first introduced only for strategically important industries of the time; shipping in 1939 (enforced in 1940), followed in 1941 by

³⁷ See, for example, an official argument put forward by the Head of General Affairs, Insurance Bureau (*Hoken'in Sōmu kyoku*) in support of establishing the public pension system in the Investigation Committee of Insurance System, Insurance Bureau (*Hoken'in Hoken Seido Chōsa kai*) (quoted in p. 52 Kōseidan, ed. 1953. *Kōsei Nenkin Hoken 10 nen shi (10-year history of the Employees' Pension Insurance)*. Tokyo: Kōseidan. See also the statement by Minister of Health and Welfare in the 76th Imperial Diet Session in explaining the rationales for the bill (quoted in pp. 76-77: *ibid.*).

³⁸ For the limited ability of public pension schemes to meet this objectives, and qualifications of these often stated objectives, see pp. 96-98 in Lewis, Paul Martin. 1981. *Family Economy and Policy: a case study of Japan's public pension policy*, University of California, Berkeley Ann Arbor.

other key industries such as mining, manufacturing and transportation (enforced in 1942).

However, the Japanese public pension system was not solely a product of the war. It can also be understood as a product of the state-led modernisation project of Japan since the end of the 19th century (Murakami 2000). Many policy makers of the time, especially ‘social bureaucrats’ (Garon 1987) who staffed welfare agencies in the government, regarded state welfare as necessary apparatus of modern states for social management. Based on an evolutionary view of state development, they believed a set of welfare schemes, including public pensions, needed to be introduced gradually according to the developmental stage of the nation.

Another factor which drove the introduction of public pension schemes was also related to the state-led modernisation project – namely, workers’ demand for equal treatment between the different sectors. As noted above, shipping was the first industry in the private sector which gained an access to public pensions. This was partly because seamen in private vessels had been regarded as unfairly disadvantaged in state welfare compared with workers in the public sector and those on land, despite the vital importance of their role in the Japanese economy and in wars. They were excluded from public welfare schemes for workers on land, such as Health Insurance, as well as from those for the marine, such as pensions. A sense of unfairness led to lobbying by shipping unions for redress³⁹, to which the bureaucrats of the Ministry of Health and Welfare (MHW) responded with sympathy (Kōseidan 1953: 41-42; 1988: 10-15; Murakami 2000: 47-51). Once the public pension scheme

³⁹ While the introduction was delayed to 1939, the need for Seamen’s insurance itself had been long discussed since the 1910s, and the first draft bill was prepared in the early 1920s. See MHW Insurance Bureau (Kōseishō Hoken kyoku), ed. 1958. *Sen'in Hoken Jūgonen shi (15-year History of Seamen's Insurance)*. Tokyo: Sen'in Hoken kai.

for sailors (the Seamen's Insurance or *Sen'in Hoken*) was introduced, this in turn encouraged the introduction of a similar scheme for blue-collar workers on land (the Workers Pension Insurance (WPI) or *Rōdōsha Nenkin*) on the grounds of equal treatment of workers. Hanasawa Takeo, one of the key officials who were in charge of establishing the public pension system, later recounted the strong demand of the time from the shipping unions for establishing the public pension system for sailors, and confirmed its implications for the introduction of public pension schemes not only for sailors but also for workers on land (Kōseidan 1988: 10-15). However, under the feudal system of the Tokugawa regime, a clear demarcation of classes would have justified the discriminatory treatment of workers from the different sectors. In this sense, although the democracy in Imperial Japan was limited in nature and citizenship rights were severely compromised under the military regime, the state-led modernisation project since the end of the 19th century helped to establish the belief in an ideal of fundamental equality among commoners.

On the other hand, the limitation of Imperial democracy (Gordon 1991) was also clear in the new pension system. It allowed workers to be evaluated according to their usefulness for the Empire. Indeed, the sense of inequality among workers might not have been problematised to such an extent if policy makers had not felt the need to co-opt workers for war efforts through increased productivity. Thus, certain groups of labourers such as miners and seamen received preferential treatments in the newly introduced pension system because their work was perceived as vital to the war. This demonstrated that the state was still able to legitimise differential treatment among workers as it saw fit under the name of national interest.

Another differential treatment which was legitimised was between women and men. The newly established WPI limited its mandatory coverage to male workers and left female workers to voluntary membership despite the substantial number of female workers in the covered industries. Although the ‘woman question’ did surface in the process of drawing up the bill, women’s exclusion from the pension scheme was justified by defining them as future wives and mothers. In the deliberation at the Diet, the Minister of Health and Welfare explained women’s exclusion as follows:

‘Women work only until marriage to complement the household incomes or save up money for wedding preparation, thus, their employment period is short. Therefore, to make it compulsory to join in a long-term insurance such as pension would be firstly disadvantageous to female workers themselves, and secondly, the insurance technique to avoid their disadvantage would be too complicated and difficult to implement (Kōseidan 1953: 54-55)’.

To the government, female workers were first and foremost future wives and mothers. Indeed, the bearing and rearing of future soldiers was considered to be an important service of women in Imperial Japan, to such an extent that the newly introduced WPI included special clauses for female workers who joined the scheme voluntarily⁴⁰. One of such examples was the handling of the payment record of less than 6 months. True to the stated goal of increased productivity, WPI included a clause which disregarded premiums paid for less than 6 months in a workplace in order to discourage workers’ job hopping. However, if a female member left the scheme due to marriage, her payment record was valid even if it was less than 6 months (Insurance Law Implementation Regulations (*Hoken hō shikō kisoku*) 1941.12.29). Despite the stated objective to enhance the productivity through WPI, therefore, the

⁴⁰ While not so many female workers took out the voluntary coverage, there were 72 female voluntary members in 1942. See p.453 in Kōseidan, ed. 1953. *Kōsei Nenkin Hoken 10 nen shi (10-year history of the Employees’ Pension Insurance)*. Tokyo: Kōseidan. The total number of WPI members (both mandatory and voluntary) in the same year was 60,070.

policy makers of the time refused to admit the vital importance of female labour, let alone the latter's contribution to the national economy.

3.1.3 The Employees' Pension Insurance and women

Within a year of the introduction of WPI, the need for a reform was widely recognised. Although policy makers propagated the newly introduced WPI as benevolence of the state to reward workers' vital contribution (Kōseidan 1953: 152), WPI was more likely to kindle workers' dissatisfaction with the scheme due to its limited coverage and strict criteria for ungenerous benefits. Especially problematised was dissatisfaction among conscripted workers, whose service became increasingly indispensable to the war economy (ibid: 150). Most of these workers were on a two-year contract, and thus their payment to the pension fund was simply wasted for them because in order to receive any benefits at all, including a lump-sum Withdrawal Payment (*Dattai ichiji kin*)⁴¹, at least three years of premium payment was required. There was also a need to deal with the issue of differential treatment of white- and blue-collar workers as well as of female and male workers, who were all supposed to be on a patriotic service. Especially, the exclusion of growing numbers of female workers from the scheme was increasingly considered to be inappropriate. Unlike pre-war years, female workers were not concentrated in the light industries but were mobilised to fill in the vacancies left by men in 'male' sectors and positions.

⁴¹ Due to its long minimum payment years (20 years) combined with limited coverage of the scheme (workplaces with 10 or more operatives), it was predicted that many workers would fail to accrue the entitlement to the old-age pensions. Especially, the exclusion of workplaces with less than 10 operatives meant that only minority of workers would be able to satisfy minimum payment years because of the prevalence of small-scale businesses in Japan. This was justified by quoting the similar restrictions in the Health Insurance for workers introduced in 1922 (see, for example, the official explanation of the bill by the Pension Bureau Chief presented in the Imperial Diet quoted in Kōseidan (1953: 53-54)). However, in order to avoid dissatisfaction of workers, who could not satisfy the required minimum payment period, a clause for de facto refund was included for premature withdrawal from the scheme for those with payment record of at least three years.

Reversing the trends towards ‘women’s protection’ in the 1920s and the early 1930s, some protective labour laws were suspended to lift the ban on women’s engagement in certain occupations and on night shifts⁴². The share of female labour force in the civilian industries grew from 35 per cent in 1930 to 39 per cent in 1940 and 42 per cent in 1944. The increase was especially steep in heavy industries for younger women, while middle-aged women were mobilized to labour in agriculture (Cohen 1949: 288-290).

In order to resolve these issues and to enhance the policy ‘effects’ of WPI, an amendment bill was submitted in January 1944. The Minister of Health and Welfare this time justified women’s inclusion by citing their advancement into the key industries. The bill was passed swiftly through the Diet, extending the coverage and improving the benefit level significantly⁴³. The revised pension system, now renamed as *Kōsei Nenkin* or Employees’ Pension Insurance (EPI), covered as the mandatory insured both sexes of blue- and white-collar workers in enterprises with a workforce of five or more people. As a result, the number of the insured jumped from 3.5 million in 1941 to 8.3 million in 1944 (Kōseidan 1953: 453).

Inclusion of female workers, however, did not mean that women began being treated as fully-fledged wage earners. Women’s entry into non-conventional areas of paid work was considered to be an anomalous situation resulting from the national emergency and therefore they were not expected to remain in the position once the

⁴² This change in policies towards women can be well illustrated in coal mining industry. Although women in the pit were not uncommon in the 1920s, the ban on the practice was stipulated in 1928 with the grace period of five years. By 1933, the number of female pit workers dropped, although they were never eliminated due to many exemption rules and lax enforcement. In 1933, however, the ban was partially lifted and revoked completely in 1939. For the impact of the protective labour legislation on female coal-miners, see Mathias, Regine. 1993. Female labour in the Japanese coal-mining industry. In *Japanese Women Working*, edited by J. Hunter. London: Routledge.

⁴³ To finance these improvements, however, the premium rate was raised to 11 per cent for both sexes.

war ended. Moreover, women were more encouraged to serve the state through their role as mothers⁴⁴. Unlike Britain or the United States, the mobilisation of women for industries was never thorough in Japan (Cohen 1949: 272)⁴⁵. The government did not introduce conscription of women until the last stage of the war, and never did for married women. Although those of working age (women between 12 and 39, and men between 12 and 59) had to register their employment status, married women and women with children were exempted from the requirement. Moreover, apart from abundant propaganda and neighbourhood pressure, the government did not resort to forceful measures to mobilize 'unoccupied' women into the labour market. As a result, even at the height of conscription for war work in 1944, about 6.3 million women aged between 15 and 39 were classified as unoccupied (ibid: 319-322). Through the enshrinement of motherhood and indoctrination of the ideology of the family-state, women were still expected to exit from the labour market on marriage or childbearing and thus to leave the pension system without fulfilling the minimum eligible period.

Reflecting this assumption, some clauses of WPI were added or amended to explicitly encourage marriage for female workers when it was transformed into EPI. For example, the required minimum period for the Withdrawal Payment was shorter for women (6 months rather than 3 years) if their reason of withdrawal was marriage. A new lump-sum marriage benefit – equivalent to six-month salary – was also

⁴⁴ For an analysis of the revitalisation of 'good wife, wise mother' ideology and the dilemma the government faced against the backdrop of labour shortage during the war, see Miyake, Yoshiko. 1991. *Doubling Expectations: Motherhood and Women's Factory Work Under State Management in Japan in the 1930s and 1940s*. In *Recreating Japanese Women, 1600-1945*, edited by G. L. Bernstein. Berkeley: University of California Press.

⁴⁵ However, the extent of female mobilisation in Japan was greater than in Germany. While in Japan, the number of women in civilian labour force increased by 1.25 million between 1940 and 1944, in Germany the number was 0.3 million between 1939 and 1944. See p. 290 in Cohen, Jerome Bernard. 1949. *Japan's Economy in War and Reconstruction*. Minneapolis,: Univ. of Minnesota press.

created for female workers with membership record of three years or more. On the other hand, unlike miners, for whom the minimum required contribution period was shortened, women did not receive any special arrangements to facilitate the access to their own old-age pensions. While the state was willing to grant women one-off benefits for their national service as mothers, it ignored the long-term consequences of the service – namely, the lack of their own pensions.

Women's loss of the entitlement to their own pensions was not problematised, because women were expected to marry to be provided for by their husband. Unlike the eligibility as wage earners, eligibility as wives was included from the outset in the form of survivor's benefits both in the Seamen's Insurance (lump-sum benefits) and Workers' Pension Insurance (pensions for 10 years). In WPI, if the deceased had satisfied the minimum period of membership (20 years), the survivors were entitled to benefits equivalent to half of the old-age pensions for ten years. Moreover, widows were treated more favourably than other possible beneficiaries⁴⁶. Unlike others, widows were able to receive the Survivor's Pension (SP) regardless of their health status or age⁴⁷. The 1944 reform further improved SP. The benefit became a life-time provision, and the requirement of a minimum period of membership was abolished if the death was caused by occupational accident or disease. Also, an

⁴⁶ Family members who were entitled to survivor's benefits were, and still are, numerous in the Japanese pension system. They include spouses (including common-law spouses), minor/disabled children, aged/disabled parents, minor/disabled grandchildren and aged/disabled grandparents who were financially supported by the deceased. The priority of the benefits was given in the above order. In WPI, however, more detailed hierarchy was legislated among the survivors in reflection of the *ie* system. In principle, men had a priority over women, and adoptive relations had a priority over blood relations. In the descending line, the priority was given following the inheritance order. The entitlement belonged to those in the *ie*, thus, if a widow remarried and left the *ie*, she would be disqualified and the next survivor in order in the *ie* would inherit the entitlement until the 10 year period was expired. (Ordinance for Insurance Law Implementation (*Hoken Hō Shikō Rei*) 1941.12.29)

⁴⁷ Survivors except widows and orphans were entitled to survivor's benefits only if they were aged 60 or over or invalid at the time of the death of the insured and remained so without other means for living.

additional allowance (*Shijo warimashi kin*) was introduced for the recipients of SP with minor children. This new additional benefit was justified as a means to ‘encourage childbearing’⁴⁸.

These favourable arrangements for wives (or more precisely, widows) notwithstanding, the central focus was neither on women’s economic welfare nor on men’s breadwinning role in old age. Hanasawa Takeo, a key MHW bureaucrat in establishing WPI and EPI, later recalled that opposing conservative politicians and peers in the Diet granted their assent only when they were assured that the new pension schemes were no more than giving workers some pocket money, and thus some limited autonomy in old age rather than full economic independence (Kōseidan 1988: 20-21). Explicitly and implicitly assumed in this compromise was that the main provider for old age would be and should be the family under the *ie* system. Ignored in it was the need for any financial autonomy in old age of female workers and of the elderly of the time.

3.2 Women’s place in the post-war pension system

Japan’s surrender in August 1945 entailed radical transformation of socio-economic and political systems. Under the direction of the Supreme Commander for the Allied Powers (SCAP)⁴⁹, the *ie* system, which had been the basis of social systems in Japan, was overturned by the introduction of the new Constitution (promulgated in 1946) and the revision of the Civil Code. The new Constitution clearly stated the equality between women and men, and the revised Civil Code denied the privilege and

⁴⁸ See, for example, the official explanation of the rationale for the reform by Ministry of Health and Welfare in the Special Committee, the 84th Imperial Diet Session, quoted in p. 161 Kōseidan, ed. 1953. *Kōsei Nenkin Hoken 10 nen shi (10-year history of the Employees’ Pension Insurance)*. Tokyo: Kōseidan.

⁴⁹ Japan was under occupation until 28th April, 1952.

authority of the head of the household, laying down equal partnership between husband and wife, and equal inheritance rights of all children⁵⁰. In this new legislation, the assumed model family was no longer an extended family as in the *ie* system, but a nuclear family, consisting of a married couple and minor children.

This change had profound implications for the relationship between the state and individuals. Undemocratic though it might have been, the patriarchal extended family had operated as a form of a safety net. Thus, the denial of the *ie* system necessitated more finely-meshed public safety net. Indeed, in post-war Japan, the state began to take direct responsibility for citizens' welfare. The new Constitution stipulated citizens' rights to a social minimum as follows:

Article 25: All people shall have the right to maintain the minimum standards of wholesome and cultural living. In all spheres of life, the State shall use its endeavours for the promotion and extension of social welfare and security, and of public health.

Along with these new social relations, however, there remained elements of old ones in legislation regulating the responsibilities of family support. In the revised Civil Code, the obligation of family support extended well beyond the new family model to include not only lineal families and siblings but, under certain circumstances, also collateral relatives up to the third degree. The difference from the old laws was that the eldest son was no longer solely responsible for providing for retired parents and poor relatives. All the siblings were equally responsible under the new law. Nonetheless, social customs did not change overnight, and the extended family remained a key provider of welfare in need. This was especially true of provision for old age. Partly because of the immaturity and limited coverage of the state pension

⁵⁰ The equal inheritance right of children outside marriage was not, and still is not, guaranteed.

system, it was often the case that the eldest sons took in or stayed with their aged parents, which usually meant that care responsibilities remained with their wives as dutiful daughters-in-law. Changes in the family norms had to wait for corresponding economic feasibility of the new family model, for which a substantial increase in the state's role (such as better public pensions) was necessary. However, in the immediate post-war years, the Japanese pension system was on the brink of collapse.

3.2.1 Post-war emergency

With the end of the Pacific War, the objective of the pension system was transformed from a tool for the war efforts to a means of providing economic security⁵¹. Within a couple of years of the surrender, clauses which were explicitly linked to war efforts – such as marriage payment and additions for long-term job retention – were deleted. Amendments were also introduced to clauses which reflected the *ie* ideology such as men's priority for the receipt of SP.

However, the most pressing issue of the time was the sustainability of the pension system itself. As a result of the rapid inflation and destroyed national economy, the real value of the benefits was reducing quickly⁵² while the membership was plummeting⁵³. Moreover, day-to-day survival was a more relevant issue for most of the Japanese of the time rather than benefits in the distant future.

⁵¹ See, for example, a commentary by the head of pension division, MHW, quoted in pp. 216-218, Kōseidan, ed. 1953. *Kōsei Nenkin Hoken 10 nen shi (10-year history of the Employees' Pension Insurance)*. Tokyo: Kōseidan.

⁵² Although the payment of old-age pensions had not started yet, invalidity and survivor's benefits were already in payment.

⁵³ The number of the insured decreased from 7.9 million in July 1945 to 4.2 million a year later. See p. 221 in Kōseidan, ed. 1953. *Kōsei Nenkin Hoken 10 nen shi (10-year history of the Employees' Pension Insurance)*. Tokyo: Kōseidan.

In response to these situations, the government facilitated the receipt of the Withdrawal Payment⁵⁴ in 1946 (amended in 1947) so as to minimize the effects of inflation as well as to use the benefit as a de facto unemployment benefit⁵⁵. This had a profound gender implication. Although this arrangement itself was gender-neutral, the employment policy taken at the time was not. With the end of the war, the government took active policies to send women back home to free up jobs for men who were returning from the front and former colonies⁵⁶. Bans on women's underground mining work and night shift were also reintroduced. As a result, the number of the female insured (both mandatory and voluntary) dramatically dropped from 2.2 million in 1944 to 1 million in 1945 (Kōseidan 1953: 453).

This situation changed only marginally, if at all, as a result of the 1948 reform. Well aware of the long-term disadvantage of the Withdrawal Payment for workers, the government tried to discourage its receipt through an increase in the minimum eligible period of membership (from 6 months to 5 years) and the introduction of waiting period for the receipt (not payable not until the age 50 or over). However, the government was not particularly concerned about female workers' loss of pension entitlement. If the reason for withdrawal was either marriage or childbirth, women were still able to receive the lump-sum payment immediately with the membership record of 6 months. On the other hand, the government refused to adjust the real value of the payment unlike the cases for the Invalidity Pension or the Survivor's Pension. Through these policies, many female wage earners lost their

⁵⁴ See footnote 40 for the explanation of the benefit.

⁵⁵ There was no unemployment benefit at the time.

⁵⁶ Indeed, MHW urged the government to implement policies to replace women as well as the elderly and children in the workplace with working-age men. See proposed directions of labour policies by the Minister of MHW in the Cabinet meeting on 16th December 1945, pp. 16-17 *Shakai Hoshō Kenkyūjo*, ed. 1975a. *Nihon Shakai Hoshō Shiryō I*. Vol. I. Tokyo: Shiseidō.

pension entitlement for a nominal level of benefits. As in the pre-war years, women's pension rights were not considered seriously because women were expected to be provided for by their male breadwinners.

Despite this differential treatment between female and male workers, the principle of gender equality in the new Constitution and the Civil Code was not totally ignored by the policy makers. In the 1948 Reform, the eligibility criteria for SP were equalised between widows and widowers on the grounds of gender equality (Kōseidan 1988: 51-52). Similarly, widowers were included in a newly introduced benefit – the Widow(er)'s Pension (WP) – again on the grounds of gender equality. WP was created for economically dependent wives/ husbands whose spouse died due to occupational accidents or diseases with membership record of less than 20 years but 6 months or more⁵⁷. While widowers were completely excluded in the first draft bill for WP, the exclusion was problematised in the preparation process and in the end the government decided to include them (ibid.).

Nonetheless, the policy makers of the time could not overcome the long-held assumptions of the gender division of labour. While they were aware of the principle of gender equality and adjusted some EPI clauses to better accommodate the new norm, they failed to problematise the assumptions on social roles based on gender. Thus, differential treatment of women and men due to their assumed gender roles was not considered to be against the principle of gender equality. On the contrary, the gender equality which was based on the Western family ideology of the time – a nuclear family based on male breadwinner/ female homemaker model – further

⁵⁷ In contrast, the Survivor's Pension was payable only if the deceased had a membership record of at least 20 years or died from occupational injuries or diseases.

endorsed women's primary role as homemakers, and thus, their economic dependency in marriage⁵⁸. In the pension system, this assumption was apparent in the differential treatment of widows and widowers in WP. One of the differences was top-up benefit for minor children. Although widows could receive dependant additions for their minor children from the marriage, this extra help was not available for widowers. There was also age difference in the eligibility. Widowers could receive the benefit only if he was aged 55 or over or disabled when the insured died, while the age threshold for widows was 50 or none if they had minor children.

The implications of the differential treatment of women and men were mixed for women. From a perspective of equal pension rights, it was problematic without doubt. Differential treatment of widows and widowers could be interpreted as a discriminatory practice against women as wage earners by granting less benefit provision for their dependent spouse (Shiota 1997). While it was repeatedly argued that the system was based on the social reality in the course of reform debates throughout the Japanese public pension history⁵⁹, these arrangements were not a simple reaction to the reality but could be said to have *encouraged* women to comply with the male breadwinner/ female homemaker model (Murakami 1994; Tamiya 2003; Yokoyama 2002).

However, from a viewpoint of women's economic welfare, it would be more difficult to judge whether these differential treatments were disadvantageous or otherwise to

⁵⁸ For the dominant gender ideologies of SCAP and their implications for labour policies in Japan during the Occupation, see, for example, Toyoda, Maho. 2007. *Senryōka no Josei Rōdō Kaikaku: Hogo to Byōdō wo megutte (Female Labour Reform under the Occupation: Over Protection and Equality)*. Tokyo: Keisō Shobō.

⁵⁹ See, for example, narratives and interviews of welfare bureaucrats in Kōseidan, ed. 1953. *Kōsei Nenkin Hoken 10 nen shi (10-year history of the Employees' Pension Insurance)*. Tokyo: Kōseidan, Kōseidan, ed. 1988. *Kōsei Nenkin Hoken Seido Kaikoroku (Memoir of the Employees' Pension Insurance System)*. Tokyo: Shakai Hoken Hōki Kenkyūkai.

women. The advantageous treatments of widows could also be understood as a favourable treatment of women as mothers. Indeed, widows, especially widowed mothers, were one of the major groups which were considered to be in urgent need of public financial help in the immediate post-war years because of the very assumption of their economic dependency in marriage and motherhood. Admittedly, neither SP nor WP was directly aimed at improving women's economic welfare in old age. Still, many women must have benefited from these provisions in old age.

Beneficiaries of differential treatments were not limited to widows. For women who did continue to stay in the labour market, the assumptions of most women's premature withdrawal were not totally unfavourable, at least in terms of premium rate. In the post-war pension system, the rate of female workers was set lower than men's on the grounds of fairness, considering their limited possibility for gaining the entitlement to old-age pensions and the abolition of female specific benefits such as marriage payment. The lower premium rate undoubtedly helped female workers who were generally lower paid than male counterparts. The difference in the premium rates continued until the 1980 Reform, which decided to gradually equalize the rates between the sexes.

A choice between equal treatment and better economic welfare would have been difficult to make, if one had to choose either (Pateman 1988; 1992). However, the issue was not even raised as a problem during this period in the national political arena. The principle of equality between women and men was accepted under the new Constitution, but the ideology on gender roles was not significantly challenged

yet⁶⁰. Accordingly, women's economic welfare was protected through special clauses and derived benefits much in the same way as with the pre-war pension system.

3.2.2 The Women Question again: inclusion or exclusion

The reforms in the immediate post-war years were in any case unsustainable temporary measures to weather the national emergency. It was therefore a general consensus that fundamental reform should be made to normalise the situation before 1954 when the first wave of payment for matured old-age pensions would start. By the early 1950s, a number of recommendations and proposals had been put forward for the fundamental reform of the whole social security system. One of the first official recommendations came in October 1947 from the Inquiry into Social Security System (*Shakai Hoshō Seido Chōsakai*), an advisory body of MHW. However, its report 'Outline of the Social Security System (*Shakai Hoshō Seido Yōkō*)' was regarded as too idealistic to be implemented given the socio-economic situation in Japan then. On the other hand, a report in July 1948 by the Social Security Mission from the US had a profound influence on post-war Japan (Murakami 2000). It recommended, among others, that an advisory body accountable to the cabinet should be set up to discuss issues on the social security system in Japan. Accordingly, in 1949, *Shakai Hoshō Seido Shingikai* or the Advisory Council on Social Security System (ACSS) was founded as an advisory committee for the prime minister, which was to become one of the key bodies to affect the course of social security reforms in Japan.

⁶⁰ A symbolic example of acceptance of women's role as homemakers by women themselves was the logos of an eminent consumers group established in 1948 – *Shufu Rengō kai* (the League of Housewives). Their chosen logo was a rice scoop (*shamoji*) and apron – symbols of women's primary role in the domestic sphere.

In 1950, ACSS submitted a report entitled 'Recommendations on the Social Security System', which urged the government to establish a coherent social security system to embody the spirit of the Article 25 of the Constitution (Shakai Hoshō Kenkyūjo 1975a: 187-205). The report suggested that social insurance be the basis of such a social security system, which should be complemented by public relief and various social services for public health and special needs (ibid.: 189-190). With regard to old-age pensions, although the report stated one national uniform pension system as an ideal, it recommended a dual system as a transitory compromise, which was to consist of a pension scheme financed by general revenue for limited groups of people and one financed by premiums for the employed (ibid.: 192-194). For the latter, the report recommended the continuity of the existing basic framework for the time being due mainly to the limitation of national wealth for the expansion of the coverage (ibid.: 192).

While this report by ACSS was widely publicized, it took another four years for the government to introduce a fundamental reform in the pension system. This was mainly due to the difficulties of reaching consensus and compromise among the conflicting interests. The first brief outline for the reform was put forward by MHW in October 1952 (MHW 1952), to which major organisations from the labour and business expressed their opposition (Shakai Hoshō Kenkyūjo 1975a: 445-451). Although the government tried to satisfy these opposing voices to a certain extent in the final draft bill, even this proposal met a heavy criticism from various organisations, including ACSS, for ignoring its recommendations (ACSS 1954; Kōseidan 1988: 77-110). After making some further revision, the government submitted the reform bill to the Diet, and in May 1954, the bill was passed with some amendments. As a result, a series of drastic changes were introduced in EPI. The

finance was modified from a fully funded system to a partial pay-as-you-go system in order to contain the rise in contribution rate. Also, a redistributive function was introduced by dividing the benefits into a flat-rate part and an earnings-related part.

For women, however, the significance of the 1954 Reform was arguably rather more in the continuation and the consolidation of the male breadwinner/ female homemaker model in the public pension system. Based on this model, women's status as wage earners remained being treated with special clauses. As noted above, the premium rate for female workers continued to be lower than that of men. Another differential treatment from men was the pensionable age. Although the pensionable age for men was decided to be gradually raised from 55 to 60, that for women remained to be 55. Despite the lower pensionable age, women still had to fulfil the same minimum contribution period with men – 20 years – for the entitlement to EPI old-age pensions⁶¹. Considering the difficulties to keep a job after an official retirement age for most employees, the earlier pensionable age could put women in more difficult situations to accrue an entitlement to a decent level of pensions in their own right. Women were thus left to face longer years in retirement due to earlier pensionable age and longer life expectancy with lower benefits to live on.

Even this earlier retirement age was considered to be hard to achieve for women. Indeed, in the discussions run up to the 1954 reform, women's inclusion in the pension system as wage earners itself was again perceived as problematic. This 'woman question' resurfaced during the discussions on the termination of the

⁶¹ The minimum required period could be reduced to 15 year after age 35 for women (age 40 in the case of men). If satisfied this condition, the flat-rate part was to be calculated as if the insured had contributed for 20 years.

Withdrawal Payment. While this payment was originally introduced as a refund and had functioned as a de facto unemployment benefit, it had been long criticised for being against a social insurance principle. Since the unemployment insurance was newly created in 1947, the government proposed to abolish the Withdrawal Payment completely in the first draft outline of the 1954 reform⁶². However, the government was also concerned about the implications of this move for female workers. On the one hand, it was regarded as disadvantageous for female workers, who were expected to, and indeed many of them did⁶³, leave the labour market after several years, to treat them in the same manner with male workers to be included in a long-term insurance scheme without a refund. On the other hand, since the contingencies of invalidity and death were also included in EPI, total exclusion was also considered to be against the interests of female workers. In order to solve this dilemma, the government proposed to enable female workers to opt out of EPI on the grounds of fairness for female workers (MHW Insurance Bureau 1958: 142-144).

In reaction to this government's proposal, the three interest groups represented in governmental advisory bodies – namely, the business, the labour and the public interest – showed contrasting reactions (ibid.: 167-187). While business representatives agreed with the government in the need to abolish the Withdrawal Payment, they proposed to enable female workers to opt in EPI, rather than opt out, in order to avoid the perceived possible disadvantages to them from this ban. In contrast, the labour side opposed the abolition of the Withdrawal Payment in general but especially for women. They argued that, given female workers' weaker position

⁶² The first draft outline can be found in pp. 149-155 MHW Insurance Bureau (*Kōsei shō Hoken kyoku*), ed. 1958. *Kōsei Nenkin Hoken 15 nen shi (15-year History of the Employees' Pension Insurance)*. Tokyo: Kōseidan.

⁶³ In 1949, 85 per cent of female employees had work record of 3 years or less. See p. 143 Ibid.

vis-à-vis employers, women's voluntary membership would in effect hinder their participation in EPI because the employers would be happy to avoid their share of premium payment. Thus, they asserted, women's membership in EPI should be compulsory and their interests should continue to be protected by the Withdrawal Payment. The position of those representing the public interest was closer to the labour, arguing for the compulsory membership of both women and men. With regard to the Withdrawal Payment, those in this camp proposed a total ban for men but to create a certain compensatory benefit for women.

Taking these arguments into account, the government outlined a revised draft which proposed mandatory membership for both sexes as well as the creation of a new lump-sum benefit to replace the Withdrawal Payment for female workers with an EPI membership record of at least 3 years. This proposal, however, again failed to secure the assent of various interests. After a series of negotiations, the final reform bill laid down the compulsory membership for both sexes and the continuity of the Withdrawal Payment. As a way to discourage the Withdrawal Payment, however, the minimum membership period for the entitlement for women was extended from 6 months to 2 years (for men, it was 5 years since 1948).

Although the revised law narrowed the gap between women and men in the minimum required period for the entitlement to the Withdrawal Payment, the introduced clause still accepted the differential treatment between the sexes in EPI. Moreover, the new clause on the Withdrawal Payment in a way further endorsed women's marginal position as wage earners. While the previous clause limited the acceptable reasons for women's shorter minimum period (6 months) to marriage or pregnancy, the new clause allowed women to receive the Withdrawal Payment after

2 years of membership just because they were women. Moreover, the timing of receiving the lump-sum payment was also differentiated between women and men. While men had to wait until their pensionable age, women were able to receive the payment upon their withdrawal from the scheme regardless of their age.

As can be seen in this example, differential treatment of women and men in the public pension system was often put forward on the grounds of women's interests and largely regarded as a fair measure for women, who were considered to have a different social role from men⁶⁴. With regard to the Withdrawal Payment, although the above special treatment of female workers was originally introduced as a temporary measure, the termination was postponed repeatedly until the mid-1980s. Rather than rectifying this situation, efforts to improve women's lot in old age were mainly focused on improving the share of wives.

3.2.3 Consolidated status as wives

The 1954 Reform consolidated the principle in EPI that the household was the basic unit for the provision. For the first time, all wives of the insured employees were treated unanimously as dependants. Until this reform, the Additional Pension for Dependants (APD) for dependent spouse was paid only to pensioners with a disabled spouse. However, the reform extended this provision to all spouses of the insured, treating wives' economic dependency on their husband as given.

While it was often regarded in later years that this move in the 1954 created the foundation of women's status as dependants in the public pension system, most criticisms from advocates of the time for women's pensions were not about the

⁶⁴ See, for example, the explanation of the reformed Withdrawal Payment by MHW in pp. 363-364 Ibid.

underlying gender assumptions but about the low level of APD (Murakami 1994). This was in a way understandable considering the growing number of housewives in Japan. Much in a similar way with pre-war and war-time years, but in more democratic rhetoric, many business, civil and government organisations endorsed the gender division of labour through various movements for domestic life improvement, encouraging women to identify themselves as housewives first and foremost (Gordon 1997)⁶⁵. Moreover, unlike pre-war years, the promoted gender ideal was gradually becoming achievable for much wider population in post-war Japan. As the economy grew and its structure changed from the one based on primary industry to the one based on secondary and tertiary industries, more women were enabled to, and did, withdraw from the labour market to form the 'Post-War Family' (*Sengo Kazoku*) or the nuclear family based on the male breadwinner/ female homemaker model (Ochiai 2004)⁶⁶.

However, for housewives to solely rely on APD as a provision for old age, its level was indeed quite limited; 400 yen per month or 20 per cent of the flat-rate part of the old-age pension. In the run-up to the 1954 Reform, the level of this APD was one of the contentious issues (MHW Insurance Bureau 1958). On the one hand, there were arguments to set the level at the same with the flat-rate part of old-age pension. Proponents of this position argued that since the level of this part was based on the income support level for one person, the dependants should also need the same amount. Opponents on the other hand argued that it was unfair and unacceptable to

⁶⁵ This period was also marked as the beginning of the corporate-centred society in Japan. See pp. 62-63 in Chapter 1.

⁶⁶ Although heated debates erupted in the mid-1950s on housewives (often referred to as the first housewife debate or *Dai Ichi ji Shufu Ronsō*), those who argued for married women's labour market participation did not necessarily question women's role as primary homemakers and carers. See Ueno, Chizuko, ed. 1982. *Shufu Ronsō wo Yomu (Reading Housewife Debates)*. 2 vols. Vol. 1. Tokyo: Keisō Shobō.

provide the same level of benefits to those who had not paid premiums. In the end, financial constraint dictated and the amount of APD was decided as a considerably lower level than the flat-rate part.

More than its low level of provision, however, APD was fundamentally flawed from the viewpoint of married women's pension rights. Although APD for dependent spouse was largely discussed as a benefit for wives, it was paid to the insured (usually husbands) rather than to the dependants themselves. What was assisted by APD, therefore, was the norm of husbands' role as the main breadwinner rather than improving women's lot.

The only chance wives could directly receive pensions as derived rights was thus limited to their widowhood. The 1954 Reform merged WP and SP, and the eligibility criteria were streamlined. As a result of the reform, the minimum membership period for new SP became 6 months for all eligible survivors. The minimum eligible age for widows was set at 40 (payable at 55) unless they had minor children. When these criteria were satisfied, widows could receive half of the old-age pensions of the deceased with APD for children. Here, the gendered norm was again reinforced through the differential treatment of widows and widowers. Husbands who did not comply with the socially expected role as the main breadwinner were able to expect less from EPI. The minimum eligible age for widowers was set at 60, and APD for children was not provided even if they had minor children from the marriage. While the possibility of widowers' economic dependency on their wife was acknowledged, it was apparently not assumed that they would be responsible for the care of children.

Neither assumed were the cases where wives had entitlement to EPI in their own right. Thus, even if wives were receiving their own EPI pensions, their husband with EPI pensions were still able to receive APD for dependent spouse. Although this point became a source of heated debates in later years, it was not taken up as a major problem in the 1950s. This was partly due to the strong gender ideology and partly due to the fact that only the minority of married women were employed. According to the Census in 1955, only 16.5 per cent of employees aged 15 and over were women, and only 15 per cent of the female employees were married (Japan Statistics Bureau 1955). Moreover, the number of pensioners was still limited and the level of provision was not substantial yet. The level of benefits was 26.5 per cent of the monthly average standard remuneration (Conrad 2001: 25), which was too low to support an individual, let alone a whole family. The benefits were more of a supplement to incomes from other sources such as one's own earnings or other family members. Although gradually decreasing in number, the dominant living arrangement was still to live with their adult children.

3.3 The foundation of National Pension

After the overhaul of EPI, next issue looming large as a problem was the limited coverage of the population (Campbell 1992; Lewis 1981). Despite the consolidation of the public pension system, those who could benefit from it were quite limited. Although farmers and the self-employed constituted a large part of the total labour force, they were excluded from any public pension schemes. Similarly, those employed in businesses with less than 5 workers were exempted from compulsory coverage. Thus, as of March 1958, about 30 per cent of all the employed was not

insured, and 68 per cent of the total labour force was outside of the system (MHW 1958: 56).

Even those who were included in the public pension schemes were also at risk of non-entitlement to old-age pensions. Due to the limitation of bridging measures between different public pension schemes⁶⁷, those who were covered by more than one pension schemes over their lifetime could have reduced, or even lost, pension entitlement. Among EPI members, 43 per cent of male members and 93 per cent of female members left the scheme without pension entitlement (MHW 1958: 71).

These limitations of the public pension system were well acknowledged even at the time when the government submitted a bill for Worker's Pension Insurance (MHW Insurance Bureau 1958: 29). In post-war Japan, advisory bodies such as ACSS repeatedly called for a universal public pension system. Thus, when the government submitted a bill for the major pension reform in 1954, most MPs agreed on the need to extend the coverage beyond the existing level. As a result, the 1954 reform bill was passed with a resolution which required the government endeavour to establish a pension system for all the population as soon as possible (House of Representatives 1954).

In addition to the improvement for the future elderly, there were also growing demands for public provisions for the elderly of the day (MHW Pension Bureau 1968: 174-175). Due to the short history of the public pension system for private sector workers, those who were already old were totally excluded from the system. However, as the economic basis shifted from primary industries to secondary and

⁶⁷ In addition to the separation between public and private sectors, several occupational groups left EPI and set up their own public pension schemes in the 1950s.

tertiary industries, the dominant family forms changed from the traditional extended family to the nuclear family, gradually revealing the limitation of the informal support network for individuals in need. From the early 1950s, the limitation of the traditional intergenerational support system and the economic plight of the elderly began attracting national attention from the early 1950s (Koyama 1959).

Related to this point, another factor which encouraged the demand for public intervention for the elderly of the day was the growing awareness about their economic plight (Lewis 1981). The economic vulnerability of elderly households was in a stark contrast with the rapid increase in the average incomes and the living standard of working-age population. In its annual report in 1956, MHW emphasised the need for alleviating poverty among those who were left behind from the economic growth, of which the elderly was one of the key groups (MHW 1956). In response to these situations, from the mid-1950s, some local governments started granting the 'Pension to Respect the Elderly (*Keirō Nenkin*)' to older people in their districts⁶⁸. Although these payments were nothing more than a pocket money level, they contributed to stimulating discussions for the national-level pensions for all the elderly (ibid.).

Also encouraged these discussions was the increasing realization of the population ageing among key policy makers. Indeed, annual reports of MHW in the late 1950s repeatedly pointed out the fast growth in the number and proportion of the elderly due to the rapid lengthening longevity and decreasing fertility (MHW 1956; 1957; 1958). Together with the revealed limitation of the familial support and poverty

⁶⁸ By 1958, 232 local authorities had introduced this kind of provision. See Koyama, Shinjirō. 1959. *Kokumin Nenkin hō no Kaisetsu (Explanation of the National Pension Law)*. Tokyo: Jiji Tsūshin sha.

among the elderly, the prospect of rapid population ageing further enhanced the discussions on the need for some sort of public provision for old age for all the population.

3.3.1 National Pension

By the mid-1950s, all the political parties issued their manifestoes promising the establishment of the pension for all (MHW 1958: 61). Anticipating the introduction, MHW set up a committee in May 1957 to discuss the design of a pension scheme for all⁶⁹. By the general election in May 1958, therefore, the introduction of *Kokumin Nenkin* or National Pension (NP) was a forgone conclusion. After the victory in the election, the ruling Liberal Democratic Party renewed its vow to introduce NP by 1959, and established a special committee (*Kokumin Nenkin Jisshi Taisaku Tokubetsu Inkaï*) within the party to prepare for the introduction. In the summer of 1958, both ACSS and MHW's NP committee issued their reports on the possible form of a pension system for the whole population⁷⁰. After some inter-ministerial compromises, in January 1959, the government submitted a proposal to ACSS for consultation as a part of the statutory procedures. ACSS criticized the government's proposal for ignoring its recommendations of their 1958 report, but prioritized the establishment of NP and did not resort to the total refusal of the proposal (ACSS 1959). Thus, the government's proposal was submitted almost intact to the Diet in February 1959. The bill was passed by the Diet almost without revision, and the National Pension Law was promulgated in April 1959.

⁶⁹ For some major discussion points in the committee, see pp. 457-461 Shakai Hoshō Kenkyūjo, ed. 1975a. *Nihon Shakai Hoshō Shiryō I*. Vol. I. Tokyo: Shiseidō.

⁷⁰ For the differences in opinions about some key issues between MHW, the ruling party (LDP), ACSS, NP special committee and Ministry of Finance, see pp. 204-218 MHW Pension Bureau (Kōsei shō Nenkin kyoku), ed. 1968. *Kōsei Nenkin Hoken 25 nen shi (25-year History of the Employees' Pension Insurance)*. Tokyo: Kōseidan.

The new National Pension (NP) was a two-track system comprised of contributory pensions and non-contributory pensions⁷¹. The non-contributory pension – *Rōrei Fukushi Nenkin* or the Welfare Pensions for the Elderly (WPE) – was established in 1959 for those who were already too old to satisfy the requirement of minimum payment period for NP⁷². These benefits were means-tested fixed-amount benefits, payable at the age of 70. In 1960, 2.2 million people were receiving the benefits, reaching its peak of 4.6 million in 1975 (MHW Social Insurance Agency Management Bureau Pension Division 1990: 388). Although the amount was far from generous, and the criteria for the provision (means-tests) were quite strict, the establishment was nonetheless the first explicit attempt to alleviate the plight of those who were already old. The contributory NP started two years later together with a bridging system between different public pension schemes. The premium was fixed amount and the benefit was flat rate, one third of which was subsidized from general revenues. The minimum premium payment period was 25 years⁷³ with the benefits payable at the age of 65. The membership of NP was mandatory for all Japanese citizens aged between 20 and 59 who were not covered by other public schemes. With the establishment of NP, all adult citizens were supposed to be included in the public pension system. However, there were exceptions: spouses of insured employees were exempted from mandatory membership together with students.

⁷¹ Unless otherwise stated, the description of NP in this section is derived from pp. 26-28 Kōsei Tōkei Kyōkai, ed. 2002. *Hoken to Nenkin no Dōkō (Trend of Social Insurance and Pensions)*. Tokyo: Kōsei Tōkei Kyōkai

⁷² Only those who were born before 1st April 1911 were eligible for this pension.

⁷³ Shorter contribution periods were arranged for those who were 31 years old or over as of April 1961, ranging from 10 to 24 years according to their age. For those who were over 50 on 1st April 1961 were excluded in principle due to the contribution period requirement. However, those aged between 51 and 54 were allowed to join the scheme, contributing for 10 years. Differential contribution rates were used for those aged from 20 to 34 and those aged from 35 to 59.

3.3.2 Pensions for all: should women be included?

The political consensus on the introduction of ‘pensions for all’ was formed in relatively early post-war years. However, there was no consensus on its actual form, and the recommendations by various key policy makers differed considerably. This was true even with regard to the question of who should be covered in NP. One of the problematic groups for inclusion was non-employed housewives⁷⁴. Unlike EPI, NP was decided to be an individually based benefit without special allowances for dependants due mainly to the financial constraint. Thus, provision for housewives of the NP insured should be either given up or sought through their own insurance. The former was problematic from a viewpoint of the ideal of ‘pensions for all’, while the latter was also difficult given that housewives were by definition with no incomes of their own to pay premiums from.

While there were opinions to exclude housewives because of the lack of their own incomes (for example, Ministry of Finance), the final NP bill mandated the membership, therefore premium payment, of non-employed spouses of the NP insured even if they did not have their own incomes. It was argued that although wives of the self-employed might not have their own incomes, they often contributed to the household economy through their work as unpaid family workers, thus their premiums should be paid by the joint household incomes (MHW Pension Bureau 1968: 208). The final bill mandated that the head of the household pay premiums both for themselves and the members of the household if the latter were not covered by other public pension schemes.

⁷⁴ See footnote No. 69 in the previous section.

This arrangement, however, raised questions about housewives of the EPI insured employees⁷⁵. There were three strong opinions at the time (MHW Pension Bureau 1968: 204-218). One was to exclude housewives of the EPI insured completely from NP on the grounds that they should be provided by their husband's pensions. The most prominent proponent of this position was ACSS. Another position was to make housewives' membership compulsory in line with wives of the self-employed and farmers from a viewpoint of equal treatment of citizens. The inclusion of employees' housewives was also supported from concerns about the possible loss of housewives' derived rights through divorce. This position was taken by MHW in its first draft proposal. Yet another opinion was expressed by MHW's special committee for NP and the Ministry of Finance, which proposed to include housewives of the EPI insured on a voluntary basis. The latter was also in the opinion of making the membership voluntary for those with low or no incomes in general. However, excluding the poor from the compulsory membership meant that those who would need the public provision in old age most would be excluded from the public system. Thus, MHW was especially opposed to allowing voluntary membership in the scheme.

In the end, an inter-ministerial compromise was reached to include housewives of the EPI insured on a voluntary basis. In a way, 'the women's question was settled by default' (Campbell 1992: 83) rather than as a well-thought arrangement (Campbell 1992; Lewis 1981). During the deliberation of the NP bill in the Diet, MPs from an opposition party in House of Councillors criticized the proposed arrangement as

⁷⁵ Although an economically dependent husband was technically in a same position, this gender-biased terminology has often been used in discussions about pensions for dependent spouses.

ignoring the independent pension rights of wives, but to no avail⁷⁶. Indeed, swamped with fierce debates between competing and conflicting demands within a tight deadline for the making of the new pension scheme, women's inclusion was yet again not a primary concern of the policy makers of the time. The issue was brought up as a problem only in passing during the deliberation in the Diet. In contrast, the treatment of those with low or no incomes of their own and no families to turn to was settled with conditioned inclusion in NP. Although their final pension amount was to be significantly reduced, these people were still to be included in the public pension system through the exemption of premium payment. Considering this differential treatment between people with low income in general and married women, it can be said that 'pensions for all' failed to fully include married women not because of their low/ no incomes but because of the strong assumption as well as the norm on their economic dependency.

3.3.3 Mixed principles and divided women

Unlike EPI, NP was established as an individually based provision. Nonetheless, NP was not free from certain assumptions on economic dependency regulated by gender and intergenerational relations. These mixed principles can be clearly seen in the conditions for provision for widows. As in EPI, NP included pensions for widowed mothers as well as for widows. However, these two provisions in NP were based on different pension rights. The Widowed Mother's Pension took the principle of individuals as a unit more seriously. Unlike EPI, this benefit was paid based on widows' own NP membership record rather than as derived rights based on the

⁷⁶ See a report by the chair of the Social Affairs and Labour Committee of House of Councillors in House of Councillors. 1959. the 31st Diet Session, No. 25.

deceased husband's membership record⁷⁷. On the other hand, as in EPI, the Widow's Pension was paid based on the membership record of their deceased husband.

This difference between the two benefits stemmed from the difference in their respective purpose. The Widowed Mother's Pension was created based on the understanding of the death of the husband as an economic risk for *the insured*. On the other hand, the Widow's Pension was created in order to avert the dissatisfaction among the NP insured, who generally disliked the possibility of 'wasting' paid premiums through their premature death (Koyama 1959: 158). Reflecting this difference in concerns, the criteria for the entitlement to the benefit were much stricter for the Widow's Pension than for Widowed Mother's Pension. Eligible widows for the former were limited to those aged between 60 and 64 and married for at least 10 years to the deceased, who had at least 25 years of membership record.

Despite these differences, however, both pensions for widows shared the same principle – namely, the assumption of women's economic dependency in marriage and of men's breadwinning role. NP had no provision for widowers irrespective of their actual economic situations. It can be said that, despite the principle of individuals as a unit, NP was similar to EPI in the sense that they were based on the assumptions on the gender division of labour within a household. This assumption legitimised the differential treatment of women and men in NP. It also allowed the

⁷⁷ This arrangement was not free from controversies. In the first draft proposal of MHW, the condition for the benefit was based on the payment records of both the deceased husband and the widow. While the government revised the condition in accord with the principle of individuals as a unit in the final draft bill, ACSS still opposed to the revision, arguing that the condition should be based on the deceased husband's payment record. See p. 208 in MHW Pension Bureau (Kōsei shō Nenkin kyoku), ed. 1968. *Kōsei Nenkin Hoken 25 nen shi (25-year History of the Employees' Pension Insurance)*. Tokyo: Kōseidan.

presence of benefits based on derived rights such as the Widow's Pension in a supposedly individual-based scheme. Another example of mixed principles of the base unit in NP was that the head of the household was held responsible for premium payment for all the household members. These examples demonstrated that the old principle of the household-based unit and rigid gender assumptions survived in the new pension for all.

This incoherency of principles within NP as well as between NP and EPI were to lead to the situations where women were more deeply divided than before in terms of their prospects for economic security in old age. This was true even among housewives who were in principle without their own incomes. If one's husband was the EPI insured and could afford to and was willing to pay for her NP premium, she would be provided both from derived rights and from own pension rights. If her husband was the NP insured, on the other hand, she would be provided only by her own pensions. Yet if her husband was the EPI insured and he could not afford to or refused to pay for her NP premium, her economic welfare in old age was largely dependent on the marriage and the level of her husband's pension. Even after the introduction of 'pensions for all', therefore, women's access to pensions was still largely affected by marriage.

3.4 Conclusion

In less than 80 years from the late 19th century, most people in Japan changed their status vis-à-vis the state from peasants in the feudal Tokugawa regime to subjects of the Imperial Japan, and to holders of sovereign power of post-war Japan. Reflecting this transition in the status, their rights to state welfare also changed. However, the extent and the form of changes in their social rights differed along the line of sex,

class and age to name but a few. Moreover, the extent and the form of state welfare were thus defined by the dominant assumptions and norms on the role of the family, the community and the gender. For certain social groups, therefore, the period of rapid regime change since the late 19th century could be characterised by continuities rather than transformations in their rights to and duties for the access to state welfare.

The early history of the public old-age pension system in Japan reflected this differential development of rights. On the surface, the introduction of the public pension system could be understood as an attainment by the Japanese of social rights to economic security in old age after gaining civil and political citizenship rights in modern Japan. However, this linear developmental view could not fully explain the marginalisation of the contemporary elderly and women as rights holders. The economic plight of the elderly of the day in Japan was not taken up as a major policy problem until the 1950s. Moreover, women's individual rights to public old-age pensions were not acknowledged even then. Policy makers of the time justified the exclusion of the former by emphasising the role of the family and the community as welfare providers, while they legitimised the exclusion of the latter by citing their economic dependency in marriage.

When the public pension system was established for workers in the private sector, the dominant assumptions and norms remained that the family should provide for the elderly members. This suggested that public provision for economic security in old age was not the primary objective of the introduction of the public pension system. Indeed, historical records demonstrated that the explicitly stated policy goals were to increase the productivity of workers and to control the money circulation under the military regime. Moreover, citizens' rights to state welfare had been constantly

denied by the government in Imperial Japan. Perceived firstly as a means for social management in the modern state by social bureaucrats and introduced as a tool for enhancing productivity and monetary control during the war, the Japanese public old-age pension system originated first and foremost as a measure of the state for labour control rather than for citizens' attainment of social rights. Since women were regarded as mothers or mothers-to-be and therefore as temporary workers, their marginalisation in the public pension system was legitimised in Imperial Japan.

Women's marginalised position in the public pension system did not alter much in post-war Japan. Although social rights of citizens and gender equality became formally acknowledged under the new Constitution, the gendered norm of the male breadwinner/ female homemaker model was not challenged in the main. Thus, even when the contemporary elderly began being included in the public pension system with the introduction of National Pension, women who conformed to the gender model remained excluded from the system. Their exclusion was justified by the norm of women's economic dependency in marriage. Moreover, female workers in the public pension system remained treated as temporary workers who would withdraw upon marriage or childbearing to conform to the gender model. Based on this assumption, the differential treatment of female and male workers remained legitimised in the post-war public pension system.

However, the dominant assumptions on the family were forced to change as the family went through rapid transformation in the 1960s and 1970s. As a result, the role of the state for the provision of welfare in old age also changed. In the next chapter, pension reforms between the 1960s and the mid-1980s are analysed, paying

attention to changes and continuities of the underlying assumptions on the relations between women and men, between generations and between the state and citizens.

Chapter 4 Consolidation of Gendered Pension Rights: the Mid-1960s to the 1980s

Japan went through an economic transformation from the late 1950s to the early 1990s. Its economy recovered from the ashes and achieved a 'miracle' by the early 1970s, which slowed down with the Oil Crises in the 1970s, and formed a 'bubble economy' in the 1980s until its dramatic burst in the early 1990s. These rapid economic changes were accompanied by structural changes in its society. As the primary industry was replaced by the secondary and tertiary industries as the base of the national economy, the number of employee household increased rapidly from 39.4 per cent of the total households in 1955 to 65.6 per cent in 1990 (Economic Planning Agency 1995: 16). Moreover, this change also enhanced the increase in nuclear family households, reducing the average number of household members from 4.97 in 1950 to 3.69 in 1970 and to 2.99 in 1990 (ibid: 367). One of the most affected areas of these changes was arguably the allocation of responsibilities for welfare provision.

This chapter continues examining what issues were taken up as problems in pension reforms, considering the embedded assumptions in the problematisation. The focus in this chapter is on discourses of equality and fairness in the Japanese public pension system. The chapter explores which inequality in the system was perceived as a priority to be redressed and how women's pension rights and their economic welfare in old age were situated in these equality debates. At the same time, inequalities which were legitimised as fair or left unproblematised are also examined. Especially, the attention is paid to the debates on 'women's questions', which began attracting more public attention with the growing feminist movements during the

period covered by this chapter.

4.1 Expansion in public pensions: from the 1960s to the early 1970s

In 1960, Prime Minister Ikeda announced the Income-doubling Plan as a 10-year economic policy. This goal was fulfilled in less than 10 years. The growth-first policies and concomitant rapid economic growth, however, also brought plethora of disturbing social phenomena such as pollution, widening inequality, overpopulation in urban cities and depopulation in rural villages. The heightening concerns about these issues led to the rise of citizens' movements and the success of left-wing politicians in local elections from the late 1960s, and eventually, to change in the central government's attitude towards state welfare.

Against this backdrop, the 1960s and the early 1970s saw a significant expansion in the state's responsibilities for welfare in Japan. The proportion of National Income allocated to social security increased from 5.6 per cent in 1969 to 10.4 per cent (Campbell 1992: 140). The main driving force was citizens' movements for the social rights of the vulnerable in the increasingly affluent society. Especially, the economic plight of the contemporary elderly attracted national attention and calls for state intervention were heightened (ibid: 140-142). Under these political pressures, a series of welfare laws were passed, including free medical services for the elderly⁷⁸ and a substantial increase in the level of pension benefits. The momentum for better state welfare culminated in 1973. Dubbed 'the first year of welfare era', this year saw major reforms in many welfare areas. Despite their significant financial implications, these improvements were legislated without much opposition

⁷⁸ For the background of the introduction of this policy, see pp. 139-153 in Campbell, John Creighton. 1992. *How policies change : the Japanese government and the aging society*. Princeton, N.J: Princeton University Press.

(Campbell 1992: 153-172; Kōseidan 1988: 231-233). There was an optimistic mood that these increases in costs could be sufficiently financed with further economic growth.

4.1.1 Balancing equality and fairness among future pensioners

As the public pensions became widely accepted as an important source of income in old age, the low level of EPI and NP began attracting much criticism. With the rapid rise in general living standard and inflation, the real value of pension benefits was decreasing rapidly. Having no price indexation, the average EPI pension level became lower than the level of means-tested income support by the early 1960s. In 1963, the standard level of income support benefit for a man aged 60 and over was 4,871 yen per month, while the average EPI pension benefit already in payment was 3,500 yen (MHW Pension Bureau 1968: 265). The demand for higher public pensions was further strengthened in the face of the significantly better pensions for workers in the public sector. In 1962, the pension level for the newly retired EPI insured was about one third of that of the retirees in the public sector (Kōsei Tōkei Kyōkai 2002: 28). The inequality between the different sectors was widely criticised as an example of unfair privileging of public workers over private workers (ibid: 264-265). The heightened interest in the public pension among people in Japan was illustrated by the ‘united strike for pensions (*Nenkin Tōitsu Suto*)’. In 1972, four major associations of labour unions went on a joint strike demanding solely for better public pensions – the first of its kind in the history of labour movement in Japan.

Against this backdrop, the government introduced a substantial increase in the benefit level for the future pensioners. The first of such moves came in the mid-1960s when the level of the model monthly EPI pension was raised to 10,000 yen

(after 20 years of premium payment) when the average level of the pension benefit already in payment was 3,500 yen. However, although the rise was considerable and MHW claimed the levels to be above the international standard⁷⁹, the actual pension level of those who were retiring at the time was far from the amount, because the model pensions were calculated based on the average wages of the contemporary working population rather than the actual lifetime averages of those who were close to retirement. Consequently, demand for better pensions did not subside even after these reforms.

Responding to the persisting demand, the 1969 Reform doubled the levels of model pensions. Unlike the previous pension increase, the new model pensions were calculated based on the actual data of those who were retiring at the time of the reform. The formula was adjusted so that their pension benefits would be equivalent to 40 per cent of the average wages of manufacturing workers of the time. Moreover, in order to mitigate the disadvantages of the post-war inflation, wages before October 1957 were disregarded and those below a certain threshold were boosted to the level of the threshold for the calculation of earnings-related part of EPI.

The 1973 pension reform was the watershed of the Japanese pension history. The reform established that the level of EPI benefits should be about 60 per cent of average earnings of working population⁸⁰. This level was to be maintained through newly-introduced revaluation of past wages and the indexation of benefits. The

⁷⁹ According to MHW, the new model pension amounted to 40 per cent of average earnings of employees after 20 years (25 years for NP) of premium payment. On the other hand, the minimum guaranteed level in ILO Convention No. 102 (Convention concerning Minimum Standards of Social Security) required public old-age pension systems to have a replacement rate of at least 40 per cent for a couple after 30 years of premium payment.

⁸⁰ When annual bonuses were included, the replacement rate was about 45 per cent of the average earnings. See p. 235 in Kōseidan, ed. 1988. *Kōsei Nenkin Hoken Seido Kaikoroku (Memoir of the Employees' Pension Insurance System)*. Tokyo: Shakai Hoken Hōki Kenkyūkai.

benefit was to be increased if consumer prices rose by 5 per cent or more. Moreover, the benefit level was to be adjusted every 5 years in consideration of wage rises during the period. This reform led to an immediate improvement of pension benefits for those retiring at the time of the reform. The EPI pension formula was based on the average contribution years (27 years) and the monthly average standard remuneration (84,600 yen) of those who had contribution records of 20 years or more and who would reach pensionable age in October 1973.

During this welfare expansion era, much care was taken to balance the levels of the model benefits of NP and EPI on the grounds of equality between different schemes (MHW Committee for 50-year history 1988: 1414, 1423, 1434). Nonetheless, equality between EPI and NP was not straightforward due mainly to the difference in the basic unit for benefits (see Chapter 3). While EPI was supposed to provide for a family, NP was meant for individuals. This dilemma was apparently solved by using a couple household as a basic unit for a model pension. Thus, when the EPI model pension was increased to 10,000 yen in 1965, the NP model pension was raised in the next year only to the half of the EPI level, 5,000 yen. The difference in the pension levels between the two schemes was justified using the aggregate level of pensions for a couple as a model. The monthly benefit for a self-employed couple was supposed to be equivalent to that of an employee couple, in which the wife was assumed to be a non-covered housewife. The same reasoning was applied in the next two major reforms. When the model benefit level of EPI was raised to 20,000 yen in 1969 and to about 50,000 yen in 1973, NP benefit was raised to 10,000 yen and 25,000 yen respectively.

Using a couple as a basic unit for equality, however, meant that inequality between individuals was not necessarily considered to be a problem. Indeed, despite the government's claim of equality between EPI and NP, the benefit gap between EPI and NP in model and in reality was glaring when the pension levels of single people were compared. The NP model benefit for a single person was about half of the EPI model benefit. This was because although EPI was said to be for a couple, the EPI benefit for a single person was not much lower than a married person with the same employment record. APD for spouse in EPI amounted to only 4.6 per cent of the EPI total model benefit even in 1973. On the other hand, the NP benefit for a single person was exactly half that of a self-employed couple with the same premium payment record. Considering the economies of scale in household expenditure, therefore, single persons in NP were more likely to face economic hardship in old age than couples in NP or singles in EPI unless they had other economic means. Thus, the government's claim on equality between EPI and NP was heavily reliant on the assumptions of marriage and its intactness.

The equality between the EPI and NP model pensions was also based on the assumption that married women were not a member of EPI in their own right. Moreover, employee households which took out NPI voluntary membership were totally out of the picture despite its rapid increase, as we will see below. In short, the EPI and NP model pensions were in balance only if women were excluded from the public pension system in their own right.

Another precarious assumption at the base of the government's claim of equality was that both husband and wife in NP would take out a newly created voluntary pension – the Additional Pension (*Fuka Nenkin*) – for 25 years. In other words, the NP

model pension was attainable only if non-mandatory pensions were included. In this sense, the 'models' used for EPI and NP were not exactly equivalent. Moreover, because the Additional Pension was created only in 1969, equality between the two schemes could not be achieved until the mid-1990s even in this model.

In reality, the benefit levels of the two schemes were far from equal. This was largely due to the principle the government chose to stick to – namely, funded insurance. Due to the short history of NP, the requirement of 25-years premium payment to achieve the model benefit level meant that none could receive this level until 1986. On the other hand, the EPI model benefit was based on the actual 'averages' of earnings and years of membership. Thus, even if the equilibrium between the model benefit levels of NP and EPI were to be real in theory, there was a significant pension gap between the two schemes, which would persist at least until the mid-1980s.

Although these inconsistencies in the government's claim on equality were self-evident, they were justified by the norms on the male breadwinner/ female homemaker model and the insurance principle, whereby the benefit levels should reflect individuals' premium payment records. Regarding a single earner couple as natural, there were few voices which questioned the basic unit of model pensions. On the other hand, there were some voices which challenged the insurance principle presented by the government. Proponents of this position argued that a substantial and immediate increase in the benefit level would be possible by changing the finance from a funded system to a pay-as-you-go system (for example, see Shakai Hoshō Kenkyūjo 1975b: 103). However, these views failed to become the majority in the face of claims by the government on the need for fair distribution of the cost of

the system between generations (Kōseidan 1988: 232). Moreover, the insurance principle which closely linked the levels of paid premium and benefit was not challenged, legitimising the reproduction of labour-market inequality in old age.

These unchallenged principles on gender and redistribution mechanism not only dictated the economic share of female pensioners of tomorrow but also that of the elderly of the day, among which women were the majority⁸¹.

4.1.2 Intergenerational redistribution and fairness

The move for better pensions was not only for the elderly of tomorrow. There was a growing demand for more redistribution of national wealth for those who were already old (Koseidan 1988: 244-245). Since most of the elderly at the time were not entitled to the contribution-based old-age pensions, this demand took the form of strong demands for the benefit increase in non-contributory Welfare Pensions for the Elderly (WPE). Responding to these calls, the monthly benefit for WPE was raised throughout the 1960s, and reached to 5,000 yen in 1973. Moreover, Special Allowance for the Elderly (SAE, *Rōrei Tokubetsu Kyūfu Kin*) was created in 1973 to provide limited benefits (4,000 yen) to those who were born before 1st April 1906 until they reach the age of 70 when they were to become eligible for WPE. Together with WPE, this new non-contributory benefit helped to expand the number of beneficiaries of the public pension system among those who were already old.

Although these moves were a significant step forward for the elderly of the day, the actual resources allocated for them were still very limited compared with the

⁸¹ In 1970s, 4.1 million women were aged 65 and over in Japan, while the number of Japanese men in the same age group was 3.2 million. See MIC (Ministry of Internal Affairs and Communications). 1970. Japan Census.

improvements for the future pensioners. This was a conscious choice of the government, which justified the decision on the grounds of the insurance principle. Moreover, in order not to undercut the insurance principle, WPE and SAE were introduced as transitory measures rather than as permanent features to complement the contribution-based pensions. Thus, both benefits were limited to those who were born before certain cut-off dates and thus too old to join the insurance-based system⁸².

The strong preference for insurance over non-contributory benefit even led the government to introduce a clause in NP in 1969, which reopened the opportunity to become voluntary members of the scheme for those who did not choose to do so at the introduction of NP. The new clause shortened the minimum eligible period of membership from 10 years to 5 years for those who were born between 2nd April 1906 and 1st April 1911 (those aged between 51 and 54 at the time of the introduction of NP in April 1961). However, as in the case of other special NP pensions with shorter minimum eligible period, the benefit level for this new 5-year NP pension was set much lower than 'normal' NP pension. Indeed, under the name of fairness and the insurance principle, all the benefit levels of special pensions – namely, the 10-year Pension, the 5-year Pension, WPE and SAE – were kept lower than the model NP pension and differentiated from each other despite the fact that the recipients of these benefits had no responsibility for their short or no payment record.

In the subsequent years, as the levels of these benefits were raised in response to the strong demand for mitigating the economic plight of the elderly of the day, the difference in these special pensions was increasingly narrowed, and in some cases,

⁸² For the eligibility conditions for WPE, see Chapter 3.

became almost nominal. By the end of the 1970s, the proportions of WPE, 5-year pensions and 10-year pensions to NP benefits were 53.6 per cent, 53.8 per cent and 63.2 per cent respectively (Kōsei Tōkei Kyōkai 2002). Nonetheless, the government refused to introduce a universal fixed amount benefit for those aged over certain years but tried to retain the difference among them in the name of insurance principle and fairness in the system.

4.1.3 Women's pension rights

The rapid rise in the pension level notwithstanding, the perceived direct beneficiaries of this achievement were mainly male workers. The model pension was calculated based on men's average earnings and period of membership. For women, the reality was far from the 'average'. In 1973, the average earnings of female EPI members were only about half of men's⁸³. Moreover, unlike male workers, the average years of membership in EPI did not increase significantly for women. In the mid-1960s, women's average years of membership were about five years (Kōseidan 1988: 127). Thus, the newly claimed level of pensions – 60 per cent of working population's earnings – was not obtainable for most women. The policy makers of the time simply did not perceive female workers as future pensioners in their own right because of the assumption that women would leave the workplace upon marriage or childbearing.

The assumption of women's temporary status as EPI members was not even implicit in the system. As mentioned in the previous section, the differential treatment of women and men in the premium rate and the Withdrawal Payment persisted well into

⁸³ In 1973, the monthly average standard remuneration for female members was 51,419 yen, while that for men was 95,982 yen. See p. 216 in *Shakai Hoken chō. 1979. Jigyō Nenpō* (Annual Report): *Shakai Hoken chō*.

the 1980s. Until the 1980 Reform, the rate for women was kept lower than for men on the grounds that women were less likely to receive their own old-age pensions. On the other hand, attempts to equalise the eligibility for the Withdrawal Payment were made much earlier. On the introduction of contributory NP and coordinating legislation in 1961, it was decided to abolish the Withdrawal Payment with a grace period of five years for women and one year for men⁸⁴. However, the grace period for women was continuously extended⁸⁵ until the mid-1980s when the practice was abolished completely. The record of deliberations in the Diet showed that these special treatments were generally presented as fair measures not to disadvantage female workers, whose assumed purpose of employment was 'to supplement wedding preparations or household incomes and thus had no expectations for long-term benefits such as old-age pensions.'⁸⁶ This comment was remarkably similar to that of the Minister of Health and Welfare in 1944 (see Chapter 3), revealing the continuity of the gender assumption.

However, this persisting assumption of the gender division of labour among policy makers in this period was in a way understandable. More than any other time in Japan's history, Japanese women became housewives (*shufu-ka*) in the high growth period (Ochiai 1994). Behind this trend was rising incomes, which made it possible for many households to rely on only one income (Igami 2004). Indeed, comparing various cohorts of women, those born between 1945 and 1949 withdrew from the

⁸⁴ The introduction of NP and coordinating legislations in 1961 enabled workers to combine the premium payment record of EPI and NP to satisfy the minimum required period of 20 years (EPI) or 25 years (NP). In theory, therefore, women could accumulate minimum eligible period to receive pensions if they joined NP after the withdrawal from EPI or vice versa.

⁸⁵ The textile industry, which employed predominantly female labour, mounted powerful lobbying for this move. See p. 334 in Shakai Hoken chō Nenkin Hoken bu, ed. 1968. *Kōsei Nenkin Hoken 25 nen shi (25-year History of the Employees' Pension Insurance)*. Tokyo: Kōseidan.

⁸⁶ Answers by the Minister of Health and Welfare, House of Representatives, the Social Affairs and Labour Committee. 1965. the 48th Diet Session, No. 10.

labour market upon marriage or childbearing more than any other cohorts (Economic Planning Agency 1995: 92-93). The number of housewives in employee households increased from 5.17 million in 1955 to 9.03 million in 1970 (ibid: 107). Among married couples, 30.1 per cent of them took this form of household type in 1955, while the percentage increased to 36.6 per cent in 1970 (ibid). Considering the rapid increase in the actual number of women who followed the male breadwinner/ female household model, the gender assumptions embedded in pension reform could be indeed regarded as a 'benevolence' of policy makers towards female workers.

Even if the base of these special treatments was the 'goodwill' of the policy makers, they directly contributed to women's economic insecurity in old age. By normalising women's withdrawal from the pension scheme, these arrangements in a way hampered the problematisation of women's lost or lower pension entitlement. In exchange for the lost entitlement, what these women received was quite limited. After two years of contribution, a woman would get 60 per cent of the monthly average standard remuneration or the equivalent of 18-days of salary (Tamiya 2003). This, however, did not concern many policy makers, who had no doubt about the assumption that wives were to be economically supported by their husband. Although there were some voices which argued for individual pension rights for all women, including housewives⁸⁷, they were still weak enough to be ignored. The issue of the low pension level of female workers attracted even less attention.

However, this did not mean that women's economic welfare in old age was totally ignored. Rather, it was mainly taken up as a problem of derived rights in EPI. Thus,

⁸⁷ See, for example, deliberations in House of Representatives, the Social Affairs and Labour Committee. 1973. the 71st Diet Session, Nos. 21-22.

demands for better pensions for women mainly manifested themselves in the political pressures for the increase in the Additional Pension for Dependents (APD) for spouse and in the Survivor's Pension (SP). As a result, derived rights in EPI saw some improvements during this period. With the pension reform of 1969 and 1973, APD for spouse increased from 400 yen per month to 2,400 yen or from 4 per cent to 4.6 per cent of the total amount of model pension benefit (Yokoyama 2002: 10). The benefit level of SP was also boosted with the introduction of the guaranteed monthly minimum of 5,000 yen in 1965. This had an immediate impact on widows' economic welfare, raising the average monthly SP from 2,000 yen in 1964 to 5,300 yen in 1965 (MHW Pension Bureau (Kōsei shō Nenkin kyoku) 1968: 1139). The 1965 Reform also increased the number of widows who could enjoy these improvements. Previously, SP was granted to only those who were aged 40 and over or those with minor children. However, the reform abolished these restrictions to enable all widows to be entitled to SP irrespective of their age or motherhood.

In the background of these improvements for housewives, there was the consolidation of the gender division of labour among working population. Changes in the labour force from farming to paid employment meant a clearer separation between home and workplace, making it more difficult to combine production and reproduction. As a result, the gender division of labour proceeded. The rate of female labour force participation kept declining until 1975, increasing the number of 'housewives' (see Chapter 1)⁸⁸. This trend strengthened the existing gendered perception of women as homemakers rather than as productive workers, which in turn helped the issues on women's pensions to be mainly problematised as the low

⁸⁸ The rate of female *employees* was on the increase during the same period. However, the rate of decline in female labour in the primary sector outnumbered the increase in other sectors.

level of benefits for wives or for widows rather than the low level or lack of women's pensions in their own right. Indeed, demands for higher APD and SP were often promoted under the name of women's pension rights (*fujin no nenkin ken*), inadvertently accepting the assumptions of marriage as a natural course of women's life as well as women's economic dependency in marriage – the very assumptions which helped to suppress the level of women's pensions in their own right. In the attempts to improve women's economic welfare in old age, choices were made to increase women's benefits through derived rights rather than through adjusting the system to better accommodate women in their own right.

This choice, however, meant that women who could benefit from these increases in benefits were almost entirely limited to wives of the EPI insured. As we saw in the previous chapter, NP had no APD, and the eligibility criteria of NP for the entitlement to SP were very restrictive. Moreover, for single women, derived rights were irrelevant in any case. Therefore, women who did not have an EPI insured husband were excluded from the pension rise specifically aimed at 'women' during the welfare expansion era. The limitation of covering all women as wives, however, was not widely taken up as a pressing problem around this time. On the contrary, demands for better derived benefits for wives were becoming even stronger in the following decade.

4.2 Public pensions in transition: from the mid-1970s to the mid-1980s

Ironically for the history of state welfare in Japan, the first year of the welfare era turned out to be also the year of the first oil crisis – a turning point for many welfare states towards welfare retrenchment. As elsewhere, the oil crises in the 1970s and subsequent economic slowdown quickly replaced the optimism about financing state

welfare with pessimism among policy makers in Japan. In contrast to the open pledge to build an advanced welfare state in the early 1970, the government began attacking the expansionary trajectory of welfare expenditure. Also contributing to the shift in the government's attitude was a growing awareness about the population ageing and its possible cost for the state welfare. The 'older people's problem' began shifting from problems individual older persons were facing in the society towards the problems older population would cause to the society (Campbell 1992: 210-214).

With the government increasingly shying away from the commitment to state welfare, the family and communities began being re-introduced into the central stage as the key welfare provider. Those who were critical of the larger state welfare maintained that rather than modelling on the Western-style welfare state, Japan should develop the Japanese-style welfare society (*Nihongata Fukushi Shakai*), where individuals, families and communities take initiatives in enhancing their own welfare rather than depending solely on the state. This view was clearly stated by the government in its economic plans in the late 1970s⁸⁹. According to this vision, the state's role should be a facilitator rather than a direct provider of welfare. The main welfare provider thus should be the family and communities, but especially the former. The perceived ideal family in this vision, however, was not the nuclear family but the extended family, which would take the main responsibility for providing for the elderly. Indeed, in the annual report of MHW in 1978, the three-generational household was praised as a hidden welfare asset (*Fukushi no Fukumi Shisan*) of Japan (MHW 1978).

⁸⁹ For example, see 'Shōwa 50 nen dai Zenki Keizai Keikaku' in 1976 and 'Shin Keizai Shakai 7 kanen Keikaku' in 1979 found p. 35 and p. 46 respectively in *Shakai Hoshō Kenkyūjo*, ed. 1988b. *Nihon Shakai Hoshō Shiryō III jō*. Vol. 1. Tokyo: Idemitsu Shoten.

Thus, the government began presenting policy problems at hand as how to facilitate families in an ageing society to take care of their elderly members.

Nonetheless, the immediate post-oil crisis saw an increase rather than a decrease in welfare expenditure. The rapid inflation and remaining political pressures for better state welfare inhibited the immediate rolling back of public benefits and services. On the contrary, the demand for the improvement of state benefits for the economically vulnerable strengthened due to their plight in the face of substantial inflation. This was also true of public pensions, leading to repeated increases in the level of WPE together with that of inflation-indexed contributory pensions despite the fact that the former was not indexed to inflation.

Unlike the previous two decades of high economic growth⁹⁰, however, production growth in the mid- to late 1970s was not sufficient to absorb the expanding state expenditure. Consequently, the government debt reached to a crisis level by the end of the 1970s⁹¹. Against this background, by the late 1970s, the ‘reconsideration of welfare’ became the catchphrase of the time, and a fundamental reform in social security was frequently discussed. Acknowledging the need for a fundamental reform of the pension system, the government commissioned various reports from the mid-1970s. One of the special advisory groups dedicated to an overhaul of the pension system was *Nenkin Seido Kihon Kōsō Kondankai* (the Discussion Group for Basic Ideas for the Pension System, BIPS), which was set up in 1976. In April 1979, BIPS published its final report, which recommended basic principles and the direction of a fundamental pension reform.

⁹⁰ The period between the mid-1950s to the early 1970s is conventionally called high growth period (*Kōdo Kezai Seichō ki*) in Japan.

⁹¹ Another cause of the worsening finance of the state was large-scale public works, which was one of the LDP’s favourite measures to secure their political position.

Despite the general consensus on the need for a fundamental reform, however, most reforms actually introduced before the mid-1980s were mainly focused on short-term solutions to issues problematised by these reports. Faced with strong resistance even from within its own leading party, LDP (Liberal Democratic Party of Japan), the government failed to implement recommended long-term measures which would necessitate curtailment of benefits and fundamental changes in the system. Some of the major issues in question, both materialized ones and postponed ones, were directly relevant to women's pension rights and their economic welfare in old age.

4.2.1 Improving women's pensions: derived right or in their own right?

By the end of the 1970s, there was a general agreement that women's pensions were one of the most urgent problems to be tackled. While the 'women's question' had always plagued policy makers throughout the pension history in Japan (see Chapter 3), the prominence of this issue in the reform discussions of this period was attributable to the rise of national and international gender equality movements. In the international arena, the year 1975 was declared as the United Nations International Women's Year, and the World Plan of Action was adopted in the first international conference on the status of women held in Mexico City. The UN also proclaimed 1976 – 1985 as the Decade for Women to improve the status of women. In response to the national and international pressure for gender equality, the Japanese government set up a Headquarters for Promoting Plan on Women's Problems (*Fujin Mondai Kikaku Suishin Honbu*) under the prime minister and, in 1977, prepared a National Plan of Action to put into effect the World Plan of Action in the national context of Japan.

One of the areas included in the National Plan was women's welfare in old age, including economic security. In particular, the National Plan called for a pension reform in order to guarantee better economic security for housewives and widows who were not members of NP as well as to equalise the premium rate and pensionable age of women and men (Shakai Hoshō Kenkyūjo 1988b: 210). Although these issues had been repeatedly raised as problems from various viewpoints in Japan, the World Plan and the National Plan gave these claims a powerful backing from the viewpoint of gender equality.

However, the two issues – namely, the low level and insecure nature of derived benefits and different treatment of women and men – were problematised based on different dimensions of gender equality. The former issue was problematised based on the principle of valuing unpaid work. The World Plan called for the recognition of the hitherto ignored economic and social contribution of women's unpaid work to be reflected in social security benefits, especially upon divorce (Weal Fund. 1976). In the context of Japan, these international agreements legitimised the problematisation of pension rights of divorced non-NP member housewives and of the low level of SP. Moreover, the ILO Convention No.102 gave powerful ammunition for those who argued for the improvement of women's pensions through derived rights (Kōseidan 1988: 249-251)⁹². On the other hand, the latter issue – equalisation of premium rate and pensionable age – was promoted based on a clause in the World Plan which called for an equal treatment of both sexes. In a way, the World Plan, and the National Plan based on it, recommended that gender equality in social security be sought through the recognition of gender difference in the form of

⁹² The provision for widows in Japan, 50 per cent of the pension of the deceased husband, was lower than the recommended level by the Convention.

contribution as well as through the denial of differential treatment of women and men.

This multi-faceted nature of demands for women's pensions in a way led to the support by those who were not necessarily sympathetic to the cause for gender equality. The calls for providing better pensions for housewives and widows found ready allies among conservatives and promoters of the Japanese-style welfare society, who implicitly and explicitly supported social systems based on the gender division of labour. Similarly, the move to solve the other issue – differential treatment in premium rate and pensionable age – did not necessarily mean that policy makers of the time tried to discourage the gender division of labour or rectify the gendered assumption in the pension system. Although the equalisation of premium rate and pensionable age was promoted under the rubric of gender equality, it might well be the case that it found more supporters among those whose main concern was fiscal rather than gender issues. Indeed, while calls for improving derived benefits met resistance from some parts of the government, notably Ministry of Finance, on the grounds of fiscal constraint (Kōseidan 1988: 249-251), raising women's premium rate and pensionable age in line with men's was introduced relatively swiftly. As a result, the calls in Japan for better pensions for women were a curious mixture of conservative and feminist tones under the banner of valuing the hidden contribution of housewives (*naijo no kō*).

Moreover, once the need for reform to improve the situation of women was looked at beyond the general level and came down to the concrete measures, it was difficult to form a consensus within the constraint of historical legacy and vested interests of the existing public pension system. This was especially so with the pension rights of

housewives of insured employees. The fundamental question was whether housewives of the insured employees should be covered in their own right or treated as dependants of their husband. The appropriate level of SP was also interlinked to this question. If housewives were to be covered individually, SP would be unnecessary, at least in theory. On the other hand, if they were to be provided as dependants, the level of current SP was widely acknowledged as insufficient. To make the issue more complicated, many housewives were also covered by NP in their own right on a voluntary basis. A series of reports and recommendations for the fundamental pension reform showed significant variations in the proposed solution to this problem. In contrast, or because of this deep disagreement among policy makers, the above mentioned BIPS shied away from recommending any concrete long-term directions with regard to women's pensions. Despite being the most influential pension advisory body of the time, BIPS merely summarised the points of discussions on housewives' pensions even in its final report in 1979, and failed to paint a coherent picture of how the system should guarantee the pension rights of women in general. As a temporary way forward, BIPS recommended an increase in APD for spouse and SP, but especially for older widows and widowed mothers, within the framework of the existing pension system.

Backed by these national and international factors, derived benefits rose continuously even in the late 1970s and the early 1980s when the general trend was towards suppressing any pension rise. In the 1976 Reform, APD for spouse was raised from 4.6 per cent to 6.6 per cent of the male model pension, and in the 1980 Reform, it reached to 11.0 per cent (Kōsei Tōkei Kyōkai 2002: 29-36).

With regard to SP, the overall increase was avoided due mainly to the financial concerns strongly put forward by the Ministry of Finance (Kōseidan 1988: 249-251). Instead, an additional benefit, the Widow's Addition (*Kafu kasan*), was created for widows aged 60 and over and widows with minor children, providing monthly additional benefit of 2,000 yen for the former and 3,000 yen or more for the latter depending on the number of children. The minimum guarantee for SP was also raised for both EPI and NP to 33,000 yen per month in 1976, which meant that older widows became guaranteed at least 41 per cent of the model pension for a single male retiree. The levels of both Widow's Addition and the minimum guarantee or SP were continuously raised in the following years roughly in line with the rise in the model pension benefit, reaching 10,000 yen for the former (for older widows and widows with one child) and 41,800 yen for the latter in the 1980 Reform. This meant that, as a result of the 1980 Reform, older widows were guaranteed at least 43 per cent of the model pension for single male retiree.

Although these improvements in derived benefits were generally welcomed, they in a way failed to challenge, or even strengthened, the embedded gender assumptions in the pension system (Murakami 1994; Yokoyama 2002). The strengthening of gender assumptions in the pension system was most apparent in the newly created Widow's Addition. As the name suggested, widowers were excluded from the provision. This was not quite in accordance with the central tenet of the National Plan and the World Plan mentioned above, which called for equalising the treatment of women and men. Moreover, the beneficiaries of better derived benefits were limited to married women, especially wives of the EPI insured, dividing women by marital status and the occupation of their spouse.

On the other hand, defying the gender assumptions in the pension system, an increasing number of married women were re-entering the labour market during this period. Moreover, the general trend of retrenchment did have an impact and there were attempts to contain the expenditure even for housewives by narrowing eligibility. Thus, while the provision for housewives was improving, a question of which women should benefit as wives was becoming more contentious at the same time.

4.2.2 Wives in employment: wage earners or housewives?

Women had been included in the Japanese pension system on the assumption that they were first and foremost housewives. In EPI, women were assumed to be economically dependent housewives, while in NP, women were assumed to be unpaid family workers. When women's actual lifecourses diverted from these assumptions, the pension system showed its limitation to include women in a coherent way. This limitation started revealing itself more acutely against the backdrop of an increase in married female employees since the late 1960s. In 1975, the number of married female workers exceeded that of single working women.

At first, this issue surfaced as a problem of over-privileging dual-earning couples. Since EPI did not originally have any restriction on the eligibility for derived rights of a spouse, even dual-earning couples were able to receive APD for spouse, and upon the death of a spouse, SP in addition to their own old-age pension⁹³. When the level of these derived benefits was insignificant and married women's employment was a rarity, the double payment did not attract much public criticism. However, as

⁹³ In the 1965 Reform, restriction was introduced of the receipt of both one's own old-age pensions and SP.

demands for increasing women's pensions through derived rights strengthened and their employment rate rose, the anomalies in EPI with regard to the treatment of employed wives became more acute and apparent.

This 'problem' was one of the reasons why the government was slow to increase the derived benefits until the late 1970s: simply increasing APD or SP would worsen the 'over-privileging' of dual-earning couples. On the other hand, the economic insecurity of non-employed wives, especially in widowhood, was widely perceived as a problem, and there was a strong demand for the increase in the proportion of SP from 50 per cent to 70 per cent of the pension of the deceased, based on the ILO Convention No.102 (Kōseidan 1988: 249-251). In response to this situation, BIPS urged the government in its final report to increase APD for spouse and SP for older widows and widowed mothers, as seen in the above. At the same time, however, the report recommended reforming the benefit structure so as to differentiate the level of EPI benefit according to the type of the household (Shakai Hoshō Kenkyūjo 1988b: 363-364).

The 1980 Reform followed these recommendations and attempted to redefine who were eligible for the improved derived benefits. As a result, a new clause was introduced to prohibit the receipt of APD for the spouse who had their own public old-age or disability pensions. The same reform also banned widows from receiving the Widow's Addition if they were receiving their own public old-age or disability pensions. After tightening of the criteria, the level of the Widow's Addition was significantly raised. On the other hand, the government refused to raise the proportion of SP itself. The justification for not increasing SP for all widows was that the eligibility criteria for SP in the Japanese pension system were too inclusive

and wasteful compared with major Western systems⁹⁴. Indeed, there was no restriction on age, duration of marriage or existence of children for widows nor minimum required membership period for the deceased in order to be eligible for SP. In the attempt to rectify this situation, in the 1980 Reform bill, the government proposed to abolish SP for childless widows aged below 40 on the grounds that they could support themselves by becoming wage earners. This proposal was discarded in the negotiations outside of the Diet due to the strong resistance from not only opposition parties but also from backbenchers of the ruling LDP. Nonetheless, it was apparent that the eligibility for the status of housewife was becoming more contentious in the pension system.

These moves, however, did not mean that policy makers began adjusting the pension system to include women as wage earners. This was apparent in the treatment of the increasing number of married women in part-time employment. Between 1970 and 1975, the percentage of part-time workers of all female employees rose from 12 per cent to 17 per cent (Tamiya 2003). Wives with part-time work presented a question whether they should be treated as wage earners or dependants in the pension system. Although the assumption in the pension system was that dependent wives had no incomes of their own, the jurisdiction decided not to treat part-time working wives as wage earners across the board but to decide their status case by case. As a result, despite the increase in the number of female employees, the percentage of female workers insured by EPI was declining from the peak of 67.3 per cent in 1970. In 1980, MHW issued a notification to unify the treatment of part-time working wives, defining for the first time the thresholds of working hours for the status of dependent

⁹⁴ See, for example, deliberations in the special committee, House of Councillors, the Social Affairs and Labour Committee. 1973. the 71st Diet Session, Nos. 21-22.

spouses. By stretching the definition of 'dependent wives' to wives with some earnings, therefore, the pension system continued to include women mainly as wives.

This decision, however, did not cause much opposition among wives themselves, and this was understandably so. For wives in part-time employment, becoming a member of EPI in their own right did not necessarily lead to a better deal mainly because of their low wages and short tenure. As wage earners, women were required to fulfill increasingly more difficult conditions for decent pensions. It was decided to equalise the premium rates of female and male workers in the 1980 Reform. Moreover, the same reform extended the maximum period of premium payment for EPI from 30 years to 35 years in accordance with the lengthening average membership period of male employees. Although the minimum required period of membership remained the same, lengthening of the maximum years in effect meant that the benefit level for the minimum membership period decreased. In contrast, the benefits as dependants were improving at the same time, as seen above. Moreover, if they wished, housewives of insured employees could join in NP on a voluntary basis. And indeed they did. Between 1970 and 1975, the number of voluntary participants in NP doubled and it kept increasing. This was partly because of the limited level of provision for wives. APD was far below the subsistence level, and the level of SP – half of the deceased husband pension – was admitted by many government officials as too low to live on. Even the minimum guarantee for SP as of 1980 amounted to only 34.5 per cent of the model pension for a single man.

Overall, it was becoming more difficult for women to gain decent EPI pensions in their own right, while the derived benefit was gradually improving with the additional advantage of NP voluntary membership. In order to remain eligible for

the derived rights, many wives of the EPI insured adjusted their working hours and earnings so as not to exceed the threshold for the status of 'housewife'. This in effect meant that exclusion from EPI in their own right was exchanged for better derived rights, which in a way preempted the possible political movements for better pensions for part-time workers.

Excluded from this deal were part-time working wives of the NP insured. Because of the exemption of part-time workers from EPI in principle, it was difficult for them to gain the access to EPI in their own right. On the other hand, unlike wives of the EPI insured, they were unable to gain much from derived rights. There were no APD for dependent spouse in NPI and derived benefits in widowhood from NP were more restricted than in the case of EPI. What they could generally expect was a modest level of NPI pensions in their own right. It was not surprising therefore that a sense of unfairness was to be budding among NP wives. As we see below, this differential treatment of wives of the EPI insured and those of the NP insured further complicated the equality debates in the Japanese pension system and began being regarded as the main problem of women's pensions.

4.3 Coming of age: the 1985 Pension Reform

By the end of the 1970s, it was widely acknowledged that the existing pension system was unable to respond to changing socio-economic situations in Japan. The double-digit growth in the national economy could no longer be expected to absorb the growing expenditure on public pensions. The demographic profile of the population in Japan was also fast changing, increasing the number of old-age pensioners as well as raising their ratio to non-pensioners. Against this backdrop, from the mid-1970s, a series of recommendations and opinions for a fundamental

reform were put forward from advisory bodies such as BIPS and ACSS. However, the 1980 Reform ended with less than a bang and only introduced changes within the framework of the existing system. Consequently, it became a forgone conclusion that the next Fiscal Adjustment planned in 1985 would need to introduce substantial changes in the pension system. In this planned fundamental reform, women's pension issues were understood as one of the central problems to be tackled.

4.3.1 Women's pension rights versus equity between households

The issue of women's pension was not a new problem in Japan, but how it was defined as a problem had been different over time. The dominant way women's pension was problematised in the run-up to the 1985 Reform was summarised by the final report of BIPS submitted in 1979. The report pointed out three issues as problems with regard to women's pensions – namely, (1) the voluntary NP membership of housewives of the insured employees; (2) the low level of provision for widows and; (3) differential treatment between women and men for premium rates and pensionable age (Shakai Hoshō Kenkyūjo 1988b: 363-364). Among these three, the treatment of housewives was the most fundamental.

The voluntary NP membership of housewives of the insured employees was a compromise between those who argued for their mandatory NP membership and those who supported their total exclusion from NP (see Chapter 3). However, many still saw the settlement as problematic. From the viewpoint of the former, the problem was the lack of women's individual pension right. Therefore, for them, voluntary membership meant a missed target. Women who could not afford to pay the premium, and therefore would be more in need in case of disability or divorce, were simply excluded from the scheme rather than being granted a special

membership with waiver of premium as in the case with mandatory members with low incomes. Indeed, as early as in 1975, MHW officially admitted the problematic nature of voluntary NPI membership of housewives of the EPI insured, pointing out the precariousness of pension rights of non-NPI member housewives (MHW 1975).

On the other hand, exclusion of housewives from NP was proposed on the grounds of equity between EPI and NP households. If housewives joined in NP, they were to be covered both by their own NP and their husband's EPI since EPI was a family provision. For those whose concern was mainly about equity between households, the voluntary membership of housewives even aggravated their concern. Their criticism was that the arrangement was in effect a state subsidy for the middle- to high-income households. This was because the NP pensions were heavily subsidized from general revenues, while the households which were more likely to take out wives' voluntary membership would be those with middle to high incomes. MHW was also sympathetic to the demands for equity between households. In the above mentioned annual report, MHW also suggested the need to differentiate the pension level according to household types, drawing attention to their differential economic situations (*ibid.*). As an example, the report highlighted that single EPI pensioners were relatively advantaged over married EPI pensioners because of the relatively low level of APD.

Having agreed with both views which were at the basis of opposing positions towards housewives' NPI membership, the MHW report was silent about any concrete long-term measures to satisfy both pension rights of housewives and equity between households. Instead, in the subsequent years, the voluntary NP membership of housewives was encouraged as a short-term solution to the women's pension

rights, while APD was repeatedly raised in order to differentiate the provisions for single households and couple households.

As had been criticized, these arrangements did not completely satisfy women's pension rights or equity between households. Yet, compulsory membership would raise a question of finance: Who should pay the premium for housewives, who were technically without incomes? On the other hand, total exclusion was politically difficult because of the sheer size of the voluntary members. By the end of the 1970s, the voluntary members constituted more than a quarter of the total members of NP, and about 80 per cent of the housewives of insured employees were enrolled in NP as voluntary members.

The problem of the low level of SP was also interlinked with this issue. The government was hesitant to raise the proportion of SP from 50 per cent of the pension of the deceased in the fear of further widening inequality between households which took out voluntary NP membership and those which did not. Because some were covered by both EPI (as a dependant) and NP (as an individual), raising SP to a satisfying level for those without NP would mean overprovision for those in both schemes.

These uncoordinated, myopic 'solutions' to women's pensions, however, became themselves considered to be problems. In its final report, BIPS explicitly took up this issue as a major problem, arguing that the voluntary membership could destabilize the finance of NP because of the ease to withdraw from the scheme at whim (Shakai Hoshō Kenkyūjo 1988b: 356-369). While BIPS did not recommend any long-term concrete solutions to this issue, it emphasised the household as the basic unit of pension provision and the insurance principle financed by premium

payment (*ibid.*). On the other hand, a report submitted by ACSS in 1977 proposed to cover women as individuals by establishing a new basic pension scheme for all citizens financed by general revenue (Shakai Hoshō Kenkyūjo 1988b: 351-355). According to this plan, the various existing public pensions were to become top-up provisions in addition to the basic pension. Many other reports, both official and unofficial, recommended various approaches falling in between these major two reports.

In November 1982, in the attempt to seek common ground, MHW consulted academics, business leaders and other key policy makers by sending a questionnaire about the ideal form of the reformed pension system. In the accompanying documents, MHW emphasized the long-term stability of the system and fairness within and across generations as the two fundamentally important principles for the reform (Shakai Hoshō Kenkyūjo 1988b: 450-453). As a reference point for envisioning a new system, MHW for the first time revealed its blueprint of a reformed system. First, it suggested an introduction of Basic Pensions (BP) for all citizens. However, unlike the one proposed by ACSS, MHW suggested using the existing NP and the flat-rate part of EPI for this purpose. The MHW's version also differed from ACSS's in the financing of BP. The former supported the social insurance principle, while the latter insisted on financing BP by general revenue. For employees, the earnings-related part of pension was to be topped up. With regard to women's pension rights, MHW suggested that the new system would provide all women with their own individual pensions, including the non-employed wives of insured employees. The questionnaire was sent to 1,000 people and 639 replies were received (MHW 1983). Overall, the view of MHW prevailed. Based on the replies

to the questionnaire, MHW prepared the reform bill, which passed the Diet in April 1985 and was promulgated in May the same year.

4.3.2 Establishment of women's pension rights in 1985 Reform

The 1985 Reform tried to solve three major 'problems' – namely, the divided schemes and inequality between them; financial sustainability; and coherency in the coverage of women by:

1. Introduction of Basic Pension;
2. Containment of benefit level gradually over 20 years by adjusting calculation formula to lengthening contribution years;
3. Increase in the contribution rate;
4. Establishment of housewives' individual pension right; and
5. Increase in SP.

The new structure laid down by this reform became the framework of the current Japanese pension system. Previously separate state pension schemes were incorporated into one coherent system, comprised of three tiers. The first tier was the flat-rate Basic Pension (BP) which covered all those aged 20 to 59. The second tier was an earnings-related part for employees. The third tier was an additional part which was mainly constituted of occupational pensions. The minimum membership period for pension entitlement was extended for EPI members in line with NP (25 years) and the full pension was obtainable after 40-years contribution. The pensionable age for the first tier was also raised in line with NP (age of 65). It was also decided that pensionable age for women were to be raised from 55 to 60 over 12 years from 1987. The members of different schemes were re-categorised into three new groups as Table 4.1 shows.

Table 4. 1 Membership categories of the public pension system after 1985

| Categories after the reform | Definition | Premiums to be paid | Pension benefit |
|------------------------------------|---|----------------------------|---|
| No.1 insured | Former mandatory members of NP | Fixed amount | From 1 st tier |
| No. 2 insured | Former members of EPI and other schemes for employees | Earnings-related | From 1 st and 2 nd tiers (if available, also from 3 rd tier) |
| No.3 insured | Dependent spouses of the No.2 insured | Exempt | From 1 st tier |

Among the three categories, the No.3 insured was newly created especially for housewives of insured employees in mind, who were formerly allowed to join in NP on a voluntary basis. To be eligible for this category, a person should be firstly married to the No.2 insured, secondly, non-employed or in part-time employment with working hours less than three quarters of the full-time employees at the workplace, and lastly had annual incomes less than 0.9 million yen⁹⁵ as well as less than half of his/ her spouse's income.

The reform addressed the most pressing issues pointed out since the mid-1970s. The inequality in benefit levels between pension schemes was not eradicated but rationalized by the multi-tier system. The financial crisis of NP was averted by incorporating it into the financially more secure EPI. Overall financial gains were earned by the cut in the benefit level over the next 20 years as well as the rise in the premium rate for employees to 12.4 per cent for men and 11.3 per cent for women.

⁹⁵ The threshold was raised in accordance with the rise in wages in later years.

More than anything, this major reform was widely publicised as the answer to women's pension problem. It was claimed that the reform established pension rights for all women and streamlined existing provisions for women. With the establishment of the category No.3, dependent spouses of employees gained their own pension rights to the basic provisions for old age instead of being provided through additional benefits paid to their husband (see Figure 4.1). As a result, APD for spouse became limited to dependent spouses aged below the pensionable age of 65⁹⁶. The introduction of the category No.3 also meant that EPI households which were previously unable or unwilling to take out voluntary NP membership of housewife could also benefit from NP equivalent, redressing the unfair situations where only better-off couples were able to receive higher benefits with the state subsidy. With regard to SP, the provision from the first tier was to be limited to widowed mothers, while the one from the second tier was to be paid to all widows of the No.2 insured regardless of age and motherhood. The ratio of SP from the second tier was also raised to 75 per cent of the deceased members' earnings-related part of pensions. On top of this provision, childless widows of the No.2 insured aged between 35 and over could receive additional benefit from the age of 40. The problem of women's pension right was apparently solved by establishing housewives' pension rights regardless of their premium payment.

⁹⁶ There is a transitory adjustment payment (*Furikae Kasan*) paid to dependent spouses according to his/ her date of birth. Those who were born on 2nd April 1966 and after would get no additional benefits.

Figure 4. 1 Changes in the Structure and the Benefit Level for the No. 2 insured

| | | 32 Years | 40 Years | |
|---------------------------|--|-----------------|-----------------|-----------------|
| Paid to EPI insured | | ¥81,300 | ¥76,200 | Paid to No.2 |
| | | ¥76,800 | ¥50,000 | |
| | | ¥15,000 | ¥50,000 | Paid to No.3 |
| Total | | ¥173,100 | ¥176,200 | Total |

Note: the amounts were in prices as of 1984

Source: Kōsei Tōkei Kyōkai (2002: 43)

The reform was indeed substantial and thorough. Yet, the renewed pension system was a curious mixture of changes and continuities. Partly because of this, the reform created another form of ‘women’s pension problem’ as we see below.

4.3.3 Unfair equality? Seeds for contentions

Although the government claimed otherwise, ‘women’s pension problem’ was not settled even with the substantial changes brought by the 1985 Reform. The reform was criticised from the viewpoints of gender equality and equity between households – the very issues the reform claimed to have tackled. With regard to the former, although the establishment of women’ individual pension right was indeed a significant step forward for women’s economic welfare in old age, the achievement

was made by expanding the derived rights. In a way, this resulted in the strengthening of the gendered perception of women as economic dependants.

Indeed, rather than challenging the embedded gender assumptions in the system, the reformed system as a whole actually strengthened the male breadwinner/ female homemaker model more than before. This could be clearly seen in the reformed SP. The Basic SP was in effect a continuation of the Widowed Mother's Pension from NP. However, the reform changed the eligibility condition, turning the provision for widowed mothers into the derived rights rather than individual rights. Under the new law, the Basic SP was to be payable based on the membership record of the deceased husband, rather than widowed mothers' record as in the old system. Moreover, in the case of SP from the second tier, women were forced to choose either derived rights or individual rights. Even if widows had an entitlement to their own pensions from the second tier, they should waive the right in order to receive SP from the second tier. Since the majority of women did not have their own pensions higher than three-quarters of their deceased husbands' pensions, most of them chose to give up pensions in their own right. This resulted in the situation where the pension levels of married women were determined by the level of their late husbands' pensions regardless of their own contribution records.

The assumption of male breadwinner/ female homemaker model could also be found in the treatment of widowers. Despite the equalisation of treatment between women and men in premium rates and pensionable ages, differential treatment of widows and widowers in SP was retained from the old system. Unlike widowed mothers, widowers with minor children were not entitled to Basic SP. While SP from the

second tier provided for widowers as well⁹⁷, there was an age restriction and a waiting period unlike for widows. Only widowers aged 55 and over at the time of their wife's death were eligible for the benefit, which was not payable until the age of 60.

The failure of the government to explicitly challenge the gender assumptions in the pension system implied that the main concern of the reform for the government was not necessarily gender issues. The moves for women's individual pension right and for strengthening the gender assumptions were able to coexist in the same reform partly because women's pensions were problematised within the framework of equity between different types of households rather than gender equality. Despite the claim of the major change for the establishment of women's individual pension rights, therefore, the 1985 Reform continued using the familiar framework – derived rights as wives. Ironically, however, this period was also the time when feminists' challenges to the gender division of labour were gaining wider recognition, which manifested itself in the passing of the Equal Employment Opportunities Law in 1985. Thus, the reformed system was soon to reveal its limitation as a pension system in the new era.

Neither was the issue of inequity between households settled by the 1985 Reform. Although the incoherence in benefit levels and eligibility conditions across schemes were apparently managed, inequality in the levels of premium between households of different occupations remained. The premium for the No.1 insured continued to be a fixed amount rather than a proportion of earnings. As often pointed out, this

⁹⁷ The scope of Survivors' Pension is wider than that of Survivors' Basic Pensions. Those who are entitled to this provision is widows with minor children, widows without children, widowers aged 55 and over, parents aged 55 and over, grandchildren under 18 and grandparents aged over 55. The priority for the provision is given according to the above order.

arrangement was regressive in nature and unequal with the arrangement for the No.2 insured, who paid earnings-related contributions. Moreover, the reform added a new issue – the treatment of the No.3 insured. As seen above, the No.3 insured were not required to pay any premiums for their entitlement to BP because they were technically without their own incomes. This was in a stark contrast with the treatment of spouses of the No.1 insured who also did not have incomes in their own name. Unlike spouses of the No.2 insured, they were categorised as the No.1 insured themselves, and thus they (or more precisely the heads of the household) were obliged to pay the fixed amount premiums. This arrangement was criticised as unfair because the benefit level of BP for the No.3 insured was completely equal with others if the membership period was the same. Even in the public hearings in the Diet during the deliberations on the reform bill, some pointed out this clause as unfairly advantageous treatment of employees' wives (Yokoyama 2002: 168-171). It was therefore no surprise that the criticism about 'privileges' of housewives started getting louder after the reform.

The establishment of pension rights for housewives was thus widely regarded as an unfair privilege of housewives rather than equality in outcomes because of the utilized route – the derived rights. Presented as conflicting interests between households with different work arrangements, the 'women's pension problem' in the Japanese pension system turned out to be divisive for women rather than enhancing solidarity among women. At the same time, the extension of the derived rights meant the strengthening of the gendered assumptions in the pension system. In sum, the legacy of the 1985 Reform for women was the stronger assumption of their economic dependency in marriage and their division along the line of their husband's

occupations. Far from being solved, the women's pension problem became more contentious than ever.

4.4 Conclusion

By the end of the 1960s, the public pension system became widely regarded as an important source of incomes in old age. As citizens' expectations on the public provision grew, the demand for its improvement also strengthened. The demands for better pensions were often presented as issues of equality and fairness. The demand for better EPI pensions for future was strengthened by the argument that non-public workers were disadvantaged compared with public workers in terms of the level of pensions. In turn, the increase in NP benefits was justified on the grounds of equality between workers of different sectors. On the other hand, benefit increase for the elderly of the day was demanded on the grounds of fair share of the national resource. Against the backdrop of rapid growth in national economy, the level of pension benefits was raised substantially to meet these demands in the 1960s and the 1970s.

However, more often than not, the ways issues of inequality were problematised were premised upon certain norms and assumptions which legitimised other forms of inequality. One of such norms and assumptions was a principle whereby pension benefits should be in exchange for monetary contribution in the form of premium payment. Another was that a couple household should be the basic unit for determining the level of benefit. Thus, marriage was taken for granted as well as its intactness. Moreover, it was assumed that most of households would follow the male breadwinner/ female homemaker model. These norms and assumptions effectively legitimised lower levels of pensions of the contemporary elderly and women's precarious pension rights.

Nonetheless, this did not mean that pensions of the contemporary elderly or women were not problematised. On the contrary, the 1960s onwards saw these two issues increasingly being taken up as policy problems. However, the fundamental norms and assumptions behind these issues themselves were not seriously challenged during this period. As such, effective exclusion of the contemporary elderly was not problematised as a structural problem within the pension system which legitimised inequality between generations. Rather, it was perceived as a poverty problem of economically vulnerable due to socio-economic changes. Thus, more generous 'special' benefits were introduced for the contemporary elderly as a political goodwill rather than as a manifestation of their pension rights.

Similar situations were observed with women's pensions. However, in the case of women's pensions, what sustained the above embedded norms and assumptions was not the unquestioning of inequality but the dilemma of claims for equality made on the basis of difference. In national and international movements for gender equality, women's generally disadvantaged position in social security was problematised and the redress was demanded by taking into account of the value of hetherto neglected unpaid work. However, in the context of the pension system in Japan, demands for gender quality through valuing unpaid work often merged with demands for better pensions for women as housewives. In other words, practical demands based on the reality of gender division of labour were joined with, or overtaken by, demands based on norms of gender division of labour. This dual-nature of 'gender equality' in pensions manifested itself in the No.3 insured in the 1985 Reform. Although the government claimed that the arrangement solved the problem of women's pension rights, it did not fundamentally challenge the norms and assumptions which had legitimately sustained the gender inequality – namely, insurance principle based on

monetary contribution, the household as a basic unit and the male breadwinner/
female homemaker model.

Since the 1980s onwards, the dominant discourses on the economic situations of the contemporary elderly began to change and the emphasis was put more on their affluence. Thus, the issue of the economic plight of the elderly virtually disappeared from policy debates as a major policy problem in Japan. In contrast, issues of women's pensions remained being problematised throughout the 1990s but from a different perspective as will be seen in the next chapter.

Chapter 5 Gender Equality in the Childless/ Aged Society

At the turn of the century, Japan saw the destabilisation of various post-war institutions. In the labour market, the unemployment rate and atypical working patterns kept increasing not only for women but also for men, dispelling the myth of the life-long full-time employment for male workers. On the other hand, women's advancement in the labour market further progressed, eroding the ideology of the family based on the gender division of labour. In the family, the birth rate continued falling to the lower record, while demand for social care services for the frail elderly was mounting. Together, the trend revealed that the availability of women's unpaid care work could no longer be taken for granted. These changes challenged the existing social security system which was based on the dominant norms of post-war years on the relations between women and men, between the young and the old and between the state and citizens.

This chapter explores how the transition of norms concerning these relations affected the way in which women's pension was problematised in Japan in the 1990s onwards. In so doing, the changes and continuities are traced of the issues of equality and fairness among various social groups. First, the chapter looks at the overall trends of the pension policies in the 1990s in Japan. This is followed by a section which examines the issues problematised during the decade with regard to women's pensions. It especially focuses on a report by an official advisory committee on women's pensions published in 2001. The next section looks at the changes and continuities in the way women were treated in the Japanese pension system as a result of the 2004 pension reform. The last part summarises the findings and

considers what 'problems' were unresolved and what issues were left unproblematised with regard to women's pensions.

5.1 The childless/ aged society and pension reforms

The 1990s saw the population ageing further advanced in Japan due mainly to the continuous decline in the birth rate. The finding that the total fertility rate (TFR) in 1989 dropped to 1.57 and broke the record low of 1966 was widely publicized in the media, dubbing it as the '1.57 Shock'. While TFR had been below the replacement level since the mid-1970s, and the Japanese ageing had been a well-discussed issue, the main focus of policy makers until then had been on the growing number of the elderly rather than on the shrinking number of children. As politicians realised that the trend of declining TFR was enhancing the population ageing at a faster rate than it had been previously predicted, the issue began being taken up as something of a 'crisis' in the 1990s.

The decrease in TFR was at first understood as being caused mainly by younger women's active choice to delay marriage⁹⁸ and/or childbearing. Indeed, against the backdrop of improvement in women's education and advancement of gender equality movements, women's aspirations in the labour market were heightening and years of women's full-time employment were slowly extending. However, the public attention was gradually shifted from women's choice to the rigid gender division of labour as a main cause of the TFR decline. Faced with the constrained choice between their careers and family life, younger women were increasingly shying away

⁹⁸ The proportion of children outside the marriage was, and still is, very low in Japan. In 2003, it was about 2 per cent of all the births in Japan, while the equivalent proportion in the same year was 43 per cent in Britain and 26 per cent in Germany.

from marriage and/or childbearing. The proportion of life-long single persons⁹⁹ rose from 4.5 per cent to 5.8 per cent for women and from 2.6 per cent to 12.6 per cent for men between 1980 and 2000 (Japan Cabinet Office 2004b: 17)¹⁰⁰. The shift of the focus was also accompanied by changes in the government's attitude. In the face of the unabated decline in TFR, the government grudgingly came to accept that, in order to reverse the declining trend of birth rate, the conventional gender division of labour should be actively challenged (see, for example, Economic Planning Agency 1997).

Based on this understanding of the issue, the government began explicitly acknowledging married women's role as paid workers as well as encouraging men's participation in childrearing. The government also started to accept that women's unpaid care work was no longer readily available and that a larger state role was required to fill the gap. In a way, the government accepted the limitations of the 'Japanese-style welfare society' promoted in the 1970s and 1980s (Nakai 2004; Yokoyama 2004). The changing attitude of the government towards childcare was clearly seen in the annual report of MHW in 1998, which dismissed the widely held view of the indispensability of maternal care for children under three as a myth (MHW 1998). In the attempt to increase the birth rate, the government introduced a

⁹⁹ The proportion of persons who were single in the age groups 45-54 was used as a proxy. The proportion was reached by taking the average of the proportions of singles aged between 45 and 49 and between 50 and 54.

¹⁰⁰ Although the more rapid increase in single men than in single women since 1990 is an interesting demographic phenomenon, the exploration of the reasons behind it is beyond the scope of this thesis. While there are many studies on the increase in non-marriage in Japan, most of them are focused on younger people in their 20s and 30s rather than the lifetime singlehood. See, for example, Japan Cabinet Office. 2004b. *Shōshika Shakai Hakusho (White Paper on the Childless Society)*. Moreover, many of them are focused on possible contributing factors for women's singleness and childlessness rather than men's (see, for example, articles in Meguro, Yoriko, and Nishioka Hachiro, eds. 2004. *Shōshi ka no Jendā Bunseki (Analyses on the Childless Society)*. Tokyo: Keisō Shobō, Shakai Seisaku Gakkai, ed. 2005. *Shōshi ka, Kazoku, Shakai Seisaku (Childlessness, the Family and Social Policy)*. Vol. 14. Tokyo: Hōritsu Bunka sha.).

series of policies to facilitate the reconciliation of employment and childrearing from the 1990s onwards. In 1991, the government introduced the statutory parental leave (amended in 1994). Also, in order to expand the existing social services as well as to create new ones for childrearing, a series of five-year plans were produced (Angel Plans in 1994 and 1999). The demographic concerns accelerated the shifting of the boundaries between the state and the family as well as strengthened the challenge to the conventional gender division of labour.

Childcare was not the only area which felt the shortage of women's unpaid work. Indeed, it was long-term care for the frail elderly which first attracted political attention. Reliant heavily on informal care by the family, social services for long-term care in Japan had been negligible in number and questionable in quality. However, with the advancement of population ageing and significant changes in the family, informal care by the family started to show its limitation. Faced with a growing demand for greater state welfare in this field, the government introduced a series of five-year plans for the long-term care for the elderly (Gold Plans in 1989, 1994 and 1999) and the expansion of social services. Moreover, in 1997, the government introduced a social insurance scheme for a long-term care (enforced in 2000), acknowledging for the first time the need to socialise care for the frail elderly regardless of their economic status or the availability of other family members.

These policies for the expansion of the state services were, however, accompanied by the rigorous curtailment of welfare expenditure under the name of sustainability of the welfare system in the aged society. In view of the childless/ aged society, the government put the structural reform of the social security system as one of the top priorities in the mid-1990s. In 1996, chairpersons of eight official advisory councils

of social security related fields had meetings and submitted an interim report, entitled ‘the Direction of Social Security Structural Reform (*Shakai Hoshō Kōzō Kaikaku no Hōkō*)’, which reinstated the need to contain the rise of the levels of contributions and benefits (MHW 1996). In November 1997, the government enacted the Special Law to Enhance Fiscal Structure Reform (*Zaisei Kōzō Kaikaku no Suishin ni kansuru Tokubetsu Sochi Hō*), which set a numerical target to contain the social security cost. One of the most affected areas was the pension system, whose financial situation was increasingly being worsened by the rise in the number and the proportion of the elderly. Thus, the 1990s onwards saw two opposite trends of expansion and retrenchment simultaneously in welfare policies.

5.1.1 Sustainability and retrenchment

A childless society was also an ageing society, where a shrinking number of those in the labour market should provide for a growing number of retirees. In the pension system, this meant for younger generations that their contributions should keep rising while their pension prospects would keep worsening. Indeed, at every official population projection in the 1980s onwards, the prospects for actuarial balance of the pension funds worsened and as a result the premium rate was continuously raised without much real growth in the level of pension¹⁰¹. This in turn nurtured a sense of unfairness among the younger generation, who were unlikely to receive the level of pensions enjoyed by the current older generation. The limitation of a pay-as-you-go scheme in the childless society was repeatedly pointed out (for example, Takayama

¹⁰¹ The rise in premium rate was steeper for women than for men due to the equalisation of the rates between women and men legislated in the 1980 Reform. Between 1980 and 1996, the rate for female employees almost doubled from 4.45 per cent (5.3 per cent for men) to 8.675 per cent (same rate for men).

1992; 1998), which further stimulated the demand by younger population for fairer distribution of resources between generations.

By the mid-1990s, the dominant view among the Japanese was that the cut in benefits was inevitable in order to contain the rise in contribution¹⁰². When MHW conducted a survey in 1998 on five options for the balance between the levels of premium and benefit, the most preferred option was to reduce the benefit level to 50 per cent of average earnings (from 62 per cent under existing level) and contain the rise in premium to 13 per cent¹⁰³ of monthly remuneration at the maximum (17.15 per cent of the monthly remuneration to support the existing level of benefit)¹⁰⁴. Increasingly, the dominant discourse of the pension reforms shifted from the need for adequate provision for old age to the need for intergenerational equity and sustainability of the pension system.

Against this background, measures to contain the rise of the pension level were fairly rigorously pursued in the 1990s. These moves were also in line with the austerity budget under the government policies for fiscal restructuring from the mid-1990s onwards. While the move towards the containment of pension level itself was not unique to this period but noticeable since at least the early 1980s (see Chapter 4), pension reforms in the 1990s were fundamentally different from the measures actually taken in the 1980s. The latter were mainly focused on fine-tuning of the

¹⁰² According to the survey conducted by the Office of the Prime Minister in 1998, about 70 per cent of those in the survey (5,000 people in total) agreed with this view. See Asahi Shinbun. 21 June 1998.

¹⁰³ Unlike the conventions of official documents in Japan, the premium rates used in this thesis are only for employees and exclude the share of employers unless otherwise stated. Employers pay the same premium rate with that of employees.

¹⁰⁴ The surveyed groups were 2,000 experts and opinion leaders and 3,300 university students (Asahi Shinbun 15 May 1998, 11th July 1998). The five options that MHW presented were as follows: 1) rise in premium necessary to support the same level of benefit with existing system; 2) premium rate of 15 per cent and replacement rate of 55 per cent; 3) see the above; 4) premium rate of 10 per cent and replacement rate of 37 per cent; 5) abolition of the earnings-related part from a compulsory public pension.

eligibility conditions so that they would better reflect the maturity of the system. Thus, for example, although the 1985 Reform extended the years of membership for the model pension from 32 years to 40 years, it did not reduce the replacement ratio of the model benefit itself. In contrast, reforms in the 1990s explicitly curtailed the level of model pensions in order not to exceed the agreed ceiling for the maximum premium rate – 10 per cent at the time.

The most explicit measures for cost containment in the 1990s were direct cuts in benefits. In the 1994 Reform, the base of indexation for benefit increase was changed from the rise in the average gross wage to that of the average net wage. Moreover, in the 1999 Reform, the level of the earnings-related part of pension was cut by 5 per cent.

Another major change in this direction was the rise in the pensionable age. This option was first proposed in the government's bill in the 1980 Reform. However, the strong resistance from business and labour aborted the proposal at the time. In contrast, against the backdrop of further advancement in population ageing, the extension of pensionable age was finally enacted in the reforms in 1994 and 2000. In the 1994 Reform, the pensionable age was raised from 60 to 65 for the basic part of EPI¹⁰⁵, which were to be implemented between 2001 and 2013 for men and between 2006 and 2018 for women. Although the pensionable age for the earnings-related part was originally kept as 60 for both women and men, this decision was quickly reversed in the 2000 Reform. As a result, the eligible age for the earnings-related

¹⁰⁵ Although BP created in the 1985 Reform was payable from 65, members of EPI had been able to receive equivalents of BP and earnings-related second tier from 60 as under the previous system. These benefits were called Special EPI Old-Age Pension (*Tokubetsu Shikūno Rōrei Kōsei Nenkin*).

part in EPI also became 65, which was to be introduced between 2013 and 2025 for men and between 2018 and 2030 for women.

More fundamentally, this period also saw growing support for private pensions in Japan, corresponding to the world-wide trends in this direction. Proposals for introducing private pensions as a part of the pension system began being seriously considered by the government towards the end of the 1990s. In October 2001, state-subsidised defined premium schemes were introduced as a voluntary third tier in the pension system (enacted in June 2001). Just when state welfare for the economic security in old age came of age in Japan, the share of resources allocated to the elderly through the state began being challenged. Although the shift from public pensions to private pensions would often disadvantage those with low earnings and/or with long life expectancy, the possible negative implications of this move for women, who generally fit in the above categories, were not well discussed.

5.1.2 Equality among women or gender equality?

Rising cost of the pension system notwithstanding, there were a group of people who benefited from the system without premium – namely, the No.3 insured or ‘housewives’ as commonly referred to. As the pension prospects for future pensioners worsened, questions were increasingly raised about the legitimacy of providing full Basic Pensions (BP) for housewives without collecting premiums from them. These criticisms often took the form of attacks on ‘favourable treatments’ of housewives in the pension system, depicting this arrangement and other derived benefits in the pension system as regressive distribution of resources from dual-worker households to male breadwinner/ female homemaker households (for example, Shiota 1997; 2000). These criticisms easily led to popular discourses on

housewives as free riders, making women with different marital and employment status antagonistic towards each other¹⁰⁶.

Criticisms were also raised by some feminists who saw the existing pension system as gender reinforcing (Ida 1998; Shiota 1997). They condemned that the pension system perpetuated women's subordinate economic position to men's by encouraging women to become housewives and discriminating against those who did not comply. Thus, the pension system was criticised for its gender bias, which contributed to distorting the employment behaviour of married women to comply with the conventional gender division of labour. This line of criticism was further encouraged by concerns about the declining birth rate and ageing society, which were increasingly attributed, at least partially, to the rigid gender division of labour (CGE 1997; Economic Planning Agency 1997).

On the other hand, the confidence in the public pension system was fast eroding among the general public. In the mid-1990s, nearly 11 per cent of the No.1 insured did not contribute to the public pension¹⁰⁷ due mainly to inability to pay (63.8 per cent) and to the distrust of the public pension system (41.7 per cent)¹⁰⁸ (MHW 1997a). This high proportion of non-payment in turn led to the growing sense of insecurity about the future viability of the system among those who paid. Thus, the government was faced with an increasing need to legitimise the pension system as secure, fair and equitable.

¹⁰⁶ For a collection of non-academic essays on housewives in the 1990s, see Chūkō Shinsho Rakure Henshūbu, ed. 2002. *Otto to Tsuma no tamenō Shin Sengyō Shufu ron (New Debates on Housewife for Husband and Wife)*. Tokyo: Chūō Kōron Shinsha.

¹⁰⁷ This figure excludes those who were legally exempt from premium payment due to low incomes or other reasons. The rate of these people in the same year was 14.1 per cent. The premium for the No.1 insured is a fixed amount. In 1997, the premium was 13,300 yen per month.

¹⁰⁸ Respondents were asked to choose several reasons which were applicable.

In an attempt to abate the criticism of gender bias and preferential treatment of housewives in the pension system, the government amended the Survivors' Pension (SP) in the 1994 Reform so that it could better reflect a woman's own record of premium payment. As a result, rather than choosing between SP and their own EPI pensions as had been the case under the previous regulation, widowed spouses were enabled to choose to receive half of their own EPI pensions together with two thirds of SP (equivalent to the half of the deceased spouse's EPI pensions) if this was higher. The newly introduced premium exemption for parents (see above) was also publicised as a measure for supporting women in the labour market. Nonetheless, these measures were far from fundamental. The most criticised arrangement for housewives – exemption of premium – was left intact and the male-breadwinner/female homemaker model still permeated the overall pension system.

In the preparatory discussions for the 1999 Reform, women's pension issues attracted more attention than before and caused heated debates in various advisory committees and discussion groups (see below). Yet, despite the common recognition of the problematic nature of women's pensions under the existing system, there was no consensus on what should be done about it. According to a survey by MHW for experts and opinion leaders, 20 per cent of those asked supported the status quo of the No.3 insured system, while 27 per cent of the respondents supported the collection of contributions from the No.3 insured. On the other hand, in the same survey, 44 per cent supported the status quo for the moment but favoured collecting contributions in future (MHW 1999). Various surveys also showed that citizens were divided (Yokoyama 2002: 264-267). Generally speaking, the No.3 insured system was supported by more men than women, more younger people than older people, more No.3 insured than non-No.3 insured, and more non-experts than experts.

Failing to reach a consensus, the Pension Council (*Nenkin Shingikai*, an advisory body to the Minister of Health and Welfare) recommended in its 'Opinion' on the 1999 Pension Reform that women's pension issues should be further discussed before introducing a fundamental reform (Pension Council 1998). Accordingly, the government postponed any fundamental changes in women's pensions in this reform. As a result, the bias towards the male breadwinner/ female homemaker model in the pension system was left almost intact throughout the 1990s and carried over to the new century.

5.1.3 Valuing care work or population policy?

Pension policies in the 1990s reflected the shift in the attitude of the government towards parenting and the gender division of labour. In a series of pension reforms in the decade, the government tried to adjust the pension system to be in harmony with newly introduced 'family friendly policies'. In the 1994 Reform, exemption of premium payment was introduced for employees on parental leave for a child under one year old. Previously, the employees on leave were required to keep paying the premium based on the pre-leave wage level. However, the new clause exempted this obligation for employees while their pension benefits were to be calculated based on their pre-leave wages (enforced in 1995). In 1999, the premium payment was also exempted for employers' side while the employees were on statutory parental leave. These arrangements were a significant step forward for parents, especially for employed mothers, the majority of whom previously had to settle the matter by shouldering the cost of childbearing and rearing by themselves.

However, originating from demographic and economic imperatives, the expansion in state welfare of this period in general did not necessarily mean the strengthened

social rights of citizens in Japan (Peng 2000). This limitation could be clearly seen in the newly introduced pension policies. The premium exemption for parents on leave was framed as a part of the effort to enhance the birth rate rather than to protect pension rights of parents or to reflect the value of care work (Pension Council 1998). As such, the premium exemption was available only to those who were directly relevant to the main policy goal – namely, parents. Although statutory care leave was also introduced in the same year with parental leave, those on the former were still required to pay the premium based on the pre-leave salary. While the state welfare was significantly expanded in the area of care for the frail elderly during this period, the improvement of pension rights of carers was not included in the welfare package for the long-term care.

The premium exemption was not only targeted to parents but also focused on those whose opportunity cost of having children was more likely to be high. Thus, only employed parents were eligible for the premium exemption. If employees left the workplace rather than taking out parental leave, they simply lost their membership in the second tier. These people were to be re-categorised either as the No.3 insured (if their spouse was an employee) or as the No.1 insured (if their spouse was a non-employee or if there was no spouse), both of which did not have an access to earnings-related part of pension benefits. Furthermore, while the No.3 insured were exempted from paying premium to BP, the No.1 insured were required to pay the fixed amount premium even during the period of childbearing and rearing. Thus, the arrangement treated parents differently according to the employment status of their own and of their spouse.

While the inconsistent treatment of different groups of carers (including parents) was partly due to the design problem of the pension system in accommodating women (see previous chapters), this flaw in the system could have been overcome if the policy goal had been to value care work itself or to mitigate pension disadvantages due to care work. Considering the narrow scope and incoherency in accommodating care work in the pension system, the newly introduced pension policies were limited as care credits, which were often expected to enhance the pension rights of those with main care responsibilities, of whom the majority were women.

5.2 Women's pension problem

In the 1990s, gender equality was repeatedly taken up in the mainstream political arena as a key issue to be tackled in Japan. While this development was a result of national and international feminist movements, it was also helped by the political environment and economic imperatives of the time (Osawa 2000). In the mid-1990s, the ruling Liberal Democratic Party (LDP), which was generally not enthusiastic about gender equality, was in coalition with the Social Democratic Party of Japan and the New Party Sakigake, both of which were headed by female leaders and key advocates of gender equality. Moreover, as the link between the declining birth rate and the rigid gender roles came to be widely accepted, the gender division of labour began being understood as an obstacle for viable economy and social reproduction rather than a useful mechanism to enhance them. The issue was no longer 'only' about gender equality but also, and more importantly for some, about the national economy.

Against this background, the Council for Gender Equality (CGE, *Danjo Kyōdō Sankaku Shingikai*) was set up by government ordinance in 1994 to define the goals

for a gender-equal society and to recommend measures to achieve them¹⁰⁹. In 1996, CGE submitted a report entitled '*Danjo Kyōdō Sankaku Bijon: Nijūisseiki no Arata na Kachi no Sōzō* (A Vision of Gender Equality: Creation of New Values for the Twenty-first Century, hereafter referred to 'the Vision')', putting forward recommendations and some concrete policy proposals in order to achieve a gender-equal society (CGE 1997). Among them, the need to eradicate the gender bias in taxation and social insurance systems was explicitly pointed out.

The revision of the Equal Employment Opportunity Law in 1997 (enforced in 1999) also further challenged discriminatory practices which often stemmed from gender biases. The government's move towards gender equality culminated in the passage of the Basic Law for a Gender-Equal Society in 1999. As a result, the criticisms of the gender assumptions in various social institutions, including the public pension system, were further heightened.

5.2.1 Committee on Women's Pension

Despite the mounting criticisms, the pension reforms in the 1990s did not directly address 'women's pension problems' as we saw in the previous section. Still, by the end of the 1990s, there was a common understanding among policy makers that some measures should be taken. Indeed, in the same report which recommended postponement of gender-related reforms in 1999, the Pension Council also urged the government to set up a committee consisting of experts on related fields to discuss issues on women's pensions in the aim for fundamental reforms (Pension Council 1998).

¹⁰⁹ CGE was subsequently upgraded to be a statutory body in 1997.

Accordingly, a special committee was created in July 2000 to look into issues on women's pensions, taking into consideration the Civil Code, taxation, social security and actuarial viability. The committee, the Study Group on the Pension System which Responds to Changes in Women's Lifestyles (SPWL, *Josei no Raifu Sutairu no Henka nado ni Taiōshita Nenkin no Arikata ni kansuru Kentō kai*), was the first of its kind in Japan which directly and solely addressed the gender dimension of the pension system. SPWL consisted of 16 members, of whom 9 were women. Their background was diverse from pension experts to a 'housewife'. In December 2001, after 17 sessions of heated debates, SPWL produced its final report, entitled as 'The Pension System in which Women's Own Contribution Bears Fruit (*Josei Jishin no Kōken ga Minoru Nenkin Seido*)' (SPWL 2001).

As the title of the report implied, the report explicitly acknowledged the gender bias embedded in the pension system and called for a change. In reforming the pension system, the report recommended that the general goal should be to create 'a pension system in which women's own contribution bears fruit' and that the current systems should be changed 'from pensions for male breadwinners to pensions for individuals' (ibid: 14). The reformed system should recognise the employment records of both male and female workers, who combined family responsibilities and various forms of paid work, so that individual workers could accumulate their own pension entitlement to both basic and earnings-related parts. Thus, the report was clear about its support for a dual-earning couple model as the norm in the future pension system. This was a significant change from the past when women were assumed to be housewives in the pension system without much second thought.

In accordance with the above general goal, the report put forward three principles based on which women's pension should be reconsidered. They were:

- Neutrality of the pension system to life choices of individuals;
- Increase in the number of 'supporters' of the pension system;
- Improvement of the pension system for women's economic welfare in old age.

However, the report stopped short of putting forward any concrete policy recommendations on some of the key issues as inherently value-laden choices. The aim of the report was limited to 'summarise the basic directions and important points at issue in order to contribute to the national debates in future on issues on women's pensions (ibid: 1)'. Thus, although the report pointed a normative goal and basic principles to follow, it largely left the final decision on some of the key aspects in reforming the pension system to further discussions among the general public.

Despite this limitation, the report was still important in the sense that it helped to shape how issues of women's pensions were to be considered in the next major pension reform scheduled in 2004. The following sub-section thus examines the report in more detail.

5.2.2 Points at issue

The SPWL report first acknowledged the mismatch between the existing pension system and the reality due to 'the changes and diversification of women's lifestyles', suggesting the need to re-examine the overall pension system from the viewpoint of women's pensions (ibid: 1). Using extensive statistics, the changes in women's lives were captured in two areas – the labour market and the family (ibid: 2-5). In view of the further increase in single elderly households due to ageing population and

prevalence of nuclear family households, the report emphasised the growing importance of adequate pensions for women.

Then, the report mapped out major points at issue with regard to women's pensions.

In the SPWL report, women's pension problems were summarised as follows:

1. discrepancy between the model pension and women's reality;
2. relatively low level of women's pensions;
3. a sense of unfairness between women; and
4. economic insecurity for single older women

The first issue – the discrepancy between the model pension and the reality – was perceived as problematic because the existing model did not represent most women's life courses, thus, did not give women any idea about their pension prospects. The model pension in the government publications remained a male breadwinner/ female homemaker couple as a basic unit throughout the 1990s. In this model, the wife was depicted as a non-employed wife, who did not have any entitlement to EPI pensions in her own right. While this model was far from the reality for the majority of women, who were alternately in and out of the labour market either as part-time or full-time paid workers, these women were simply invisible in the official documents.

The second issue – women's lower pensions – was explained as the result of their shorter membership period and lower wages. The report argued that the pension system could mitigate this problem to a certain extent by extending the coverage to part-time workers and by adjusting the system to avoid disadvantaging parents.

The third issue – a sense of unfairness between women – was understood in the report as a result of the premium exemption for the No.3 insured and the arrangement for SP.

The last point was the acknowledgement of the greater risk of poverty among older women because of the combined consequence of longer life expectancy, increase in divorce in later life and low or no pension entitlement to earnings-related pensions in their own right. Related to this issue, the report pointed to the need to rethink pension arrangements for divorcees and widows.

Based on this framing of the problems, the report highlighted the following six areas in which these four problems were to be addressed:

- the model pension;
- the coverage of part-time workers;
- supporting measures for parenting;
- the arrangement for the No.3 insured;
- the survivor's pension; and
- pension splitting upon divorce.

As noted above, although the report presented general directions for the future pension system, it did not recommend concrete policies to solve these problems the report itself pointed out. Among the above six areas to be tackled, the report was clearer about some and completely vague about others.

The report was most clear about the reform direction of the model pension. It recommended that the future model should assume certain period of women's employment and that the dual-earning couple should be the basis of the model. The report also pointed out the need to show the pension prospects of several household models apart from the dual-earning couple model in order to reflect the diversity in household types.

Another issue which the report clearly showed its position was about extending the coverage to part-time workers by lowering the threshold and changing the definition of 'dependant spouse'. The report endorsed this change as a means to enhance the

level of women's pensions. It also justified its position from five other viewpoints. Firstly, given the rise in non-regular workers, it was becoming increasingly necessary to include employees with various working patterns. Secondly, by significantly lowering the threshold for pension coverage, incentives for married part-time workers to contain working hours or earnings below the threshold would be reduced. Thirdly, the number of contributors to the pension system would increase, which was invaluable in the aged/ childless society. Fourthly, it would make the pension system fairer by requiring contributions from all people with earnings regardless of their marital status or working patterns. Lastly, by collecting contributions regardless of employees' working patterns, labour cost would become fairer between businesses which hired more part-time workers and ones which did not.

On the other hand, the report avoided showing any preferred directions for another measure it took up as a way to improve women's pensions – namely, support for parents. The hesitancy of the report to point any directions on this issue reflected the deeply divided opinions among the members of SPWL. Concerned about the childless society, some members of SPWL argued for special arrangements on the grounds that childbearing and rearing should be supported by the pension system, which was one of the systems most affected by population ageing. On the other hand, opponents of this position argued that support for parenting was outside the remit of pension policies and should be done in other policy areas such as childcare. Yet another opinion was put forward by those whose primary concerns were the lower level of women's pensions. They argued for the need to introduce special arrangements in order to mitigate the pension disadvantages due to childbearing and rearing. However, others expressed their reservations about this proposal from a gender perspective, pointing out the possible gender reinforcing effects of these

measures. Some also expressed their concerns about the implications of these measures for inequality between parents in different pension categories (Nos.1-3) and between parents and other carers. Failing to reach a consensus among the members, the report did nothing but merely presented these competing viewpoints.

Another issue for which the report was vague about its position was with regard to the treatment of the No.3 insured. Indeed, the report was least clear about this issue. The report acknowledged the treatment of the No.3 insured as 'an important problem relevant to the basis of the pension system,' and pointed out the great need for reforms (SPWL 2001: 53). Nonetheless, it did not recommend any particular reform directions, but merely listed possible alternatives.

This inability of the report to present any concrete policy proposals was again a reflection of the deep division in SPWL on this issue. As it was generally accepted that public old-age pensions should be available to all citizens in principle, removal of BP from the No.3 insured was not seriously considered as an option. Thus, the presented viewpoints and suggested reform options in the report were focused on whether and how contributions should be collected from the No.3 insured. The report introduced opposing alternatives. Most of the reform options put forward were supportive to collect contributions either from the No.3 insured themselves or from their spouse. Proponents justified their position under the name of equality and fairness between households and pointed out that one-earner households were generally found in higher income groups. Removing this 'housewife privilege' was also supported from a gender perspective, which argued for the elimination of gender bias and gender reinforcing effects from the pension system. On the other hand, there was an opposing opinion against collecting contributions on the grounds of the

double premium payment from a wage. Proponents of this position offered an option to raise the upper earnings limit for the premium so that the high earning employees would pay more to justify the 'free benefit' for their dependent spouse. As a concluding remark for this issue, the report only expressed its wish for a national consensus to emerge among citizens after extensive discussions.

Less vague but still far from clear was the reform direction of the survivor's pension – another major issue perceived as problematic with regard to fairness among women. First, the report emphasised the importance of SP for many survivors, explicitly declining some arguments for the curtailment or abolition of derived rights in order to completely individualise the pension unit (SPWL 2001: 74). Then, the report acknowledged the need to revise SP to achieve better equality and fairness. However, when it came down to the concrete measures, the report again resorted to listing possible alternatives and presenting the pros and cons of each option for further discussion among the general public. Although the report was clear about the need to equalise the treatment between widows and widowers, it took a vague position about the adjustment between the entitlements to SP and women's own old-age pensions. In order to rectify possible disadvantages for widows with their own EPI pension entitlement, it was necessary to strengthen the link between one's own premium payment and the overall benefit level. However, this could lead to exceptionally high benefit levels for some widowed spouses from dual-earning couples, raising a question about equality and fairness between dual-earner households and single-earner households. As in the case with the issue on the No. 3 insured, the report did not commit to any of the presented options.

In contrast, the report was explicit about its approval of pension splitting upon divorce. Although the report pointed out several contentious issues for further discussion, most of them were focused on technical matters and none was fundamentally questioning the legitimacy of the practice. The report's support for a measure to strengthen the derived rights was in a way contradictory with the proposed goal of the new pension system – the individually based entitlement. However, the report was silent about the possible conflict of principles, but depicted pension splitting on divorce as a measure to reduce the risk of poverty for single older women.

Overall, the report was reluctant to commit itself to any opinions when the issues were of contentious nature. Especially, when the issues at hand were explicitly related to the question about equality and fairness, the report merely summarised competing opinions and left the final decision to national discussion on the grounds that policies for these issues were ultimately dependent on chosen values. There were three key issues for which the report shied away from suggesting preferred options. One was the choice of basic unit for the pension system between the household basis and individual basis. Another was the choice of the premium base between the ability to pay (*ōnō futan*) and the entitlement to benefits (*ōeki futan*). The third choice was about equity. Which equity should be prioritised, between different types of households or between individuals? For each of these choices, the report simply presented several competing viewpoints. By leaving the decision on these basic principles to future national discussions, the report was unable to recommend any solutions to most of the contentious issues with regard to women's pensions.

5.2.3 Neglected inequality

The SPWL report was relatively comprehensive in covering issues which had been perceived as problematic with regard to women's pensions. As major problems, the report pointed out the embedded assumptions on the gender division of labour, lower level of women's pensions, a sense of unfairness among women and women's economic insecurity in old age (see above). However, when it came to discuss the areas relevant to the problems and possible redressing measures for each problem, there were some viewpoints that the report neglected or underemphasised.

One example was with regard to the problem of women's relatively low level of pensions. The report attributed it to women's shorter membership period and their lower wages. However, the overall focus of the report was on the first when it pinpointed the areas to be reformed in solving the problem. Accordingly, the main redressing measures the report suggested were those that were considered to facilitate women's continued membership in the pension scheme as wage earners – namely, extension of the coverage to part-time workers and more special arrangements for parenting periods, and possibly also for caring periods. The report did not suggest any measures to mitigate the effect of women's lifetime lower wages on their pensions. By underemphasising the need to include such a measure, the report pre-empted discussions on a possible way forward to loosen the link between earnings and benefit levels. Thus, although women's lower pensions were taken up as a problem, the suggested solutions were less likely to be significant in their effect.

The issue of women's economic welfare in old age was also taken up in another form in the report – namely, the need to guarantee economic security for single older women. However, as the description of the problem in the above sub-section showed,

single older women were understood mainly as widows or older divorcees. Consequently, the proposed measures were limited to the strengthening of the derived rights as former wives, such as pension splitting upon divorce and improvement in survivor's pensions. The report was completely silent about pensions of an increasing number of never-married older women despite the possibility that these women would also face longer old age with lower pensions. While more relevant reforms to never-married single women would be measures to boost the level of pensions in women's own right, reforms proposed for this purpose were focused on part-time workers and parents (see the above), both of which these women were less likely to be.

What these two examples suggested was the failure of the report to problematise the systematically disadvantaged economic position of older women vis-à-vis older men. In the report, despite the reference to women's *relatively* low level of pensions, gender inequality in pension outcome was never mentioned explicitly. As a result, although the report drew attention to women's economic welfare in old age as one of the most important issues with women's pensions, it failed to take up the male-centred structure of the pension system as a problem. Thus, proposed reforms did not challenge the structure of the pension system itself which reproduced the gender inequality in the labour market in the form of the pension gap. While one of the major causes to create these differences in the labour market – structural gender bias – began being challenged in the society, there were not many criticisms which challenged the resultant pension gap in old age as gender inequality.

One of the reasons for the neglect of gender inequality in pension outcome could be attributed to the perception of fairness. The gender gap in pensions was often

legitimised as a neutral consequence of gender differences in life courses and wage levels. As such, reproducing these differences in the pension outcome itself was not necessarily considered to be unfair. At the basis of this reasoning was the unspoken understanding or unquestioning acceptance that, under social *insurance* systems such as the Japanese pension system, only those who paid into the pension system should be eligible for the benefit and that it would be *unfair* if the level of benefit was not proportionate to a certain extent to the level of premium payment. This perception of fairness manifested itself in the problematisation of the No.3 insured. Despite the insurance principle in the Japanese pension system, this category of people – often referred to simply as ‘housewives’ – were eligible to the full BP without paying any premium in their own name because of their status as a dependent spouse of employees. It was therefore no surprise that this arrangement was widely regarded as unfair to the extent that it was taken up as a major problem in the report.

The way the issue of the No.3 insured was framed as a problem and its possible solutions suggested in the report also revealed other possible reasons why the gender inequality in pension outcome failed to be perceived as a problem. The issue was taken up as a problem of inequality and unfairness between households in the premium payment as well as of the embedded gender assumptions which would reinforce the gender division of labour. The proposed reforms for the arrangement of the No.3 insured were thus focused on how the contributions should be collected from the No.3 insured and how to eliminate the gender-reinforcing effects in the pension system. However, these two viewpoints were in a way incompatible with the quest for gender equality in pension outcome. Firstly, taking a household as a basic unit for equality and fairness would often legitimise the income inequality between women and men, as the history of gender pay gap under the name of family

wage would attest (Osawa 1998). Even those who called for an individually based system from a gender equality perspective often fell in the trap of the couple basis when it came to the question of equality and fairness in pension outcome (for example, Shiota 2000). Secondly, arrangements which contained the danger of gender-reinforcing effects would often mitigate the gender inequality in outcome in social security schemes in a gender unequal world. Thus, removing these arrangements would not usually lead to the narrowing of the gender inequality in outcome. Rather, in the worst cases, it could aggravate the situation. This was especially the case in the proposed measures in the report because, while the assumptions on the gender division of labour in the pension system were heavily criticised, the hidden assumption of male life courses as the norm was not explicitly taken up as a problem. Thus, in the discussions of the model pension, for example, what were problematised were the 'atypical' life courses of women, rather than the pension structure which was based on life courses closer to men's.

Fairness in the system was one of the most discussed issues as the women's pension problem. However, what was considered to be unfair was not the inequality between women and men but the inequality between different types of households where women were covered as wives and as wage earners. Although the overall direction was towards the individualisation of pension entitlement, equality and fairness in outcome remained to be sought on a couple basis. Even the principle of guaranteeing women's economic security in old age – one of the three basic principles in the suggested reform – was overshadowed by the arguments for equality and fairness in sharing the cost (premium payment), for a fair system (closer link between the levels of premium and benefit) and for gender equality (neutralisation of the assumptions on women's and men's life courses). This limitation of the report was compounded

by the limitation in the political feasibility of actually introducing the suggested reform measures in the pension reform in 2004.

5.3 Intergenerational equity and gender equality

In March 2001, the government announced the Outline of Social Security Reform, which established the philosophy and basic direction of the Japanese social security system for the future (Seifu Yotō Shakai Hoshō Kaikaku Kyogikai 2001). Among other things, the Outline pointed out a growing sense of unfairness about the system among younger people who were required to pay the increasing cost. The Outline emphasised the need to ensure a fair share of the cost according to one's economic means regardless of age, implying that older people were not necessarily disadvantaged economically. The Outline was also explicit in its willingness to encourage the labour market participation of all citizens. It stated that individuals' wish to work should not be hindered by the social security system regardless of age, sex and disability. This suggested that the gender bias based on the male breadwinner/ female homemaker model was fast losing its legitimacy even within the government.

The explicit attempt of the government to redraw the intergenerational relations and gender relations in the social security system was again deeply related to the demographic trend and economic concerns. While the national economy was slow to recover, the population ageing was further advancing despite a series of 'family-friendly' policies in the 1990s. Indeed, the population estimate in 2002 revealed that even married couples were increasingly delaying childbearing and/or reducing the number of children (MHLW 2004b: 209). As a result, the population ratio of those aged between 20 and 64 and those aged 65 and over was estimated to become 1.4 to

1 in 2050 compared with 1.9 to 1 in 2004 (ibid.). With the prospect of decreasing revenue and increasing social security cost, policy makers felt the need for a structural reform of the social security system more than ever.

The link between the social security reform and economic concerns manifested itself in the cabinet decision on the basic direction for social security reform announced in 2003¹¹⁰. Social security reform was taken up as one of the key areas for fiscal and economic policies and structural administrative reform. In accordance with the general direction of the administration for the ‘small government’, the priority was to contain the growth in welfare expenditure. With regard to the pension reform scheduled in 2004, the government explicitly stated that the existing pension level was unsustainable, and that the balance between the levels of benefit and premium needed reconsideration in order to enhance intergenerational and intra-generational equity, sustainability and credibility of the system. As in the case with the Outline of Social Security Reform in 2001 (see above), gender equality in the pension system was largely framed as a problem of negative incentives embedded in the system for women’s labour market participation, and intergenerational equity as a need to ensure the fair share of the cost by the elderly. These two ways of framing ‘problems’ largely dictated the direction of the pension reform in 2004.

5.3.1 The 2004 Reform

The 2004 Reform was expected to introduce contentious changes which had been postponed in the 2000 Reform – namely, a long-term stabilisation of pension finance and women’s pensions. Anticipating heated debates, the government started formal

¹¹⁰ Cabinet decision announced on 27th June 2003 ‘Keizai Zaisei Un’ei to Kōzō Kaikaku ni kansuru Kihon Hōshin 2003 (Basic Policy Direction on Economic and Fiscal Administration and Structural Reform in 2003)

discussions and consensus building on the pension reform well in advance. In January 2002, the government commissioned the Pension Division in the Social Security Council (PDSSC, *Shakai Hoshō Shingikai Nenkin Bukai*)¹¹¹ to discuss the direction of the next pension reform scheduled in 2004. PDSSC submitted its ‘Opinion on the Pension Reform’ to the government in September 2003 (PDSSC 2003). While there were growing voices which called for fundamental changes in the pension system, the Opinion recommended adjustments on the existing system rather than an overhaul in the 2004 Reform, citing the need for further national discussions. Then, the Opinion presented concrete proposals on the basis of five basic viewpoints for the reform – namely, sustainability, credibility, adjustment to diversified employment patterns, neutrality to individual life-course choices and the coordination with other social systems.

Drawing upon the Opinion by PDSSC, MHLW published a reform proposal in November 2003. The MHLW proposal was largely in line with the Opinion by PDSSC, focusing on adjustments of the existing system rather than a structural reform. There were two major areas which were addressed in the MHLW proposal. One area was sustainability and credibility of the pension system and the other area was adjusting the pension system in order to accommodate diversifying working patterns and changing life courses of citizens.

With regard to the issue of sustainability and credibility of the pension system, the previous pension reform in 2000 stipulated that measures be introduced in the 2004 Reform to increase the state subsidy to the pension fund from one third to one half of

¹¹¹ As a result of administrative restructuring, eight official advisory councils, including the Advisory Council on the Social Security System, were merged and became the Social Security Council in 2001. The former Pension Council became the Pension Division of the Social Security Council.

the benefits. The 2000 Reform had also laid down that the premium rate should be increased from the 2004 Reform¹¹². Accordingly, the MHLW proposal for the 2004 Reform included these revisions. In addition to these measures to increase the revenue of the pension fund, the reform introduced an arrangement to contain the rise in benefits. Under the revised system, the benefit was adjusted not only with changes in prices but also with changes in the number of the insured and changes in life expectancy. Thus, if the birth rate further declined and/or life expectancy lengthened, the pension rise would be automatically contained¹¹³. Moreover, in the attempt to recover citizens' confidence in the system, it was proposed to impose a statutory ceiling on the maximum premium rate as 10 per cent¹¹⁴ when population ageing becomes most severe. MHLW also suggested introducing a floor below which the model pension would not fall. The proposed level of the floor by MHLW was between 50 to 55 percent of earnings of average male workers. These proposals were mainly accepted by the government and included in the pension reform bill. However, the resource allocation between generations was tipped slightly towards the younger during the negotiations within the government. The government bill submitted to the Diet set the premium ceiling at 9.15 per cent and the floor at 50 per cent.

On the other hand, there was a considerable discrepancy between the MHLW proposal and the government bill with regard to the other major area – the mismatch between the system and the diversified labour as well as people's life courses. Under this category, MHLW proposed some measures to better accommodate the elderly,

¹¹² The increase in the premium rates was postponed in the 2000 Reform due to the weak economy.

¹¹³ However, the nominal benefit level was to be guaranteed under the new system. Thus, even if negative rate of these two population factors was larger than positive rate of price inflation, the growth rate would be nil rather than negative.

¹¹⁴ If combined with the share of the employers', the rate was to be 20 per cent of earnings.

the disabled and women as wage earners. It also put forward some proposals to strengthen women's pension rights and mitigate the economic insecurity in old age. While the government accepted the proposed measures targeted at the elderly and the disabled, it significantly weakened the proposals with regard to issues related to women's pensions.

The government was most reluctant to introduce changes in the arrangement for the No.3 insured. Originally, MHLW proposed two measures to tackle this issue. One was to narrow the definition of the No.3 insured and reduce the number of the eligible people by extending the EPI coverage to part-time workers. However, the government postponed the coverage of part-time workers, citing the need to assess various effects of the move on business and labour as well as coherency with other systems. The bill, and the subsequent law, simply stated that, after considering all these factors, necessary measures should be taken to extend the coverage to part-time workers in the next pension reform scheduled for five years later.

Another measure proposed by MHLW with regard to the No.3 insured was to introduce pension splitting between married couples in order to move towards an individually based pension system. According to the proposal, the premium paid by employees with No.3 insured spouse was to be regarded by law as the joint premium of the couple, thereby splitting the entitlement to the earnings-related part equally between them. Although this measure was still based on the derived rights, MHLW explained it as a transitory arrangement until the gender gap in the labour market was eradicated. If implemented, this measure could have narrowed the gender pension gap significantly as well as enhance the individualisation of pension.

However, this proposal was significantly weakened in the government bill, which limited the pension splitting to divorced couples or couples in special situations defined by ministerial ordinance of MHLW. On the other hand, the bill included the clause which stated that the premium paid by employees with a No.3 insured spouse was regarded as the joint premium of the couple. Although it could be argued that this clause was necessary in order to give the grounds for the pension splitting upon divorce, this clause also in effect legitimised the BP entitlement of the No.3 insured, who remained to be exempted from premium payment under the proposed bill.

Despite these setbacks, some proposed changes with regard to women's pensions were accepted in the government bill. One was to adjust the system to better accommodate women as wage earners. This inevitably meant that family responsibilities of workers should be taken into account in the pension system. Thus, the 2004 Reform further expanded the arrangement for employed parents. The maximum length of premium exemption during parental leave was extended from one year to three years per child (until the youngest child reached the age of three). Moreover, a new clause was introduced to prevent pension disadvantages during the parenting period. With the new clause, the wage level before childbirth was to be used for pension calculation purposes if employees' earnings should decline due to shorter working hours in order to care for children under three¹¹⁵.

Another accepted change was to readjust the balance between women's entitlements as wives and as wage earners. In the MHLW proposal, and in the subsequent government bill, the survivor's pension was to become a top-up to one's own old-age

¹¹⁵ In order to be eligible for this clause, parents should utilise shorter-working arrangements for parents provided by the same employers. If, on the other hand, a parent left the workplace and got a new job as a part-time worker, she or he would have to leave EPI in principle and therefore not eligible for this new measure.

pensions payable up to the level under the previous system – half of one’s own and half of the deceased spouse’s pension or three fourths of the deceased spouse’s pension, whichever was the higher. While this meant that the level of pensions widows would receive was actually the same as under the previous arrangement, the change in the principle was explained as an improvement to better acknowledge women’s own premium payment record in the overall pension level.

The individualisation of pension entitlement was further enhanced by a clause for pension splitting on divorce in the bill. Although the government rejected the pension splitting within the marriage (see the above), it accepted the measure upon divorce in view of the growing demands against the backdrop of the increase in divorce among older couples.

The acknowledgement of women’s wage-earning role also meant a certain curtailment of provisions which stemmed from the assumption of women’s economic dependency. The MHLW proposal, and subsequently the government bill, shortened the payable period of SP from the second tier from lifetime to five years for childless widows¹¹⁶ aged below 30. In defence of this change, the government cited young widows’ ability to accrue pension rights as wage earners.

The pension reform bill submitted by the government passed the Diet and was enacted with few revisions in June 2004¹¹⁷. While the 2004 Reform modified the underlying gender assumptions in the pension system to a certain extent, there were some gender issues both the MHLW proposal and the government bill avoided to

¹¹⁶ There is no provision for widows without children from the first tier.

¹¹⁷ This did not mean the absence of opposing voices. The bill was forced through the Diet while the opposition parties were boycotting the session in relation to the scandals about the evasion of pension contributions by key MPs of ruling LDP.

take up. One example was the differential treatment of widows and widowers. Even after the 2004 Reform, widowers remained excluded from the provisions for widowed parents from the basic tier, and they had to face stricter conditions to receive SP from the second tier. Indeed, these clauses had been repeatedly taken up as problematic and the Report on Women's Pensions in 2001 recommended them to be equalised (SPWL 2001). However, both the Opinion by PDSSC and the MHLW proposal rejected to introduce the equalisation in the 2004 Reform citing the significant gender gap in economic situations. Thus, the move was postponed without a definite deadline, and the government bill did not refer to it at all.

As this example of the hesitancy to remove the gender assumptions demonstrated, the 2004 Reform could also be characterised by continuities with regard to women's pensions. Overall, change in underlying gender relations in the pension system was incoherent and slow in progress.

Conclusions

The rapid progress in population ageing in Japan led to a significant shift in the responsibilities for welfare in the 1990s. Perceiving the rigid gender division of labour as a cause of the declining birth rate, the government began taking on a new role to enable citizens to combine paid and unpaid work. In contrast to the 1980s when women's unpaid work was celebrated as a part of the Japanese-style welfare, the gender division of labour became problematised in the 1990s as a part of the population problem which would destabilise the welfare system. On the other hand, the dominant political discourse on the 'older people's problem' changed from the need to mitigate the economic plight of the elderly to the need to share the cost of population ageing between generations. This in turn enhanced the changes in the

relations between generations, between women and men and between the state and citizens for welfare provision.

Pension reforms in the 1990s and onwards were part of the state's responses to these demographic changes. Especially, the adjustments were most recognisable in the distribution of resources between generations. The older people's share of resources on the individual level was significantly curtailed in order to contain the increase in the cost for the younger generations. Moreover, in an effort to increase the number of contributors, the government explicitly encouraged citizens to stay in the labour market regardless of their age, sex or disability.

Nonetheless, there was a notable exception in the government's emphasis on the paid employment for all citizens – namely, housewives of the employees. Throughout the 1990s, the government was reluctant to change the treatment of the No.3 insured in the pension system despite the increasingly vocal criticisms about the arrangement. The 2004 Reform was an anticlimax for those who had expected to see some changes in the treatment of the No.3 insured in the pension system. The revised law not only left most of the 'unfair privileges of housewives' intact but also strengthened their entitlement by acknowledging explicitly that their premium was regarded as being paid through their employed spouse. As a result, problems with women's pensions kept being presented as unfairness and inequality between women of different household types. When gender was taken up as a problem, it was usually framed as a problem of the embedded gender bias towards male breadwinner/ female homemaker model in the pension system.

This problematisation of women's pension issues, however, was not revolutionary in the sense that it did not challenge the existing framework which had shaped the way

pension issues were discussed for more than half a century in Japan – namely, the prioritisation of equity between households and the unquestioning of the male-oriented norms in the pension formula. Because of the focus on the household as a unit, the gender gap in pensions was often neglected as a major inequality problem. Moreover, calls for neutralising gender bias in the pension system did not necessarily lead to challenging the male-oriented norms embedded in the pension formula. Problematising the ‘housewives’ privileges’ in the pension system also helped to divide women along the line of their husband’s status rather than unite them through their disadvantaged position as primary unpaid workers. This again distracted attention from the ‘privileges’ of husbands who could gain from both wives’ unpaid work as well as from the male-oriented pension system.

The cost of unproblematising the gender gap in pensions may be arguably increasing as a result of recent pension reforms in Japan. As the level of the state pension was on the decrease, the importance of private and occupational pensions is likely to be further enhanced. This raises concerns about the possibility of widening inequality within a generation, especially between women and men. Is the gender gap in pensions narrow enough to justify the neglect of the issue in the 1990s? Is the pension prospect for today’s younger women better than for today’s older women due to the growth in women’s labour market participation? In the subsequent chapters, the economic situations of older women in the 1990s are looked at in detail, and the gender impact of the recent reforms are considered taking into account today’s working-age women’s balancing of paid and unpaid work.

Part Three

Chapter 6 Equality and economic welfare in old age in the 1990s

As the public pension system matures, it is often claimed in recent years that older people are now enjoying a standard of living as high as the rest of the population. Accumulating research indeed suggests that the relative economic status of the elderly has improved since the mid-1970s (Disney and Whitehouse 2001; OECD 2001b). Some even claim that older people fair better than the younger population. For example, Takayama (1992; 1998) argues that rather than being poorer, the elderly in Japan are better off than the young or the middle-aged when assets held are taken into account. Despite this improved economic status, he continues, the elderly are still treated as economically disadvantaged in social security and tax systems, leaving the rest of the population worse off. A similar view is presented by Kōno (1991) from a wider perspective of well-being. Applying Preston's hypothesis¹¹⁸ to Japan, he suggests that the growth in the number of older population has led to the improvement of their relative well-being. These views on the elderly as the winners in a competition for limited resources have encouraged calls for readjusting resource redistribution between the generations. Citing the affluence of pensioners and criticising the purported intergenerational inequity, the main focus of discussions about pension reforms has increasingly shifted from the adequacy of pension levels to the affordability of the system.

On the other hand, there are also reports on persisting poverty among the elderly in Japan. In 2000, 45.5 per cent of the households on means-tested social assistance

¹¹⁸ In the context of the US, Preston argued that the growth in the number of the older population contributed to the improvement of their well-being, while the decrease in the ratio of younger population served to worsen their relative position. See, Preston, S.H. 1984. Children and the Elderly: Divergent paths for America's Dependent. *Demography* 21 (4):435-457.

benefits were those headed by a person aged 65 and over¹¹⁹ (MHLW 2002). This demonstrates that poverty is still the reality for many older people. What these two conflicting pictures about the economic situations of the Japanese elderly suggest is the existence of considerable inequality among them. Moreover, although reports on poverty in old age are rarely explicit about the gender implications, women's disadvantaged economic status in old age can be easily suspected.

The main aim of this chapter is to examine rather neglected issues in recent pension reforms in Japan – namely, inequality among older people and women's economic welfare in old age – and consider whether the marginalisation of these issues is justifiable. By looking at the actual economic situations of the elderly in the 1990s, this chapter helps to critically consider trends in pension reforms of the time in Japan. In order to capture a relative picture, the income situations of the elderly in Japan are compared with those in Britain and in Germany¹²⁰.

The chapter first looks at cross-national variations in the welfare mix for intergenerational resource transfers in the three countries in the mid-1990s. This is followed by an analysis of the implications of these differences for intra-generational inequality and poverty risk among older people. Attention is especially paid to gender inequality and the economic situations of older women. The next section focuses on poverty in old age, and situations of the most vulnerable social group are examined. This is followed by consideration of differential economic situations among women. In the final section, these findings are summarised and discussed.

The explanation of the data used in this chapter can be found in Chapter 2.

¹¹⁹ The proportions of other types of households were as follows: single-mother households 8.4 per cent, disabled person's households 38.7 per cent; others 7.4 per cent.

¹²⁰ See Chapter 2 for the rationale for the choice of Britain and Germany for comparison. In this chapter, data for the UK are also categorised as those of Britain to avoid the confusion.

6.1 Intergenerational transfers through the state, the market and the family

The economic welfare of older people as a group is determined by their overall share of resources in a society. While resources are transferred across generations in a variety of forms, they are usually channelled through the state, the market and the family. A prime example of intergenerational transfers through the state is the public old age pensions, while private pensions are generally understood as a transfer through the market. On the other hand, family transfers to older people usually take the form of support from their adult children.

Incomes are grouped into three income sources as shown in Table 6.1.

Table 6. 1 The three income groups and their definition

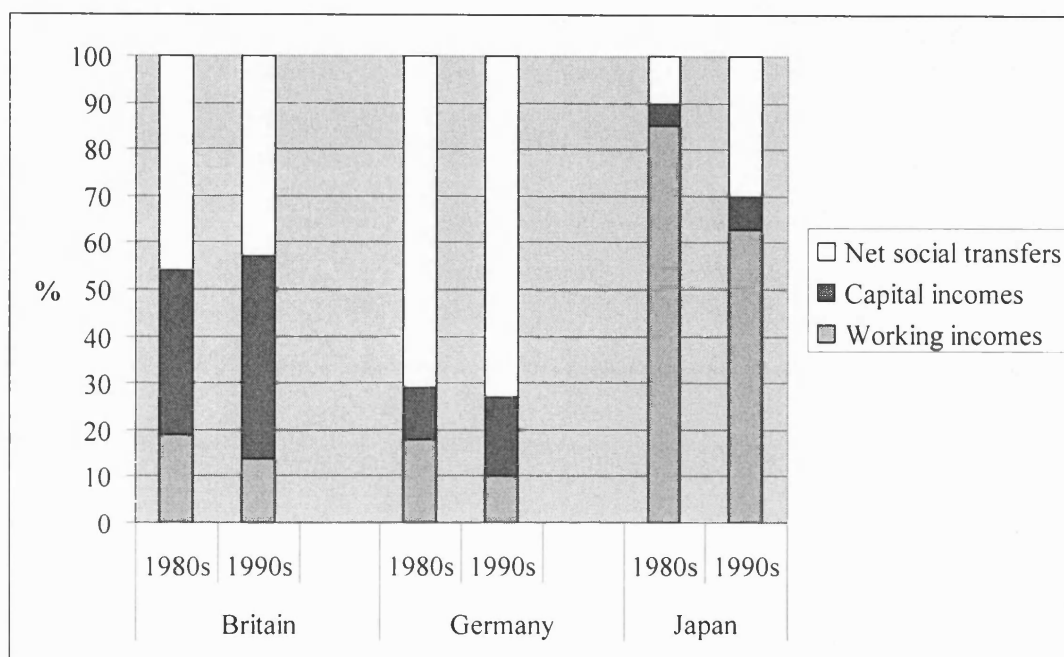
| Income group | Definition |
|------------------|--|
| Working incomes | Income from work, sick pay paid by governments. Employers' contributions to social security are excluded. |
| Capital incomes | Occupational pensions, property incomes and all kinds of private transfers |
| Social transfers | Accident and disability benefits, public retirement benefits, unemployment benefits, maternity allowances, public child and/or family allowances, all income-tested and means-tested benefits. All kinds of in-kind benefits are excluded. |

Source: Yamada (2002: 28)

The combination of these three channels varies across countries, resulting in diversity among welfare states in their intergenerational transfer systems. This is true with Britain, Germany and Japan, each of which combines the three channels in a distinctive way, suggesting cross-national differences in the relations between generations, between women and men, and between the state and its citizens. Figure

6.1 shows the average composition of incomes per capita in old age in Britain, Germany and Japan.

Figure 6. 1 Mean disposable incomes of those aged 65 and over by source of income, the mid-1980s and the mid-1990s*



* See Table 6.1 for the specific years of the data for each country

Source: OECD (2001) Chart 2.5

Note that the figure does not distinguish between intra-household transfers and own incomes nor does it specify the form of incomes due to the limitation of the original data. Thus, incomes can be of the older people, of their spouse and/ or of their adult children within a household. Also, public pensions are not separated from other state benefits such as means-tested benefits. Moreover, private pensions are categorised as capital incomes despite possible state subsidies.

Although the aggregation of different kinds of incomes prevent us from capturing possible differences in the sense of entitlement of the elderly, the above three broad categories are suffice for the main interest here – to grasp a general picture of income

situations of the elderly in the three countries. Indeed, these limitations notwithstanding, the figure still demonstrates striking differences in the importance of particular resource channels among the three countries. In Germany, the state plays a more direct and important role in intergenerational resource distribution than the market. In contrast, in Japan, resources are distributed more through the market in the form of earnings (either one's own or of household members). The market is also an important distribution channel in Britain, but the resource from this route is more likely to take the form of capital incomes rather than earnings.

Further cross-national differences can be found when taking account of family transfers. Although hidden in the above figure, monetary transfers across generations can also occur on a household level. This is especially true in Japan, where the rate of multi-generational living is relatively high. In 1995, 52 per cent of women and 45 per cent of men aged 65 and over lived with their adult children (Japan Cabinet Office 2002: Figure 1.1.4; see also Chapter 1). On the other hand, this source of income is not as important in Britain or in Germany. In Britain, the rate of multi-generational living was 2 per cent among older men and 6 per cent among older women in the mid-1990s (ONS 1999: Table 1.10), while in Germany the rate had dropped to 1.3 per cent by 1990 (Scharf 1998: 9). Japan's heavier reliance on working incomes in the above figure should be interpreted in this context. While the labour force participation rate of older people in Japan is indeed higher than in Britain or in Germany (see below), it can be said that Japan also relies more heavily on the family for economic welfare in old age than the other two countries.

While each country has a distinctive feature in the mix of three resource channels, the figure also shows some changes in the composition of income sources in old age

between the mid-1980s and the mid-1990s. Among the three countries, Japan saw the most significant changes in its intergenerational transfer system. While the decade strengthened the respective feature of income mix in Britain (strong reliance on the market) and in Germany (strong reliance on the state), the change in Japan during the period was more of a fundamental nature; the share of the most important income source in Japan – working income – decreased by more than 20 percentage points in the decade. Although incomes from the labour market remained important in the mid-1990s in Japan, its share declined significantly to be replaced by incomes from social transfers. Major social transfers in old age being public pensions, the figure suggests that the importance of public pensions was rapidly growing in Japan.

Notwithstanding these cross-national variations, the resultant performance of the intergenerational transfer system in each country is similarly high in terms of the delivery of resources across generations. Table 6.1 shows the relative disposable income of older people compared with those in working age in Britain, Germany and Japan.

Table 6. 2 The percentage of mean disposable incomes of older age groups compared with those aged 18 to 64, the mid-1990s

| | Aged 65-74 | Aged 75+ |
|---------|------------|----------|
| Britain | 80 | 74 |
| Germany | 93 | 78 |
| Japan | 89 | 87 |

Source: OECD (2001) Table A.7

Although the rate is somewhat lower in Britain, the relative disposable incomes of older people in all the three countries are not substantially lower than those of younger generations. Other studies also demonstrate that the proportion of average

disposable incomes of the elderly in major post-industrial countries is more than 70 per cent, usually around 80 per cent, of those of younger population (for example, Disney and Whitehouse 2001). In the case of Japan, cross-national comparisons indicate that the average disposable incomes of the Japanese elderly are higher than those in many other advanced economies (Yamada 2002). The Ministry of Health and Welfare in Japan (MHW) also stressed in its annual report of 2000 the improvement in the income level of the elderly, showing that the average income per capita of all households in 1997 was about 2.2 million yen while that of older households¹²¹ was 2.1 million yen¹²² (MHW 2000: 31).

That all the three countries manage to distribute considerable economic resources to the elderly despite the differences in the income composition suggests the high substitutability of income sources and welfare arrangements (Börsch-Supan and Miegel 2001; OECD 2001b). Nonetheless, this does not necessarily mean the similarity in their effects on individual elderly persons. Firstly, certain income sources are considered to be more preferable than others by social norms, discouraging people from turning to these income sources. Although one income source may be substituted by another in theory, the actual choice of income sources on an individual level can be relatively constrained. This means that a certain mix of income sources is not necessarily chosen for one's maximum economic gains. For example, in Japan, against the backdrop of changing intergenerational relations, many older people began trying not to become a 'burden' on their children by choosing separate living even when this would lead to significant economic

¹²¹ The household which was comprised of only those aged 65 and over, or those aged 65 and over with unmarried dependants under 18.

¹²² No equivalence scale was applied. The average size of all households was 2.95 persons, while that of older households was 1.56 persons.

downgrading (Iwata 1996). This has important implications for older people's economic welfare.

Secondly, the apparent high substitutability of different income sources for high performance does not distinguish between the differential impact of each source on the intra-generational distribution of resources. The sufficiency of resource share of the elderly as a group does not necessarily guarantee that the resource is distributed equally within the generation. Each income source and type of welfare arrangement can be significantly different in terms of equality in resource distribution among older people. In the next section, income inequality among older people is examined in detail.

6.2 Intra-generational inequality

Having significant resources distributed to older generations, the question then becomes one of the distribution within the generation. Generally, inequality is wider in incomes which have a strong link with the market than those with some mechanisms for redistribution. This point is also true with public pensions as the difference in the extent of inequality between flat-rate pensions and earnings-related pensions demonstrates (Daly 2000; Rake 1999). In the case of Britain and Japan, however, the link with the market is more direct, taking the form of private pensions for the former and earnings (of one's own and/or of one's family members') for the latter. On the other hand, in the case of Germany, the link with the market is mediated by the state, taking the form of earnings-related public pensions¹²³.

¹²³ See below for a brief account of the German pension system. See also Appendix 7.1 for more detailed description.

Maintaining the link with the market in various ways, each retirement income system of Britain, Germany and Japan has its own weakness with respect to inequality.

Indeed, the main contributory factor to widening intra-generational inequality in the three countries was the most important income source of the respective countries between the mid-1970s and the mid-1990s (Yamada 2002: Chart 5.4). Thus, in the case of Japan, earnings (of one's own or of family members') were the biggest cause of inequality among older people. On the other hand, in Britain, the most affecting factor was capital incomes, while in Germany, it was social transfers. This suggests that not only the type of income sources but also their designs affect the extent of inequality among the elderly.

Among the three countries, only Japan had wider income inequality among older people than among younger people in the mid-1990s (Yamada 2002: Table 3.1). The Gini coefficients of Japanese older people in terms of incomes were at least 12 per cent larger than the Gini coefficients of younger age population in the mid-1990s, while those of British and German older people were 7 to 12 per cent smaller than the Gini coefficients of younger age population (*ibid.*). The Japanese system tended to widen inequality within a generation if not between generations. Indeed, it is well-known in Japan that as a cohort grows older, the inequality in incomes within the same age group increases. When Tachibanaki (1998) triggered a heated debate on widening inequality in Japan, some opponents argued that the phenomenon was an age effect which became more explicit due to population ageing rather than actual changes in income distribution within a cohort (Otake 2000). These counterarguments, however, inadvertently admitted by default that the Japanese

redistribution system was not effective enough to redress the inequality within the older generation (Tachibanaki 2000).

The differential extent of inequality among older people in the three countries suggests the importance of the composition of income sources as well as the design of each scheme for intergenerational transfer. Especially, earnings – an important income source in old age in Japan – play the most significant role to contribute to the inequality among people of pensionable age (Iwata 1996; Kimura 1996; Nagai 1998; OECD 2001b; Yamada 2000; Yamada 2002). Considering that paid employment in old age is expected to be further encouraged by the government in the aged society, inequality in old age is more likely to persist under the current redistribution system in Japan.

If the inequality among older people is as severe as in Japan, poverty in old age can still be a reality for many older people in the country. This has profound gender implications. In old age, women outnumber men in the population, but the former are generally poorer than the latter. The degree of disadvantages, however, can again be different between countries.

6.2.1 Gender inequality

The intergenerational transfer systems of Britain, Germany and Japan emphasise different resource channels for incomes in old age. This section looks at inequality in major income sources of the three countries in the mid-1990s. In order to distinguish gender differences in income situations rather than in economic welfare, this section disregards the effects of family transfers and focuses on personal incomes.

In the British intergenerational transfer system, incomes from the market took up a relatively large share of the total incomes in old age. These incomes from the market were mainly in the form of private pensions, which had developed as occupational pensions in the 1950s and the 1960s and as personal pensions in the 1980s. However, women were generally disadvantaged in private pensions both in coverage and in benefit levels. Only one third of older women had incomes from this source in the mid-1990s, including survivors' pensions, compared with two thirds of older men in the same period (Ginn and Arber 2001a; 1999a). Moreover, the inequality in benefits had increased among those with private pensions during the same period. Women's median income from this source fell from 65 per cent to 56 per cent of men's (ibid.).

With fewer benefits from private pensions, incomes from other sources were more important for women than for men. However, having generally had a weaker link to the labour market even during the so-called 'working age', older women were less likely to be in the labour market than older men. In 1996, only 3 per cent of older British women were economically active, while the figure was 8 per cent for men (EC 1997).

On the other hand, the majority of both women and men over state pension age¹²⁴ drew their incomes from the state to a varying extent. In 1996, 96 per cent of elderly women and 99 per cent of elderly men had state pensions in Britain (DWP 2001). Nonetheless, the relative value of the basic state pension had declined significantly since the 1980s, and by the early 1990s, the level dropped below that of means-tested

¹²⁴ The statutory pensionable age in Britain is 60 for women and 65 for men, which are to be equalised gradually at 65 by 2020.

social assistance. With regard to the state earnings-related pensions (SERPS), much of the redistributive nature was removed by the reforms in the 1980s to the detriment of women. In terms of the total income, the median for older women was 62 per cent in the early 1990s, while this rate was 71 percent of that of older men's in the mid-1980s¹²⁵ (Ginn and Arber 2001a; 1999a).

In contrast to the British system, the German intergenerational transfer system relied less on earnings and private schemes for distributing resources for the elderly in the society. The trend for early retirement further reduced the share of earnings in the total incomes of older people. However, the link to the market was retained through the public old-age pensions, which were strictly earnings-related. It was explicitly acknowledged that the goal of the German state pension system was to maintain one's economic status throughout the life course rather than redistribution between different income groups within the generation (European Commission 2002).

The strong emphasis of German public pensions on the link between benefits and contributions resulted in the gender inequality in pension benefits. In 1996, women's average monthly pensions was 42 per cent of men's for blue-collar scheme and 49 per cent for white-collar scheme in the Old Länder, while in the New Länder, the rate was 64 per cent and 60 per cent respectively (calculated from Scharf 1998: Table 3.1).

On the other hand, in Japan, the link to the market was more direct, and earnings still played an important role in overall retirement income. Women were disadvantaged both in access to and gains from this income source. In the mid-1990s, only 13 per

¹²⁵ The median gross personal income of those aged over 65 based on General Household Surveys 1993 – 1994.

cent of women aged 65 and over had incomes from employment compared with 37 per cent for male counterparts (MHW 1998: Table 26). With regard to incomes from the labour market, recent survey showed that earnings constituted about one fifth of women's personal incomes, while it amounted to about one third for men¹²⁶ (Japan Cabinet Office 2002: Figure 1.1.9).

However, as seen in the previous section, the relative share of incomes from social transfers was growing rapidly in Japan, reflecting the growth in coverage and maturity of the public pension system. Unlike the labour force participation rate, the gender gap in the access to this source was almost none; 94 per cent of women aged 65 and over and 96 per cent of male counterparts received public pensions of any sort (MHW 1998: Table 58). Nonetheless, women receive much lower benefits from this source than men. In 1997, women aged between 65 and 74 had social transfers of 44 per cent of men's, while the rate was 46 per cent for women aged 75 and over (Japan Cabinet Office 2002: Figure 1.1.9). With all these disadvantages, women aged 65 and over had personal incomes only 34 per cent of that of male counterparts in the same year (*ibid.*).

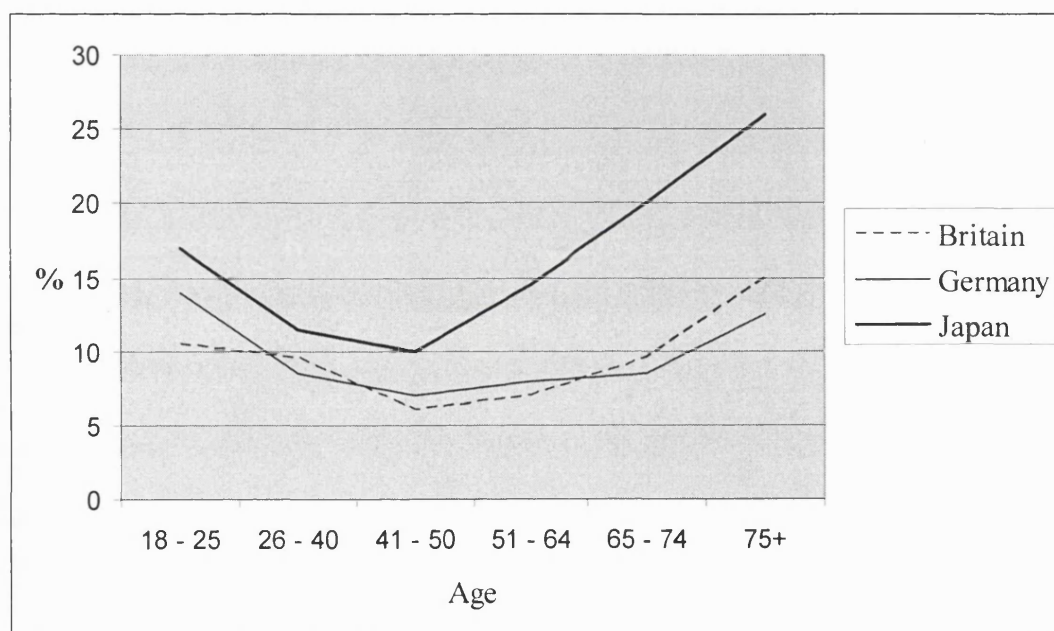
Considering women's generally lower individual incomes as well as longer life expectancy, the significant gender gap in personal incomes in Britain, Germany and Japan suggests that women in all the three countries face greater risk of poverty in old age than men. In the next section, poverty in old age is further examined.

¹²⁶ The data in both reports are based on Comprehensive Survey of Living Condition of the People on Health and Welfare, 1998. The ratio of earnings to the total incomes for those aged between 65 and 74 were around 25 per cent for women and 40 per cent for men. The calculations for all the figures in this section include those who had no incomes. Among those aged 65 and over, 17 per cent of women and 4.8 per cent men had no incomes.

6.3 Poverty in old age and the social minimum

Despite the overall high level of intergenerational transfers in Britain, Germany and Japan, the inequality in intra-generational transfers resulted in the failure to eradicate poverty for some older people in all the three countries. Figure 6.2 shows the percentage of people whose incomes were below 50 per cent of median disposable income in the mid-1990s by age group.

Figure 6.2 Percentage of population that is below poverty line*, the mid-1990s**



Note: * Fifty percent of disposable income of the entire population.

** See Table 6.1 for the specific years of the data for each country

Source: OECD (2001) Chart 2.2

In all the three countries, the risk of poverty was still relatively high in advanced old age. While low income among younger old was not especially pronounced in Germany, this was still the case in Japan and Britain. However, the most noticeable feature of the figure is the significantly high rate among older people in Japan. About one fifth of those aged between 65 and 74 had incomes below the poverty line,

and more than a quarter of those aged 75 and over did so in the mid-1990s. Although people in advanced old age in Britain were also most likely to be in poverty of all the age groups, their likelihood was still much less than in Japan. Moreover, the British rates for older people were not much different from those of Germany, which had the lowest rate of low incomes in old age of the three countries. This suggests the exceptionally high risk of poverty in old age in Japan.

Across welfare states, older people with low incomes relied heavily on social transfers. While these incomes could be non-means tested benefits such as public pensions, the lowest income groups were more likely to receive means-tested benefits. Reflecting the gender gap in incomes, the recipients of these social minimums were heavily gendered. In Britain, 15 per cent of women aged 65 and over and 7 per cent of male counterparts were on income support in 1993 – 1994 (Ginn and Arber 1999a: 321). On the other hand, in Germany, 6 per cent of the recipients of social assistance benefits in 1995 were those aged 65 and over. Out of the benefit recipients over the age of 60 in 1995, 69 per cent were women, while the rate was 86 per cent among those aged over 75 (Scharf 1998: 79). In the case of Japan, the largest recipients of social assistance benefits were households headed by those aged 65 and over. In 1995, these households constituted 42 per cent of all households on income support (MHW 2000: 413). On an individual basis, out of the benefit recipients aged 65 and over, 61 per cent were women, which constituted 22 per cent of all the recipients, compared with 14 per cent for older men, in 2000 (Japan Cabinet Office 2002: Table 1.3.6).

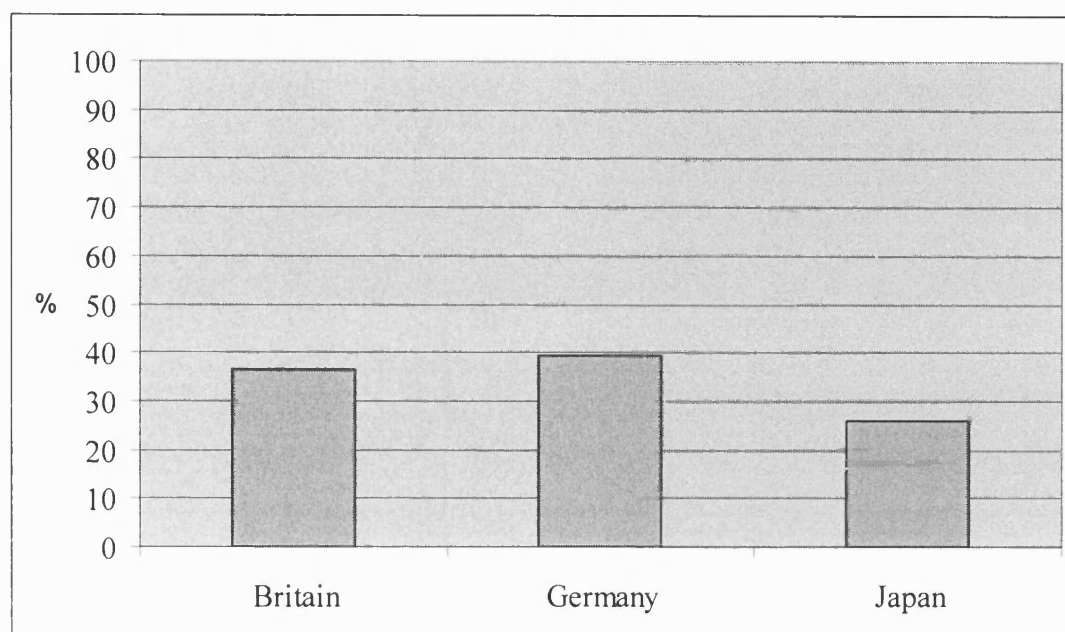
The social assistance rate, however, has limitations as an indicator of the extent and intensiveness of poverty. Firstly, means-tested benefits are well known for having

low take-up rates. Depending on the stigma attached to the receipt of benefits and policies to encourage or discourage the take-up, the rate can be different across countries even when the actual numbers of eligible people are similar (Tachibanaki and Urakawa 2006)¹²⁷. Secondly, depending on the indexation of the benefits to the prices or wages, the relative value of social assistance can change in relation to old age pensions, affecting the eligibility to means-tested benefits. Lastly, the absolute value or generosity of national minimum varies across countries (see Eardley et al. 1996a; 1996b; Kohl 1993). Thus, poverty rates defined by the number of social assistance recipients cannot be directly compared cross-nationally to produce relative pictures of the poor. Rather, they reveal more about the welfare system of a country.

This is especially so when complemented with the data which show the resource share of the poorest in the society. The experience of poverty can be significantly different depending on the institutional arrangements for those with the lowest income in the society. Figure 6.3 shows the mean disposable income of the poorest elderly in proportion to that of people aged 18 to 64.

¹²⁷ Tachibanaki and Urakawa (2001) offered a comparison table for the take-up rates in Britain, Germany, Japan and the US estimated by various authors. The estimated rate for Japan was much lower than those for other countries. The authors estimated the take-up rate in Japan in 1995 as 19.7 per cent. In contrast, the estimated take-up rates were 80 per cent for Britain in 1985, 37 per cent for Germany in 1993 and 67 per cent for the US in 1989 (estimated respectively by Duclos, J-Y. 1995. Estimating and Testing a Model of Welfare Participation: The Case of Supplementary Benefits in Britain. *Economica* 64 (253):81-100., Riphahn, R.T. 2001. Rational Poverty or Poor Rationality? The Take-up of Social Assistance Benefits. *Review of Income and Wealth* 47 (3):379-398., Blank, R.M., and P. Ruggles. 1996. When Do Women Use Aid to Families with Dependent Children and Food Stamps? *Journal of Human Resources* 31 (1):57-89.). As the reasons for the low take-up in Japan, Tachibanaki and Urakawa pointed out the strictness of means tests, no granting of benefits to applicants with extended family members as potential supporters, insufficient dissemination of information on benefits and strong stigma (pp. 126-127). Soeda also pointed out reluctance of the government to implement policies to raise the take-up rate and unwillingness of eligible people to apply due to weak sense of welfare rights and strong sense of shame as the contributing factors for low take-up rate in Japan (Soeda, Yoshiya. 1988. Seikatsu Hogo Seido no Tenkai. In *Tenkanki no Fukushi Kokka*, edited by Tokyo Daigaku Shakai Kagaku Kenkyūjo. Tokyo: Tokyo Daigaku Shuppan kai.).

Figure 6. 3 Mean disposable income of the lowest income quintile of people aged 65 and over (percentage of mean disposable income of people aged 18 to 64, the mid-1990s*



* See Table 6.1 for the specific years of the data for each country

Source: OECD (2001) Chart 2.1

Among the three countries, Japanese older people again fared the worst by this criterion. In the mid-1990s, the older Japanese in the lowest income quintile had disposable incomes of only about a quarter of the national average, while the rates for British and German counterparts were around 35 per cent and 40 per cent respectively.

In the mid-1990s, the Japanese intergenerational resource transfer system provided the least for those in need. It can be argued that the social rights in Japan did not bring much to the people in old age in the mid-1990s. These cross-national differences become more pronounced when looking closely at the income situations of those who have had a relatively weak link to the labour market, namely, older women.

6.3.1 The most vulnerable

Deprived of the intra-household transfers, solo-living older women are generally the most vulnerable to poverty. Moreover, solo-living in old age is more prevalent among women than men due partly to the former's longer life expectancy. While this is true with Britain, Germany and Japan, the risk of poverty is significantly different across the three countries in all living arrangements, including solo-living women. Table 6.2 shows the rate of those aged 75 and over whose incomes were in the bottom quintile of the entire population by their living arrangements.

Table 6. 3 Percentage of those aged 75 and over who are in the lowest income quintile* of the entire population, the mid-1990s**

| | Age 75+ | | | |
|---------|---------------|---------------------------|-------------------------------|--|
| | All older old | Single women living alone | Women living with spouse only | Single persons living with others (and the person is not household head) |
| Britain | 38.5 | 47.4 | 39.3 | 12.6 |
| Germany | 30.8 | 42.7 | 14.8 | .. |
| Japan | 33.5 | 78.7 | 58.5 | 18.2 |

Note: .. Data not available.

* Per capita income with the OECD standard equivalence scale.

** See Table 6.1 for the specific years of the data for each country

Source: OECD (2001) Table 7.1.

Overall, the risk of falling into the bottom 20 per cent of the income distribution was lowest for German older people, which corresponds to the rate of low incomes among this age group shown in Figure 6.2. The lower poverty risk in Japan compared with Britain appears to be contradictory with Figure 6.2 in the above section. However, this can be partly explained by the possibility that the elderly with incomes below 50 per cent of national median incomes existed well beyond the

bottom income quintile. The overall differences across countries are, however, dwarfed by the gaps between women not only between countries but also within a country.

In Germany, women had the lowest risk of falling into poverty in any living arrangements compared with women in Japan and in Britain. Nonetheless, among German women, the living arrangement did matter. The gap between the rates of women living alone and of those living with spouse was quite substantial. Overall, the table indicates that, in Germany, as far as women lived with their spouse, the risk of falling into the lowest income quintile was lower than both the population average and that of all older old. It can be said that their retirement-income system was based on the assumption of the existence of a male-breadwinner in a household.

In the case of Japan, the most noticeable feature is the exceptionally high risk of poverty among single women living alone. Almost 80 per cent of women in this category were in the lowest income quintile in the mid-1990s, while the equivalent rate was 43 per cent and 47 per cent for the German and British counterparts respectively. Furthermore, women in couple households were also exposed to a significantly high risk of falling into the lowest income status. On the other hand, the overall poverty rate of all older old in Japan was not significantly lower than the other two countries. This implies that, at least for women, income security in old age in Japan heavily relies on other kinds of living arrangement such as multi-generational living. If one of the main objectives of the public pension system is poverty prevention, its achievement is far from a success story for Japanese women.

Contrary to women in Germany and Japan, British women saw relatively smaller differences in the risk between solo-living and living with a spouse. Although living

alone did bring higher risk, the difference was the smallest among the three countries. Moreover, unlike the other two countries, the overall rate for older old and the rate for a couple did not show much difference. This means that the risk of poverty was relevant to many pensioners regardless of living arrangements. Considering the high rate of poverty among British older old in general, it can be said that the British system assumes a couple as a unit like in Germany, but provides too little resources to the elderly to distinguish the favouring of couples over single women.

The high likelihood of poverty in old age offers a gloomy prospect for women who live alone. This is especially true of Japan, where only those in multi-generational households were doing well. Moreover, the number of solo-living older women is on the rise in Japan (see Chapter 1). While the largest increase was seen in the elderly couple households, women in this living arrangement were the reservoirs of solo-living women, given their longer life expectancy than men.

On the other hand, social transfers, especially public pensions, were often designed to mitigate the economic loss in widowhood. This raises a question: to what extent did the loss of a male breadwinner have an economic impact on women in Britain, Germany and Japan in the mid-1990s? Table 6.3 demonstrates the extent to which widows were worse off or otherwise than women in couple households in the mid-1990s. The table also shows the extent to which certain factors affected on the income inequality between the two categories of women in each country.

Table 6. 4 The ratio of disposable income of widows living alone to that of pure couples, the mid-1990s****

| | Total | Portion of the differences that is attributed to |
|--|-------|--|
|--|-------|--|

| | difference | Working income per capita | Public pension per capita | Private pension per capita | Other public benefits per capita* | Tax and contributions per capita | Other income items | Household economies of scale** |
|---------------------------------|------------|---------------------------|---------------------------|----------------------------|-----------------------------------|----------------------------------|--------------------|--------------------------------|
| Pure*** couple to widow (65-74) | | | | | | | | |
| Britain | -28.6 | -5.7 | 12.6 | -10.7 | 9.2 | 4.1 | -8.8 | -29.3 |
| Germany | -7.1 | 0.5 | 27.4 | 2.5 | -0.1 | -1.8 | -6.4 | -29.3 |
| Japan | -37.5 | -21.5 | -1.8 | 0.7 | 0.8 | 8.4 | 5.3 | -29.3 |
| Pure*** couple to widow (75+) | | | | | | | | |
| Britain | -22.3 | -1.1 | 8.4 | -12.8 | 13.9 | 2.4 | -3.9 | -29.3 |
| Germany | -25.2 | 0.0 | 2.5 | -1.4 | 0.3 | -1.0 | 3.6 | -29.3 |
| Japan | -33.1 | -15.1 | 7.3 | 0.0 | 2.9 | 10.5 | -9.4 | -29.3 |

* 'Other public benefits' include means-tested benefits.

** A mechanical result of the equivalence scale

*** Couple without children

**** See Table 6.1 for the specific years of the data for each country

Note: The figures are not based on panel data, thus they do not show actual loss borne by individuals.

Source: OECD (2001) Table 7.2

In all the three countries, widows had significantly lower disposable incomes than women in a couple. While the state benefits generally operated to narrow the income gap, earnings worked to the opposite direction. Still, apart from the loss of economies of scale, there were cross-national variations in the main contributing factors for the income inequalities between the two groups of women.

The largest income gap between widows and wives can be found in Japan. The crucial contributing factor to the inequality was working incomes. This confirms the relative importance of, as well as the large gender gap in, earnings in old age in Japan. Although other factors were generally favourable to Japanese widows, the

loss of earnings was by far greater than the total gains. Another noticeable feature of Japan was negative impact of public pensions for younger widows. Although the effect was relatively small, the fact that public pension disadvantaged widows at all was quite different from the situations in Britain or Germany, where widows had considerable gains from this source.

In contrast, in Germany, younger widows saw the least economic disadvantages compared with women in a couple household. The former received incomes only about 7 per cent lower than the latter. The most important positive factor was public pensions, which almost cancelled out the loss of economies of scale for younger widows. On the other hand, this can also mean that women without survivors' pensions could be significantly worse off.

In the case of Britain, public benefits (both pensions and other benefits) brought widows some gains. Especially, the gains from 'other' public benefits were substantial compared to Germany and Japan, suggesting the important role of means-tested benefits in the country. However, almost half of the gains from public sources were cancelled out by the loss in private pensions. This confirms the disadvantages of private pensions for women.

These accounts do not exhaust possible causes for cross-national differences in the vulnerability of widows. The data being a snapshot of older women's situations rather than panel data, some factors which may have had effects on inequality among women were not necessarily captured by the results. Nor can the cohort differences such as in Germany be fully explained. The various extents of disadvantage can also be attributed to differences in the maturity of pensions, the workings of pension systems, demographic factors and labour market practices.

Nevertheless, it can be argued that none of the three intergenerational transfer systems under consideration provided enough to compensate for the loss of male breadwinners. The more the share of resources from the market was important in old age, the greater the disadvantages solo-living widows faced. Depending heavily on earnings of the male breadwinner even in old age, Japanese older women who lived alone were the most vulnerable to poverty.

Widows are not the only group of solo-living older women. The growth in marital breakdown and the decline in marriage suggest a significant increase in the number of non-widowed single older women. Deprived of family transfers as well as derived benefits, these women can only rely on personal incomes of their own in old age. On the other hand, these women might have had a greater chance to accumulate significant pension rights in their own right through employment. This suggests the diversity of women's economic situations within a country along the line of marital status. In the next section, different economic situations among women are further examined with a focus on old-age pensions.

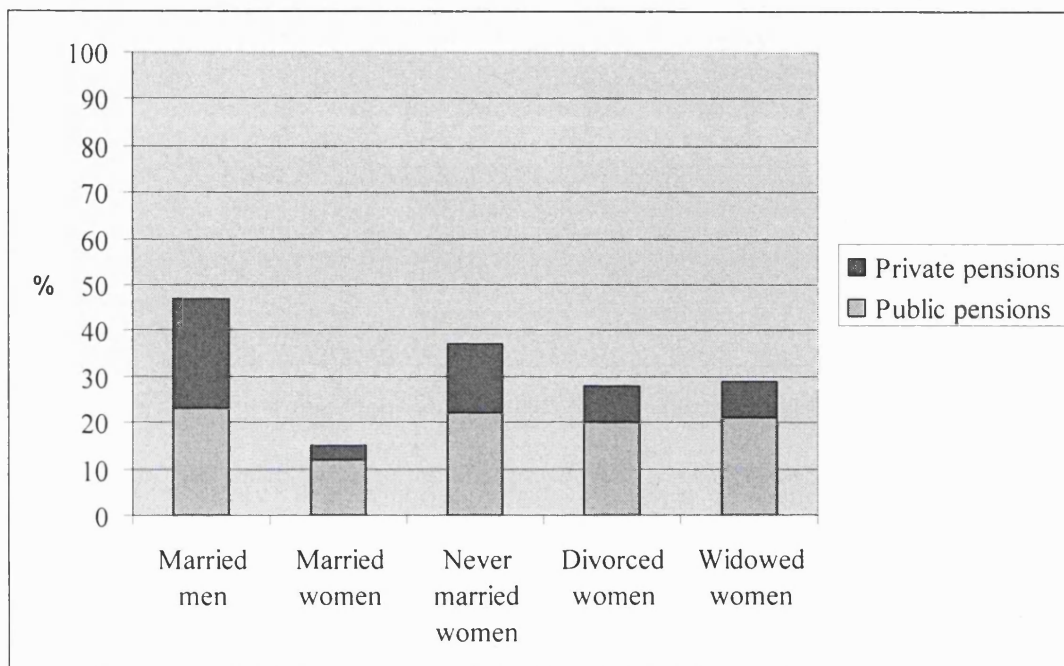
6.4 Differences among women

Many older women receive their resources from the public pension system, but their entitlements are not limited to entitlements as wage earners but include those as wives and as mothers. Moreover, these entitlements are usually stratified, advantaging the entitlement as wage earners the most (Sainsbury 1996; 1994). This generalisation can be applied to the three countries under consideration to a certain extent. While the pension systems of Britain, Germany and Japan treat the three entitlements quite differently, the economic status of older women in the mid-1990s

showed some cross-national similarities in the inequality by marital status¹²⁸.

Figures 6.4.1 to 6.4.3 show the ratio of own pensions to that of gross earnings of average workers by marital status.

Figure 6. 4. 1 Mean value of own pensions for people aged 65 and over as a percentage of gross earnings of average production worker, the mid-1990s*, Britain

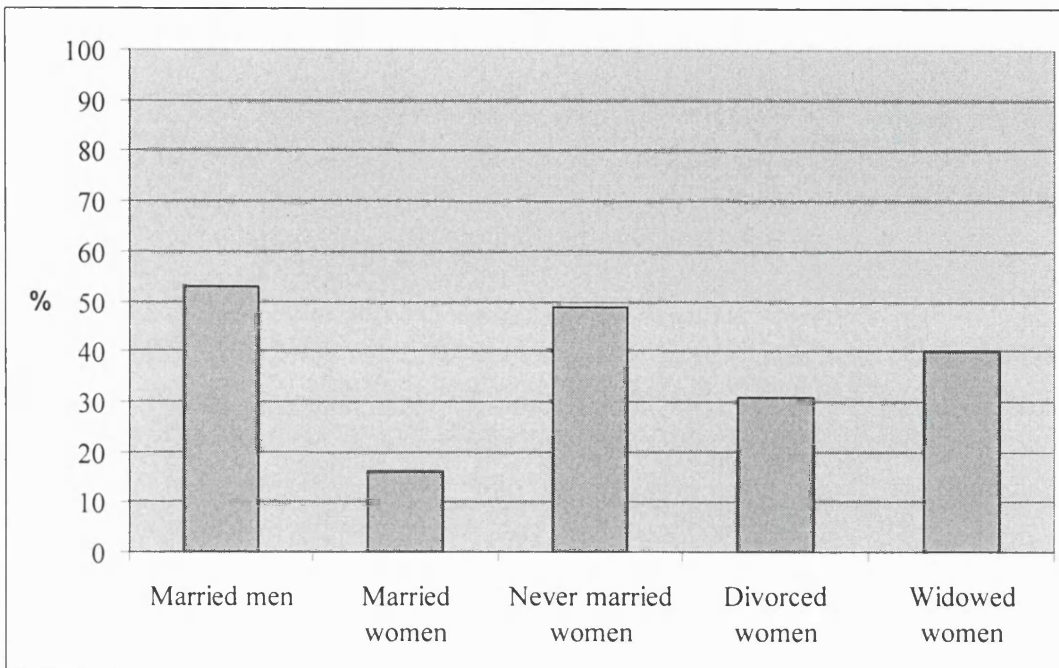


* See Table 6.1 for the specific years of the data for each country

Source: Casey and Yamada (2002) Table 5.5

¹²⁸ While marital status and care responsibilities do not necessarily overlap, the assumption is less problematic with women of this generation than with younger women.

Figure 6. 4. 2 Mean value of own pensions for people aged 65 and over as a percentage of gross earnings of average production worker, the mid-1990s*, Germany

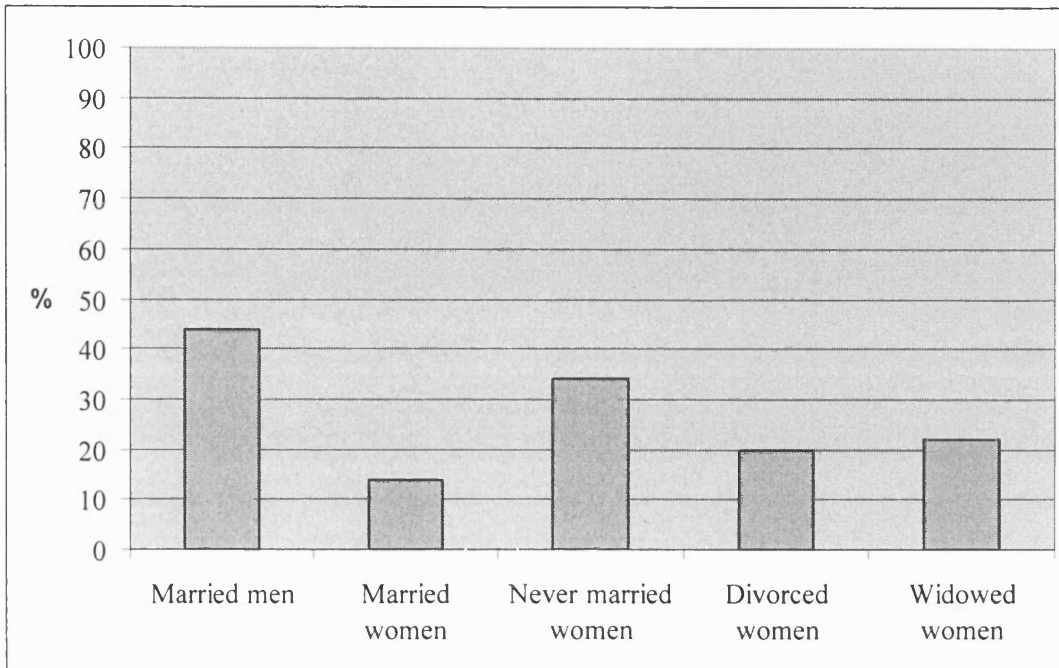


* See Table 6.1 for the specific years of the data for each country

Note: The benefit levels of private pensions for Germany and Japan are omitted due to the insignificance of the ratios.

Source: Casey and Yamada (2002) Table 5.5

Figure 6. 4. 3 Mean value of own pensions for people aged 65 and over as a percentage of gross earnings of average production worker, the mid-1990s*, Japan



* See Table 6.1 for the specific years of the data for each country

Note: The benefit levels of private pensions for Germany and Japan are omitted due to the insignificance of the ratios.

Source: Casey and Yamada (2002) Table 5.5

The figure shows that the ranking of pension benefits by marital status was the same across countries. In all the three countries, the rate of never-married women was lower than that of married men to a varying extent. Among women, the highest rate was attained by never-married women, the second highest by widows, the third by divorcees and the lowest by married women. Assuming the link between the marital status and the labour force participation, it can be said that life-long link to the labour market brought women better benefits than the status of wife (including in widowhood) did in all the three countries. The gap between married women and never-married women suggests that women at least of this generation had to face the choice of either marriage or employment for their own better economic prospects in

old age. The failure of maintaining the chosen course – divorce – resulted in considerable economic loss for women. This was especially true of Germany, where the gap between divorcees and widows was considerable.

Nonetheless, there are some noticeable cross-national differences. In Britain, the inequality in the statutory pensions was not pronounced among women apart from the low benefit level of married women. In contrast, the inequality was profound in private pensions along the line of marital status. Research also suggests the inequality along the line of class (Ginn and Arber 2001a; 1999a). Class difference was simply reflected in the differences in both coverage and benefit levels of private pensions, dividing women further.

On the other hand, the noticeable feature with Germany is the high rate attained by widows as mentioned above. This suggests generous derived rights in the country. However, in Germany, inequality among women can be explicitly seen along the line of occupation and region (Scharf 1998; Scheiwe 1994) as well as marital status. Indeed, research suggests that while the success in the marriage market is the surer way for the income security in old age in the Old Länder (west), this was not necessarily the case in the New Länder (east) (Allmendinger, Bruckner, and Bruckner 1993). Reflecting the differential gender relations in each Länder, for women in the former East Germany, pensions in their own right were a more important source of incomes in old age (Chamberlayne 1994). Still, the average monthly own pensions of women in New Länder did not reach the level of men in the blue-collar scheme in New Länder, let alone to the level of men in the Old Länder (Statistisches Bundesamt 1997: Table 19.4.10).

In contrast, in Japan, research suggested that employment history of women did not always affect the pension inequality among women. In the mid-1990s, there was not much difference in the levels of benefits among women who mainly worked part-time, who were self-employed or who undertook no paid work over their lifetime (MHW 1997b). This is partly due to the strong derived rights in the Japanese pension system (see Chapters 3 to 5). This suggests that inequality among women can be significant along the line of marital status and their husband's economic status.

In sum, all the three countries have a potential division among women due to their income inequality along the line of class, occupation, region and marital status. However, the quoted statistics also suggested that none of the inequality was as large as the inequality between women and men.

6.5 Conclusion

The first part of this chapter saw large differences in the composition of older people's incomes in Britain, Germany and Japan. Despite these variations, all the three countries were apparently successful in the mid-1990s in transferring considerable resources to older generations. In a way, this confirms the claim of high substitutability of differential income sources, which can provide a basis for proposals to shift the boundaries between the state, the market and the family for providing resources in old age. While the boundaries can shift in any directions, the recent trends towards a larger share of private pension income suggests that the claim is more likely to be employed to justify the smaller direct role of the state in intergenerational resource transfers.

However, the claim of high substitutability ignores research evidence which suggests the limited substitutability on an individual level due to the different legitimacy of each income source. Also, the claim does not pay much attention to the possible differences in the impact of each income source on inequality between the elderly. The examination of intra-generational distribution of resources has implied that the differential mix of income sources has significant implications for inequality within a generation.

Income inequality is intertwined with gender inequality, and without awareness of gender differential impacts of certain income sources, the significance and the limitation of each component of income cannot be fully captured. The emphasis on the market is generally detrimental more to women than men due to the persistent gender inequality in the labour market. The trends towards a larger share of private pension income and longer working life thus can have a negative impact on the extent of income inequality within a generation. Moreover, unless the adequacy of a social minimum is guaranteed, people with low incomes – who tend to rely more on incomes from public sources – may see their share of resources in a society decrease.

Nonetheless, the three-country comparison has also demonstrated that redistribution through the state does not always narrow the inequality. Women's disadvantages in the labour market can be compounded by the institutional arrangements in statutory pension systems. Depending on the design, even the public pension schemes can be the cause of inequality. This is exemplified in Germany where the public pension system is the biggest factor for inequality in old age in the mid-1990s. The strong link between the levels of earnings and benefits is more detrimental to women, who generally have weaker positions in the labour market. The bias towards male

workers in the public pension system, however, is true not only with Germany. To a varying degree, both British and Japanese systems are not free from this criticism. Since women form the majority of pensioners, without having women in mind in the design of retirement-income systems, the problem of poverty and inequality in old age cannot be solved.

This is certainly true of Japan, where those with low incomes had the least share of resources in the society in the mid-1990s. Moreover, these poor people were more likely than not to be older women. While these two issues were not often brought up as primary problems in the mid-1990s in Japan, gender inequality in incomes in old age and older women's risk of poverty were in a way more serious than in Britain or in Germany.

The questionable effectiveness of the Japanese redistribution system and the high poverty proportion among older women also raise concerns about the economic welfare in old age of younger women, who are expected to receive their state old-age pensions under a less generous regime. Moreover, changes in the norms and population profile mean that it is increasingly a risky strategy to count on the traditional provider – the family – for the economic welfare in old age.

On the other hand, women's greater risk of poverty in old age is often regarded as a historical legacy, and thus less relevant to today's younger women. This optimistic view is mainly based on recent socio-economic changes such as the increasing participation of women in the labour market. Some measures have also been taken to better accommodate women's life courses in public pension systems, exemplified by credits for care period. These moves have led to the situation where more women are included in the social security system in their own right rather than as

'dependants'. Yet, there is also persistent direct and indirect discrimination against women, which still disadvantages women as wage earners.

In the next chapter, the effects of institutional differences of the pension systems of Britain, Germany and Japan on the gender pension gaps and women's economic welfare in old age are examined, using hypothetical female individuals.

Chapter 7 Women's Prospects for A Better Future: Simulations

Many public pension systems are based on men's typical life courses in determining the level of model pensions. This is also the case with the Japanese pension system despite a series of recent pension reforms. This raises questions about women's pension levels. The main aim of this chapter is to examine the impact of recent pension reforms on women, and to discuss the policy implications. For this purpose, the relative performance of the Japanese pension system is compared with that of Britain and Germany in terms of gender equality in outcome and women's economic welfare in old age.

The main aspect to be examined is the cross-national differences and similarities in the overall effects of women's three entitlements – namely, as wage earners, as carers and as wives – on the pension outcome. Although simple comparisons of pension regulations can reveal differential emphasis on women's three entitlements to a certain degree, many women gain their pension rights through more than one entitlement as wage earners, carers and wives over their lifetime. In order to examine the overall effects of the combination of these three entitlements, this chapter uses simulations based on hypothetical individuals' life courses. By building stylised life courses, simulations can help illuminating the institutional differences in the effects of various combinations of the three entitlements (see Chapter 2 for the merits and limitations of this method).

In order to explore the contributing factors to the results, the following sub-questions are asked:

- How effectively does each system mitigate the disadvantages caused by lower earnings, shorter job tenure or non-full time working?

- How effectively do credits for care work mitigate the disadvantages in the labour market caused by care commitment?
- How effectively do derived benefits for dependent spouse contribute to boost women's pensions in each system?

This chapter first briefly describes the pension systems of Britain, Germany and Japan as of 2004. The next section introduces some assumptions and model life courses for simulations. Then, it explains three criteria based on which the simulation results are analysed. This is followed by the analysis of simulation results of the pension systems in Britain, Germany and Japan in terms of women's economic welfare in old age and the gender pension gap, using the above criteria. The next section discusses the limitation of the results. The last section summarises the findings and discusses the policy implications of these results for future female pensioners in Japan.

7.1 The pension systems of Britain, Germany and Japan¹²⁹

Public pension systems of Britain, Germany and Japan take the form of social insurance, and thus eligibility is generally gained through the payment of contributions. Nonetheless, there are some special arrangements for carers and/or parents with young children in all the three countries. Ignoring transitional arrangements, the statutory pensionable age in all the three countries is 65 for both women and men. In the following, each system is briefly described in turn.

¹²⁹ The information on the pension systems of Britain and Germany was obtained from the on-line database of the Mutual Information System on Social Protection (MISSOC). 2001-2004. [cited 2001-2004]. Available from http://ec.europa.eu/employment_social/spsi/missoc_en.htm. The information on the Japanese pension system was obtained, unless otherwise stated, from Kōsei Tōkei Kyōkai, ed. 2002. *Hoken to Nenkin no Dōkō (Trend of Social Insurance and Pensions)*. Tokyo: Kōsei Tōkei Kyōkai

Britain

The basic structure of the British public pension system is as follows:

Flat-rate tier (BSP) + earnings-related tier (S2P)

It has a flat-rate basic part, Basic State Pension (BSP), and an additional earnings-related part, State Second Pension (S2P)¹³⁰. In principle, membership of the state pension is limited to those with earnings above the Lower Earnings Limit (LEL). If, however, the earnings are above LEL but below the Lower Earnings Threshold (LET), people are exempted from contribution but treated as if they have paid at the level of LET.

The level of BSP is determined by the length of contributions, but there are supplementary benefits for dependants. The full BSP is payable with 44 years of contribution. The required years for full BSP can be reduced for those with care responsibilities under the Home Responsibility Protection (HRP). The minimum required contribution period for BP is 11 years.

With regard to S2P, the level is determined by the length of contributions and the level of earnings, but there are redistributive mechanisms installed for those with lower wages. There are also credits for carers. However, there are no supplementary benefits for dependants.

In widowhood, surviving spouses can use the deceased partner's membership record for their BSP as well as inherit a half of the deceased spouse's S2P up to a statutory ceiling of S2P.

¹³⁰ From 1978 to 2002, the earnings-related part of state pension in Britain was referred to as the State Earnings-Related Pension Scheme (SERPS).

Germany

The German public pension system has only earnings-related tier. The main public pension schemes, GVR, are divided along the line of blue-collar jobs and white-collar jobs, both of which have similar regulations. There are thresholds for both earnings and working time in order to gain the access to the schemes. People in short-term employment (up to 50 working days per year) are exempted from contribution payment, and those who work 15 hours or more a week must pay contributions regardless of their earnings.

The level of benefits is determined by the length of contributions and the level of earnings. There are no supplementary benefits for dependants. The minimum required contribution period is 5 years. Certain interruptions of employment are credited such as years spent in military service, registered unemployment, sick leave and time spent for care.

In widowhood, 55 per cent of pension benefit of the deceased is payable to the surviving spouse with a ceiling. For widows or widowers who have raised children, additional pensions are granted according to the number of children raised.

Japan

The basic structure of the Japanese public pension system is as follows:

Flat-rate tier (NP) + earnings-related tier (EPI)

It has a flat-rate basic part, National Pension (NP), and an additional earnings-related part, the Employees' Pension Insurance (EPI). The membership of NP is mandatory for all those aged 20 to 59 regardless of their employment status or occupations.

Certain categories of people are exempted from paying contributions, which include dependent spouses of employees, students, those on disability pensions or social assistance benefits. Those with extremely low incomes can also be exempted from paying contribution by request. However, the head of the household has the responsibility to pay the premium for NP on behalf of those in the household. Apart from the case for dependent spouses, the exemption leads to reduced benefits to a varying degree.

The level of NP is determined by the length of contributions. The full NP is payable with 40 years of contribution or credits (exemption period). The minimum required membership period for NP is 25 years.

With regard to EPI, the membership is limited to regular employees in principle. Part-time workers are covered if their working hours are equal to or more than three fourths of regular employees'. The minimum required contribution period for EPI is one year. However, to be eligible for EPI, one should be also entitled to NP, for which 25 years of membership is necessary. The level of benefits is determined by the length of contributions and the level of earnings. However, credits are available for parents on parental leave. There are also supplementary benefits for dependants.

In widowhood, surviving spouses can receive an equivalent of the sum of half of their own EPI and half of their deceased spouse's EPI pension or 75 per cent of the deceased spouse's EPI pension, whichever the higher¹³¹. There is also age addition for older widows.

¹³¹ Survivors with annual incomes of 8.5 million yen or over are disqualified.

7.2 Model Cases

Hypothetical life courses are applied to the pension systems of Britain, Germany and Japan to produce pension results for model cases. In order to compare institutional factors of pension systems in different socio-economic settings, economic and political changes over time and differences across countries are contained and stylized.

Firstly, it is assumed that each pension system remains constant with the rules as of 2004 throughout one's working life. These regulations include legislated changes to be phased in over time, treating them as if they were already fully implemented. Secondly, the level of thresholds, ceilings and credits for benefits and taxation are assumed to be raised in line with the growth in wages and prices, whichever the higher, unless otherwise stated. Lastly, the real value of future pension levels is adjusted using the most relevant government projections for the indexation regulation in each system. This means that different projections are used across countries as shown in Table 7.1¹³². While these projections may not necessarily be robust ones, taking the government projections at face value is justifiable by the main objective of this study. The objective is to examine the resource redistribution in each society as the respective government implicitly or explicitly sees fit, rather than to examine the robustness of the governments' projected outcomes. The adjusted benefit levels are shown in today's monetary value.

¹³² See Appendix 2 for more details on pension adjustments in each country.

Table 7. 1 Relevant government projections for adjusting the benefit value by country

| | Bases for benefit adjustment | Government projections used in the calculations | Rates |
|----------------|---|--|---|
| Britain | Basic pension: inflation Earnings-related pension: production growth | Expected real production growth | 2 per cent of increase per annum |
| Germany | Gross wages, contribution rate, the ratio of pensioners to contributors | Minimum replacement rate guaranteed by law | 43 per cent of average earnings in 2030 |
| Japan | Net wages ¹³³ , the ratio of pensioners to contributors, life expectancy | Total rate of expected decrease in the benefit level | 15 per cent decrease in benefit by 2023 |

The model life courses of hypothetical individuals are also standardised and simplified based on several assumptions as follows:

1. The model is based on individuals, but the entitlements gained through partners are also taken into account and shown separately;
2. It is assumed that the working life begins at 20 and the retirement starts at 65;
3. Men's average gross earnings are used as a standard in each country. The wage level for each hypothetical individual is determined by applying a fixed proportion to men's average gross earnings across countries rather than using nationally different real gender gap in wages¹³⁴. To simplify, only a flat life-time

¹³³ For the pensioners aged 68 and over, the benefits are indexed to inflation.

¹³⁴ The ratios of full-time female employees' average earnings to men's are 76.5 per cent in Britain, 71.2 per cent in old Länder, Germany and 64.5 per cent in Japan in 2004 (Source: ; Annual Survey of Hours and Earnings, Britain; website of Federal Statistical Office, Germany and Basic Survey on Wage Structure, Japan)

earnings profile is used instead of age-specific wage profiles¹³⁵;

4. When a model individual is married, the wife and husband are modelled as being the same age. Benefits for widows are calculated at the time of retirement to avoid indexation affecting the outcome;
5. In the models, the forms and the combination of paid and unpaid work are significantly simplified by necessity. Care responsibilities in the model women's life courses are limited to child care. This is because the requirements in child care in terms of time are relatively predictable and easier to stylize than other types of care such as care for the frail elderly or disabled persons.
6. The simulation includes only public pension schemes. Although private pensions are important part of incomes in old age in Britain, and increasingly so in Germany and Japan, incomes from private sources are ignored because the primary interest in this study is the explicit redistribution through the state.

In this study, one benchmark case of a man and six cases of women are used. The life course of each hypothetical case is as follows.

7.2.1 The benchmark

The benchmark case is a single man with an uninterrupted employment record between the age of 20 and 64, that is, he has a contribution record of 45 years. His earnings during the working life are at the same level with the average male earnings (see Table 7.2). The net earnings denote the earnings net of income tax and social security contributions¹³⁶.

¹³⁵ There are no significant differences between flat and age specific profiles for Japanese women, who are the main focus of the thesis.

¹³⁶ See Appendix 3 for the calculations of the net earnings.

Table 7.2 Average male annual earnings, 2004

| | Gross earnings | Net earnings |
|---------|----------------|--------------|
| Britain | £24,236 | £17,524 |
| Germany | €46,164 | €24,895 |
| Japan | ¥5,427,000 | ¥4,219,824 |

Note: For Germany, the figure is calculated from the monthly salary for white-collar male employees in old Länder. This is because unlike in Britain or in Japan, blue-collar workers and white-collar employees in Germany belong to separate public pension schemes. The formulae for pension calculations are constructed in such a way that significant earnings gaps between white-collar employees and blue-collar workers and between old Länder and new Länder are mitigated to a certain extent. The monthly salary for white-collar male employees was 3,847 euros for the former and 2,881 euros for the latter in 2004. Monthly wage for blue-collar male workers was 2,681 euros for old Länder and 1,994 euros for new Länder in the same year.

Source: Calculated from MHLW (2004a) for Japan. website of Federal Statistical Office Germany; Annual Survey of Hours and Earnings for Britain.

7.2.2 Female Hypothetical Cases

All the hypothetical female cases except for Case 1 are married. They are in paid employment for certain years of their lives on full-time and/ or part-time bases. Their earnings levels are defined as a percentage of the average male earnings of each country. For the full-time employment, the ratio is set at 65 per cent. For the part-time employment, it is fixed at 40 per cent and 20 per cent. Based on the benchmark case above, hypothetical women's earnings during their working lives are as in Table 7.3. Each hypothetical woman's pension result is to be calculated based on these earnings and specific years of employment and care.

Table 7. 3 Model women’s annual earnings as a percentage of men’s

| | 65% | | 40% | | 20% | |
|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Gross | Net | Gross | Net | Gross | Net |
| Britain (£) | 15,753 | 11,841 | 9,694 | 7,782 | 4,847 | 4,304 |
| Germany (€) | 30,007 | 18,098 | 18,466 | 12,351 | 9,233 | 7,192 |
| Japan (¥) | 3,527,550 | 2,792,237 | 2,170,800 | 1,756,145 | 1,085,400 | 1,074,590 |

Hypothetical Case 1: Continuous employment

The first hypothetical case is a single woman without a child who is employed all her adult life. She has an uninterrupted working record on a full-time basis. This case illustrates the effect of gender wage gap on women’s pension levels in each pension system. This case examines whether lifetime earnings gap between women and men is reproduced or mitigated through the pension systems. Since the results of this case imply what level of pensions women would get if they follow the life course of model men bar earnings levels, the results of this case is also used as a reference point for the following cases.

Hypothetical Case 2: Nearly continuous employment

The second case is a working mother who is in full-time employment. During her working life, she has one year interruption for maternity and/ or parental leave at the age of 30. This kind of working trajectory is what the Japanese pension system

assumed in its arrangements for those who are on maternity/ parental leaves until the 2004 reform¹³⁷.

Hypothetical Case 3: Interrupted employment, mix of part-time and full-time working

The third case is a married woman with a child, who interrupts her employment until the child gets older, and resumes paid work first on a part-time basis then on a full-time basis. She earns 65 per cent of male average earnings when full-time, and 40 per cent when part-time. The interruption for childcare is for 6 years between the age 30 and 35, and part-time working is for 4 years between 36 and 39. At the age of 40, she switches to full-time and remains so until her retirement at the age of 65.

Due to cross-national differences in the regulations, women in the three countries are covered by different rights during the period of the career break and part-time working. In Britain and Germany, the model women are covered as mothers during the six-year absence from the labour market. After the six years, the British case is covered as a wage earner. On the other hand, the German case is treated as a working mother and able to have her earnings upgraded for the purposes of pension calculation until the child reaches 10 years old. In contrast, the Japanese case is covered as a mother only for the first three years – the statutory maximum for care credits. For the remaining period of the career break, she is covered as a dependent wife, assuming her husband is insured by EPI. Once she resumes employment, it is assumed that she is included in EPI in her own right even when she works part-time.

¹³⁷ The 2004 reform in Japan extended the period of pension credits for those on parental leave from one year to three years. However, the statutory income replacement benefit is payable only up to one year.

Hypothetical Case 4: Interrupted employment, mix of part-time and full-time working

The fourth case is exactly the same with Case 3 except for the earning level during the part-time employment. In this case, she earns 20 per cent of male average earnings when working part-time. Since this level of earnings falls below the threshold for the coverage as wage earners in Japan, the Japanese case is covered as a dependent spouse while she is in part-time employment.

Hypothetical Case 5: Interrupted employment, part-time working

The fifth case is again a married woman with a child, interrupting her employment for 6 years for parenting. However, this time, she works only part-time for the rest of her working life after the six-year break. After staying at home looking after the child between the age of 30 and 35, she works part-time at 20 per cent of male average earnings for 4 years until the age 40, and afterwards at 40 per cent until she retires. This case represents another prevalent working pattern among women, albeit at various levels of earnings in reality. It illustrates the effects of part-time working and lifetime low earnings on the level of final pensions.

Hypothetical Case 6: Withdrawal from the labour market

The last case is another married woman with a child. This time, she first takes parental leave for the statutory maximum period, but decides not to go back to the labour market afterwards. It is assumed that her husband has enough earnings to financially support her and the child, but not enough to pay voluntary contributions on her behalf for her pensions. This model illustrates the effect of entitlement as wives in contrast to the ones as mothers or as wage earners.

7.3 Results and criteria for assessment

Pension benefits of all the cases are calculated according to each country's pension formula and rules for benefit adjustment, social security contribution and taxation¹³⁸.

Pension benefits for all the hypothetical cases are calculated accordingly, and the results are shown in Table 7.4.

Table 7. 4 Pension results per annum, gross

| | Bench- mark | Case 1 | Case 2 | Case 3 | Case 4 | Case 5 | Case 6 |
|-------------|----------------|-----------|-----------|-----------|-----------|-----------|---------|
| Britain (£) | 5,580 | 4,801 | 4,793 | 4,716 | 4,716 | 4,505 | 2,062 |
| Germany (€) | 16,065 | 10,442 | 10,892 | 9,660 | 9,232 | 7,000 | 3,002 |
| Japan (¥) | 1,770,700 | 1,418,500 | 1,418,500 | 1,321,300 | 1,301,100 | 1,131,200 | 881,800 |

These simulation results are assessed in terms of three principles, each of which is measured by a separate criterion. To distinguish the influence of taxes and social security contributions, net benefits are presented where relevant¹³⁹. These principles are as follows.

Intra-generational redistribution between different life courses

Previous chapters have shown that the Japanese public pension system uses men's average earnings and working trajectories in setting the model pension. To what extent the redistribution mechanism in the system, if any, redresses the effects of deviation from the norm such as being a woman, an employee with lower-than-

¹³⁸ Examples of actual calculations of pension benefits are shown for the benchmark case of each country in Appendix 4.

¹³⁹ See Appendix 5 for calculations of pensions net of income tax and social security contributions.

average earnings, a wife and a mother? In order to answer this question, the relative value of pensions is measured as a proportion of the pension received by an individual on average male earnings with continuous employment record.

Intergenerational redistribution

Women's economic welfare in old age is determined not only by the extent of intra-generational redistribution but also by the relative economic status in a society. In order to examine women's pensions from this perspective, the relative value of pensions is measured as a proportion of national average earnings. The national average earnings here include earnings of both women and men but only of those aged between 15 and 64.

Poverty prevention

One of the main objectives of old age pensions is to prevent older people from falling into poverty. While all the three countries have means-tested income support, the rationale for the old age pensions is to keep pensioners from receiving these benefits. Thus, the study examines to what extent pensioners are secure from this risk and how better off or otherwise they are than those on means-tested benefits. In order to do this, the relative value of pensions is shown vis-à-vis the level of the nationally set level for income support and the level for minimum guaranteed pension benefits where they exist.

7.4 Results: Intra-generational redistribution

The first principle to be examined is intra-generational redistribution between different life courses. Given the generally fewer gains of women as wage earners, the most important factor in pension systems for women is arguably the extent of

redistribution within a generation. Figures 7.1.1 to 7.1.3 show the pension levels of women relative to men's in each country. The standard against which the benefits are compared is the pension level of the benchmark case, that is, the pension received by an individual on average male earnings with continuous employment record. The closer the model's outcome is to 65 per cent, the stronger the link between wage and benefits is, thus, more a woman would need to combat gender wage gap in the labour market in order to receive equivalent level of pensions to that of men's.

Figure 7. 1. 1 Women's total pensions as per cent of average men's pension, Britain

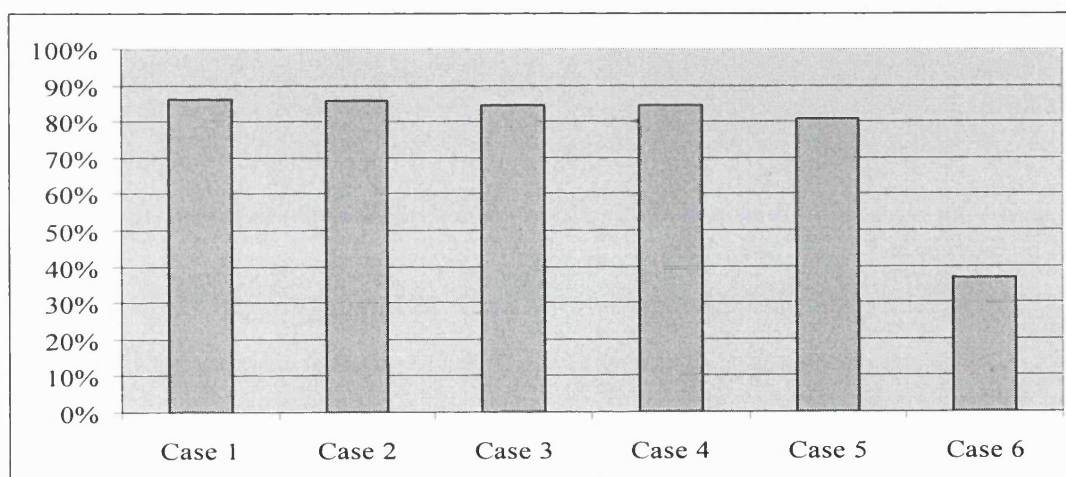


Figure 7. 1. 2 Women's total pensions as per cent of average men's pension, Germany

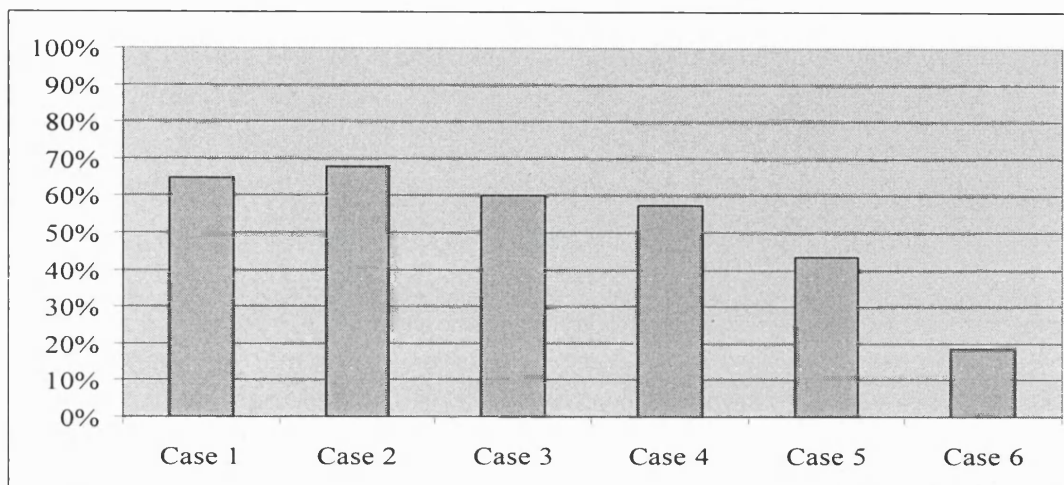
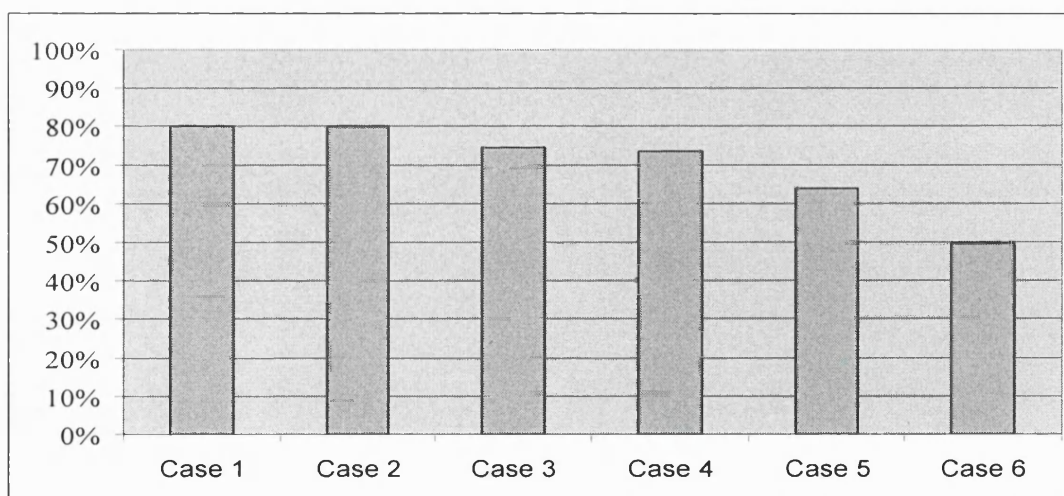


Figure 7. 1. 3 Women's total pensions as per cent of average men's pension, Japan



Case 1: Continuous employment

Case 2: 10 years full-time → 1 year break → full-time

Case 3: 10 years full-time → 6 years break → 4 years part-time (40% of male average) → full-time

Case 4: 10 years full-time → 6 years break → 4 years part-time (20% of male average) → full-time

Case 5: 10 years full-time → 6 years break → part-time (4 years at 20% → the rest at 40%)

Case 6: 10 years full-time → withdrawal

Among the three pension systems, the British system resulted in the least gender pension gap and the German system the largest, with the Japanese system in between. These results reflected the differential extent of strength in the link between earnings levels and benefits and between the labour market attachment and benefits. In Britain, the flat-rate element, care credits and redistributive pension formula significantly narrow gender gap in public pensions. Japan also has a flat-rate part, but its care credits are relatively limited and the earnings-related part is not redistributive. In contrast, in Germany, there is only earnings-related part in its public pensions. Although care credits in the German pension system are relatively generous, they are not substantial enough to allow most women to receive a comparable level of pensions with men's. This suggests that care credits alone, however generous, cannot overcome the inequality caused by lifetime pay gap, even if they may redress an income drop during the first year(s) of childrearing for pension calculation purposes. This point is further explored in the following.

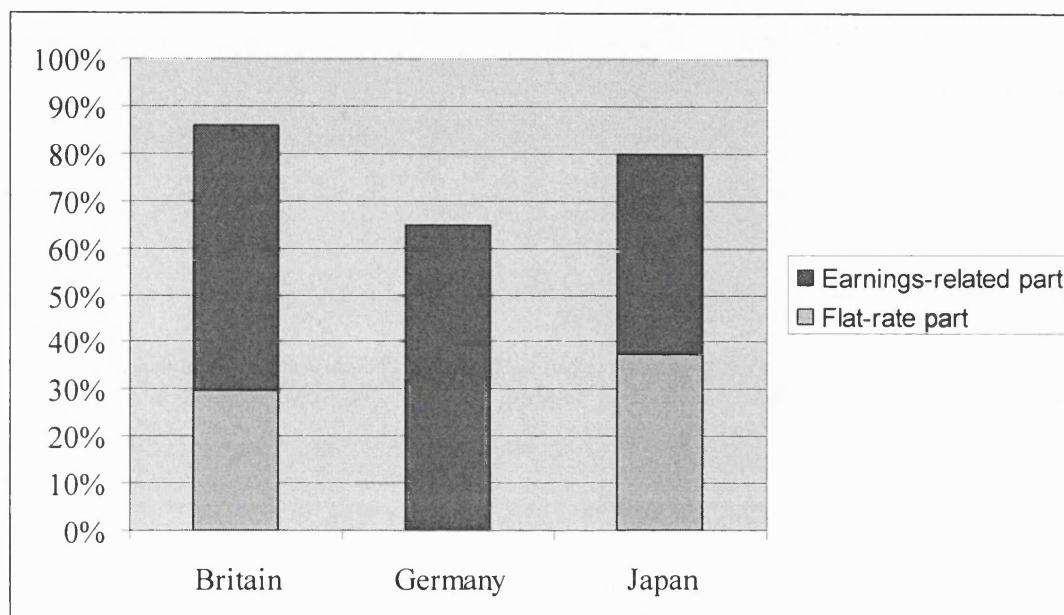
To further examine how each system redistributes between different life courses, intra-generational redistribution is broken down as between different wage levels, between different care commitments, and between wage earners and dependent spouses. In order to simplify, these redistributions are categorised into three groups as wage earners, as mothers and as wives respectively, and each is looked at in turn.

7.4.1 As wage earners

With the increase in female employment as well as persistent gender inequality in the labour market, the extent of redistribution between those with different wage levels and employment histories has a significant implication for gender equality in pensions. To what extent does each system redistribute between wage earners with

different lifetime earnings? Among the models, Case 1 (continuous employment) is best suited to see the effect of lower pay per se. Figure 7.2 shows the results for Case 1 in the three countries broken down into flat-rate part and earnings-related part.

Figure 7. 2 Pensions as wage earners as per cent of average men's pension, Case 1



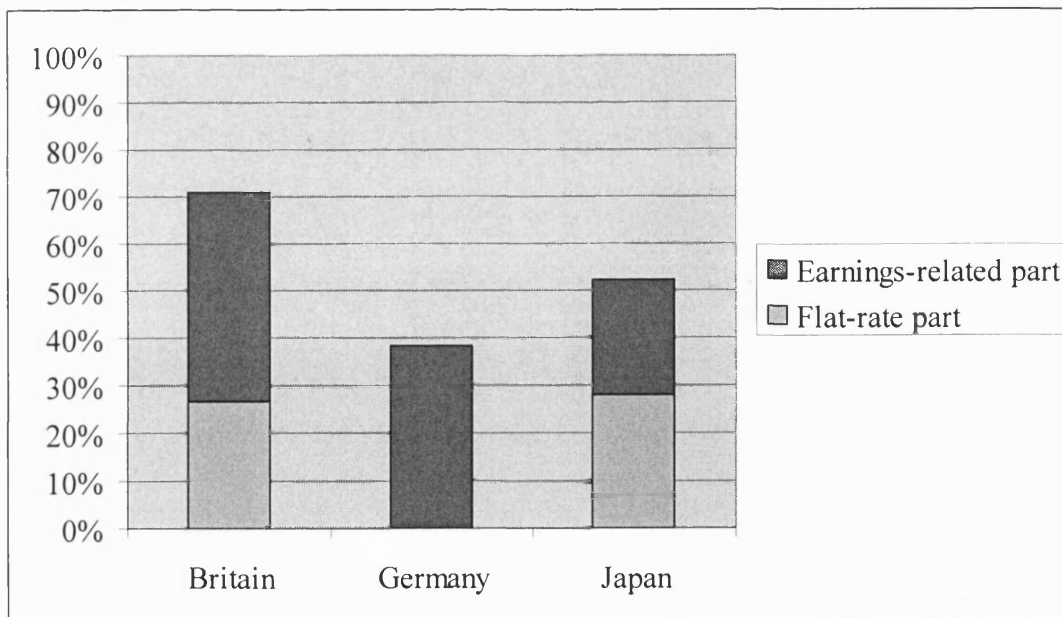
Case 1: Continuous employment

The figure confirms that the German system reproduces most closely the earnings gap in working life – 65 per cent. On the other hand, British and Japanese systems redistribute and provide benefit level of about 86 per cent and 80 per cent of the benchmark case respectively. Given the fact that the German pensions consist of only earnings-related tier, it may not be surprising that the German system redistributes the least of the three. On the other hand, Britain and Japan have flat-rate basic tiers, and in the simulation, both British and Japanese models receive full basic pensions. Compared between the two countries, the ratio of the full basic pension to men's total pension level is higher in Japan than in Britain – about 38 per cent and 30 per cent respectively. However, in the case of Britain, the earnings-

related part is also redistributive. As a result, the Japanese model has a wider gender gap in final pensions than that of the British equivalent.

This redistribution ranking is repeated in all the other cases for the benefits derived from the entitlement as wage earners (see Appendix 5). The British cases especially stand out by their high proportion to the average men's pension level. Even with lifetime low earnings such as in Case 5 (part-time working after age 40 until retirement), the British hypothetical woman can still receive more than 70 per cent of average men's pensions as a wage earner (see Figure 7.3). This is a drop of only 15 percentage points from Case 1 despite the difference of 25 percentage points in earnings between the two cases in most of their lives.

Figure 7.3 Pensions as wage earners as per cent of average men's pension, Case 5



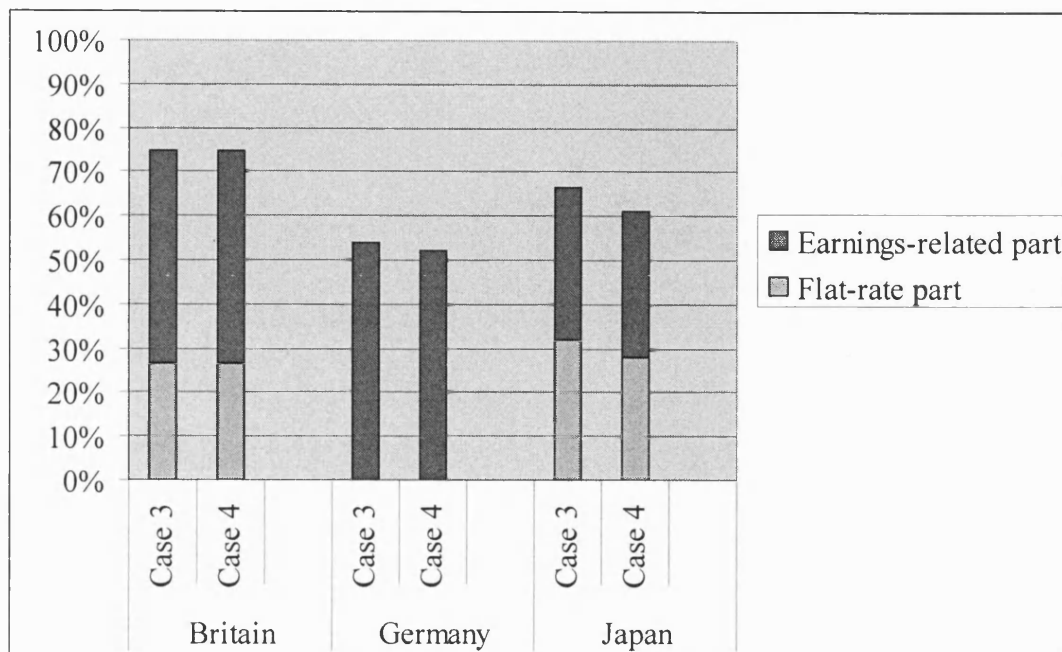
Case 5: 10 years full-time → 6 years break → part-time (4 years at 20% → the rest at 40%)

Note: Benefits shown are only those gained through the entitlement as wage earners.

This is in a stark contrast with Germany where Case 5 receives less than 40 per cent of average men's – about 25 percentage points less benefit than Case 1. While Case 5 in Japan fares better than the German counterpart, it still receives only about half of average men's – about 30 percentage points less than Case 1. These results demonstrate not only the effectiveness of a flat-rate tier but also the potential of a redistributive earnings-related tier in order to mitigate the effect of gender pay gap on the pension outcomes. This confirms the importance of loosening the link between the level of benefits and the performance in the labour market such as earnings and length of employment.

Indeed, in the British system, differences in the wage levels sometimes even lose their significance. Figure 7.4 shows the pension results as wage earners for Cases 3 and 4 (four years of part-time working with earnings of 40 per cent and 20 per cent of male average respectively).

Figure 7.4 Pensions as wage earners as per cent of average men's pension, Cases 3 and 4



Case 3: 10 years full-time → 6 years break → 4 years part-time (40% of male average) → full-time

Case 4: 10 years full-time → 6 years break → 4 years part-time (20% of male average) → full-time

Note: Benefits shown are only those gained through the entitlement as wage earners.

The figure demonstrates that, in Britain, the wage difference of as many as 20 percentage points does not necessarily affect the final benefit levels. This is due to the flattening effects on benefit levels embedded in S2P for low earners. If earnings levels fall between LEL and LET as in both Cases 3 and 4, these earnings are treated as if they were at the level of LET although the contribution level is based on the real earnings.

On the other hand, in Japan and in Germany, the differences in earnings level, even if they are small and for a brief period, do have an impact on the level of benefits¹⁴⁰.

¹⁴⁰ Japan also has a threshold under which all earnings are treated as if their levels are equivalent to the threshold, which is about 1.2 million per annum in 2004. Unlike Britain, however, the premium level is also calculated based on the threshold rather than actual earnings. In reality, many married

However, contrary to the general redistribution ranking, the extent of the gap between these two cases is more pronounced in Japan than in Germany – about 5 percentage points and 2 percentage points respectively. This is mainly due to the difference in the level of the threshold for coverage. In Japan, earnings at the level of 20 per cent of male average earnings are below the threshold and thus not covered in their own right¹⁴¹, whereas in Germany, the same level of earnings are over the threshold and thus the woman in Case 4 can accumulate pensions as a wage earner. The significant drop in benefits in Case 4 compared with Case 3 in Japan suggests that the decision on the treatment of low earnings, the level of thresholds and the introduction of notional earnings as in Britain have significant impacts on women's pensions as wage earners.

In summary, as wage earners, Japanese women can benefit from the redistributive mechanism of the flat-rate part in the pension system unlike German women. However, this is relevant only if women are included as wage earners. The simulations demonstrated that the Japanese system disadvantages certain women in part-time employment by excluding them as wage earners from the system. Moreover, the non-redistributive nature of the earnings-related part in Japan still significantly depresses women's relative pensions, especially of those with low earnings, unlike the situations in Britain. This implies considerable difficulties faced by Japanese non-regular workers in gaining a comparable level of pensions to men's as wage earners.

people with low earnings do not pay contributions because the ceiling for the status of dependent spouse in EPI is higher than this level (1.3 million in 2004).

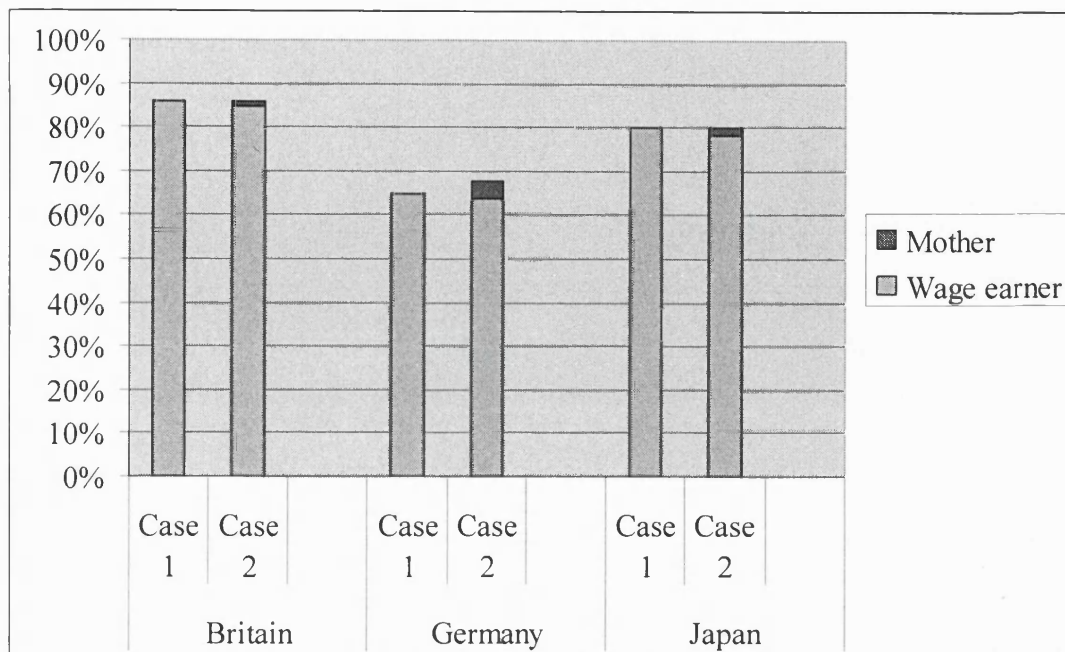
¹⁴¹ This is, however, only if she is married to an EPI insured employee and works shorter hours than three quarters of regular employees' working hours. If not, she has to be covered in her own right.

7.4.2 As mothers

By the early 1990s, all the three countries introduced credits for childcare period in the pension system. While these credits vary in their nature, length, and value across countries, they are all expected to mitigate pension disadvantages which might be caused by parental commitment. Given the fact that the majority of those who take the main childcare responsibilities are mothers, the effectiveness of care credits in compensating for the disadvantages as wage earners is important to women who choose to become a mother. In the simulations, all the female models apart from Case 1 take some time out of the labour market for childcare purposes.

Figure 7.5 shows the total pensions for Case 1 and Case 2 in the three countries. The benefits are broken down into those gained through the contribution as wage earners and those gained through care credits for parents. Among all the cases, Case 2 takes the shortest leave, one year, and follows exactly the same employment trajectories with Case 1 except for this point. The figure shows completely different effects of this one-year parental leave on women's pensions in the three countries.

Figure 7.5 Pensions as wage earners and as mothers as per cent of average men's pension, Cases 1 and 2



Case 1: Continuous employment

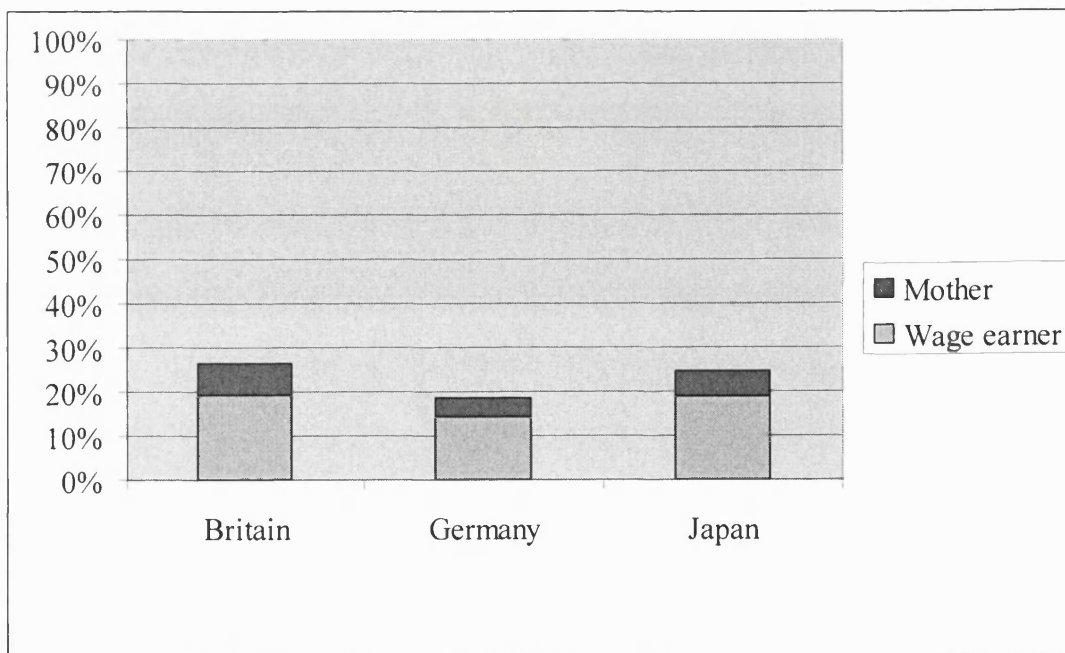
Case 2: 10 years full-time → 1 year break → full-time

In Japan, taking one-year parental leave does not make any difference in the final pension level at all. This confirms the compensatory nature of the credits for employees in the Japanese pension system discussed in Chapter 5. On the other hand, the final benefit level for Case 2 in Germany is higher than that of Case 1 by about 3 percentage points. This is because mothers in Germany can combine the entitlement through employment and through motherhood as well as the relatively high value of the credits. In Case 2 in Germany, however, the credits during the leave does not fully compensate for the forgone entitlement because her previous earnings level is slightly higher than average earnings of the insured. Still, her gains as a mother in the following two years more than compensate for this loss. Indeed, Case 2 in Germany gains by far the highest total value of credits as a mother among the three countries; equivalent to 4 per cent of average men's pension level. In contrast, in

Britain, the total benefit level for Case 2 is slightly lower than that of Case 1 (by 0.1 percentage point). This is because the former's previous earnings were much higher than what the credits offer.

If, on the other hand, the career break for parenting is for more than 3 years, the British system grants the largest proportion of benefits via care credits among the three countries. Figure 7.6 shows the level of the combined benefits as wage earners and as mothers for Case 6 (complete withdrawal from the labour market after childbirth).

Figure 7. 6 Pensions as wage earners and as mothers as per cent of average men's pension, Case 6



Case 6: 10 years full-time → Withdrawal

The figure demonstrates that women with a long career break are more likely to receive a higher proportion of benefits based on their own 'contributions' in Britain than in the other two countries.

Nonetheless, as in the other two countries, the total benefit level of Case 6 does not reach the level of Case 2, let alone of Case 1. This is also true with cases 3 to 5, which have paid much longer and higher contributions than Case 6 over lifetime as wage earners (see Appendix 5). This implies that current care credits in the British pension system penalize parenthood, despite its inherent incentives for full-time parenthood for an extended period¹⁴².

In sum, only the German system has the potential for those with children to exceed the benefit level of full-time female employees by combining employment and parenthood. Furthermore, the supporting arrangements for employees with children under 10 may help to enhance pension levels further for parents. On the other hand, for higher-than-average earners, the final pensions are suppressed in Germany because the guaranteed value of the credits is the equivalent of average earnings of the insured.

In contrast to the German system, the Japanese system does not grant any extra benefit to parents for their care work. Although parents on statutory leave are guaranteed the same level of pensions as if there was no career break, this credit is granted only to those who retain the tie with the employer during the leave. Thus, for those who are not employees during the caring period for whatever reasons, Japan's credit system does not help mitigating the pension disadvantage. However, for higher-than-average earners, the Japanese care credits can offer more than the German equivalent.

¹⁴² S2P gives credits to those in full-time parenting for children under 6, while BP offers special arrangement for those who stay at home to care for children under 16 (18 if the child is in full-time education).

Compared with these two countries, British parents fare the worst in the sense that they are more likely to have their pensions reduced if they take time off for childcare purposes despite the generous creditable period in the pension system. Considering that the statutory leave fathers can take for childcare reasons does not last even for one year in Britain¹⁴³, the losers of this arrangement in terms of pensions are more likely to be mothers.

7.4.3 As wives and widows

The entitlement as wives is traditionally one of the main routes for women to receive pensions. In many welfare states, pensions for surviving spouses are a well established derived right. Moreover, as a relatively new development, some pension systems offer dependent spouses their own benefits through derived rights while their partner is still alive.

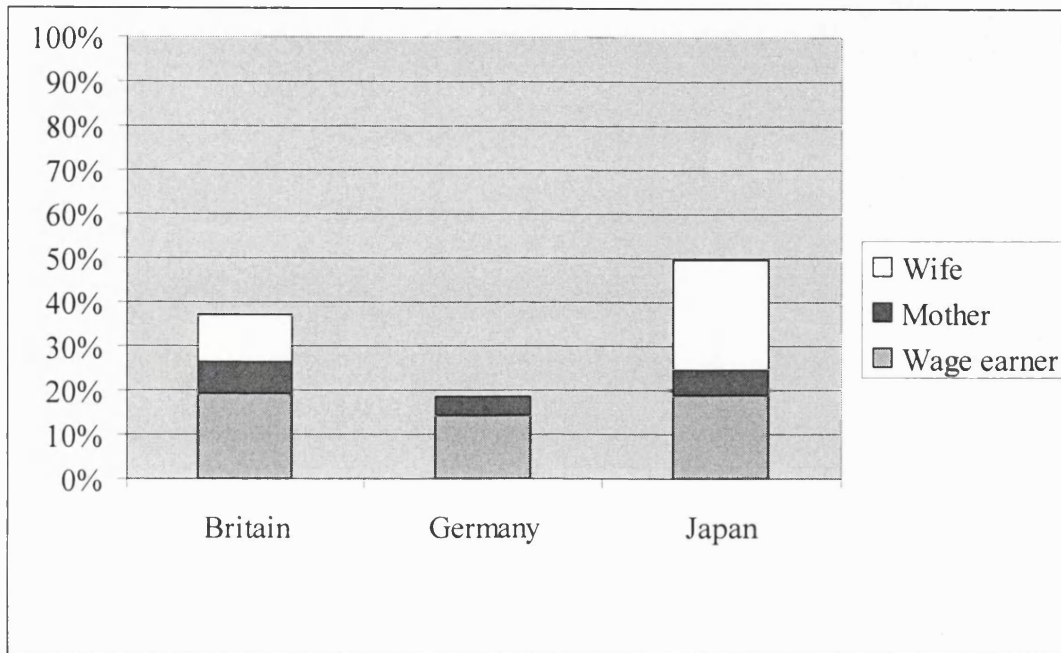
Nonetheless, considering the precarious nature of the derived rights, especially against the backdrop of significant socio-economic changes, it may be argued that a better pension system for women is one which is least dependent on the entitlement as wives and widows in providing decent benefits for women. To what extent do the three countries institutionally rely on the entitlement as wives to provide for women?

Among the three countries, only Britain and Japan have derived benefits payable directly to dependent spouses in addition to survivors' pensions. In the simulations, Case 6 (complete withdrawal from the labour market after childbirth) represents the life course which should benefit heavily from the entitlement as wives where it exists.

¹⁴³ The maximum period of statutory parental leave fathers can take is the shortest in Britain, while maternity leave is the longest of the three.

Figure 7.7 shows the benefit outcomes which include the entitlement as wives but exclude survivors' pensions.

Figure 7.7 Pensions as wage earners, as mothers and as wives as per cent of average men's pension, Case 6



Case 6: 10 years full-time → Withdrawal

As the figure shows, the Japanese system proves to be more generous to economically inactive wives than the other two countries. Case 6 in Japan receives about the half of average men's benefit in total, while the British and German counterparts receive 37 per cent and 19 per cent respectively. As a result, Japan has the least gap in the total pension amount between Case 1 (continuous employment) and Case 6 (complete withdrawal) among the three countries. While the gap between the two cases is about 30 percentage points in Japan, it is 49 percentage points in Britain and 46 percentage points in Germany (see Appendix 5).

Moreover, the Japanese pension system has the widest definition for 'dependants'. Only the Japanese pension system offers derived benefit as wives to Cases 3 to 5,

pushing their basic pensions to the full benefit level (see Appendix 5). Although British women in Cases 3 to 5 also receive full basic pensions, this is due to care credits – Home Responsibilities Protection – rather than derived rights.

These results demonstrate that the Japanese system uses the derived benefits more widely than the other two systems as a safety net against non-coverage. Even if women fail to be covered as wage earners or as carers, they can still turn to the entitlement as wives in Japan, provided that their husband is insured through EPI. Indeed, in Japan, it is possible to receive full BP via the entitlement as a dependent spouse. However, this also means that in Japan, life-time marriage is more rewarded than motherhood compared with the other two countries. If unemployed and single, Japanese people are not entitled to any credits or derived rights even if they are parents of young children with main care responsibilities.

Nonetheless, if survivors' benefits are taken into account, the comparative position of each country alters. Figures 7.8.1 to 7.8.3 show the pension levels of model cases in widowhood.

Figure 7. 8. 1 Women's total pensions including survivors' pensions as per cent of average men's pension, Britain

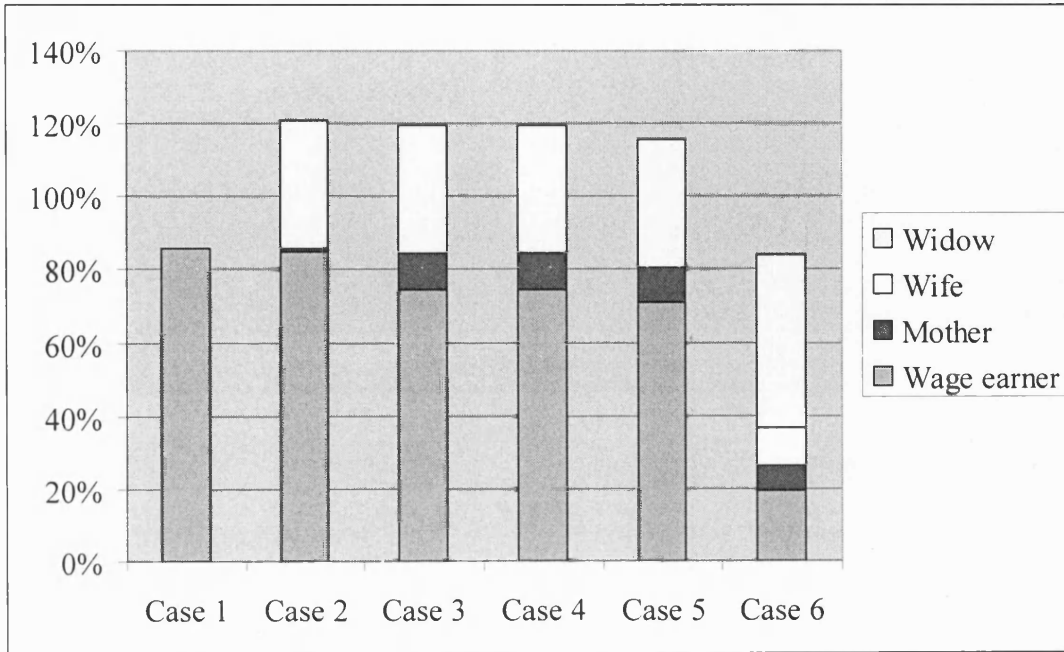


Figure 7. 8. 2 Women's total pensions including survivors' pensions as per cent of average men's pension, Germany

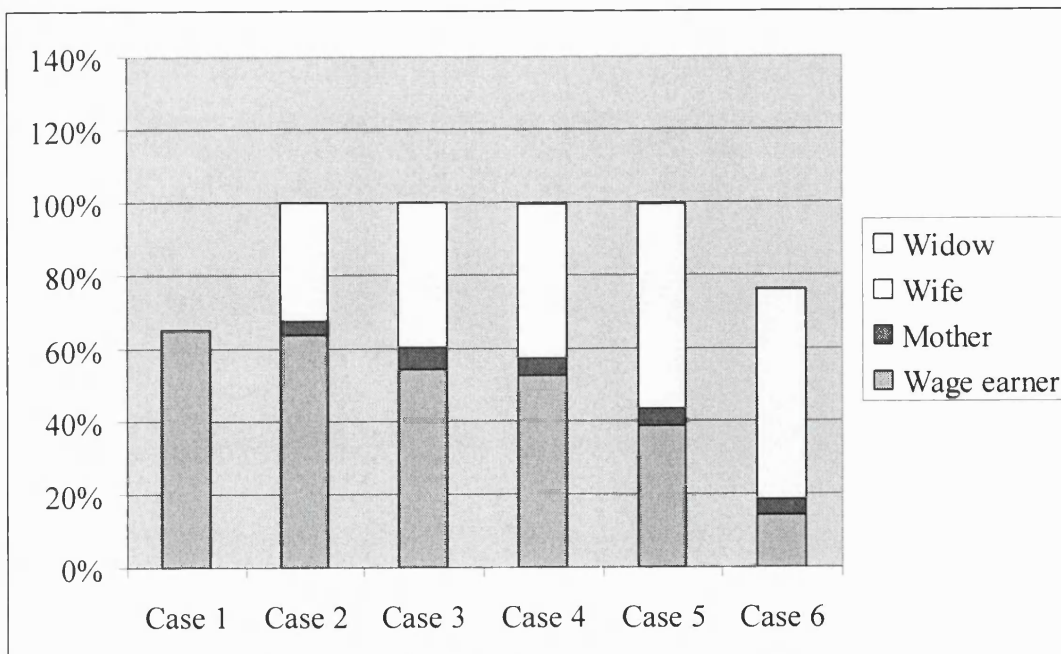
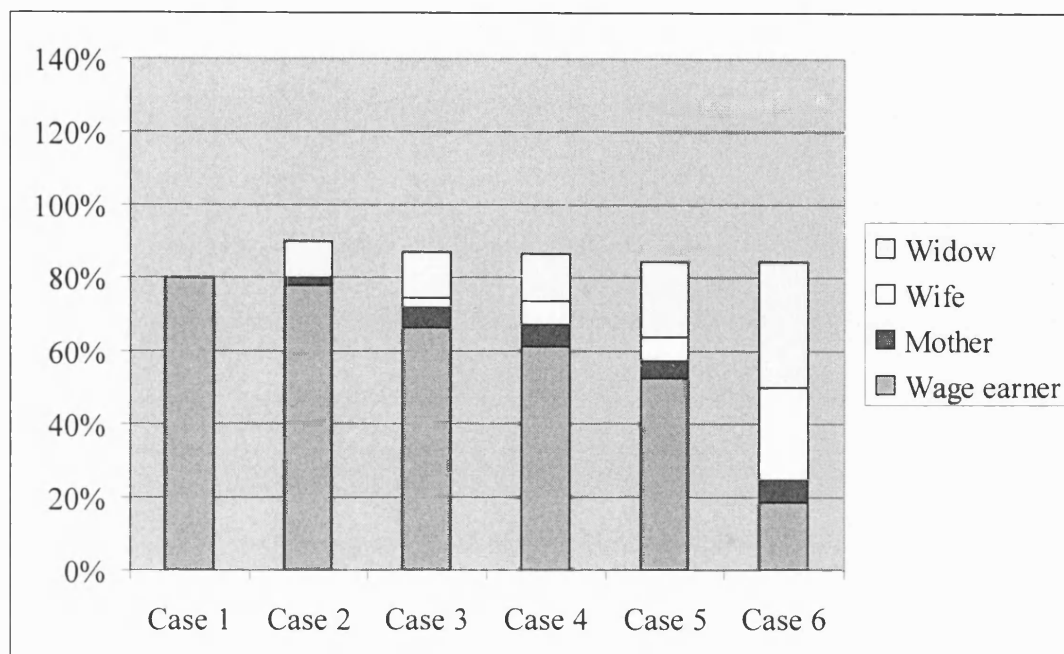


Figure 7. 8. 3 Women's total pensions including survivors' pensions as per cent of average men's pension, Japan



Case 1: Continuous employment

Case 2: 10 years full-time → 1 year break → full-time

Case 3: 10 years full-time → 6 years break → 4 years part-time (40% of male average) → full-time

Case 4: 10 years full-time → 6 years break → 4 years part-time (20% of male average) → full-time

Case 5: 10 years full-time → 6 years break → part-time (4 years at 20% → the rest at 40%)

Case 6: 10 years full-time → withdrawal

Looking at the total level of pensions in widowhood, Japan now turns out to be the least generous. Unlike Britain or Germany, the total benefit level of widows in the simulation for Japan never reaches the equivalent level of the deceased husband's. This suggests the persistence of gender inequality in outcome in Japan.

There are, however, noticeable commonalities across the three countries. Firstly, in all the three countries, survivors' pensions significantly narrow the gender pension gap. In the case of Britain, all widows except Case 6 receive levels of pensions

which even exceed the level of average men's¹⁴⁴. These results testify to the persistent importance of traditional women's entitlement – derived rights as widows – for women's chance to receive the level of pensions comparable to men's.

Secondly, to a varying degree, almost all model widows in the three countries receive a higher level of pensions than Case 1 despite the formers' lower lifetime earnings. This implies single older women's higher poverty risk in the country. Moreover, in Germany and in Japan, the benefit gap among women with differential work histories is reduced (in Japanese cases) or sometimes even levelled off (in German cases) in widowhood if the late husband's benefit levels are similar. This suggests possible division among women along the line of employment status and marital status.

These outcomes, however, do not fully illustrate women's prospects for economic security in old age. The lower gender inequality in Britain does not necessarily mean that British women are better off than those in Japan or in Germany. Important as they are, women's economic well-being in old age is not solely determined by intra-generational redistribution and gender equality. The resource distribution between the generations and the relative economic position in a society also matter considerably. The next section examines the results from the perspective of economic welfare in old age.

¹⁴⁴ If widows are compared with widowers, it is possible that gender pension gap persists because widowers can also inherit half of the earnings-related pensions of the deceased spouse in Britain. If the earnings-related state pension of the deceased wife is assumed to be the maximum level, that is, her earnings over lifetime were at or over upper earnings limit (31,720 pounds in 2004/05) – the widower's total pension would be 146 per cent of that of the benchmark case. If, on the other hand, the lifetime earnings of the deceased wife was 65 per cent of the male average as in the simulation and followed the life course similar to Case 2, the total pension of widowers would be 128 per cent of the benchmark case.

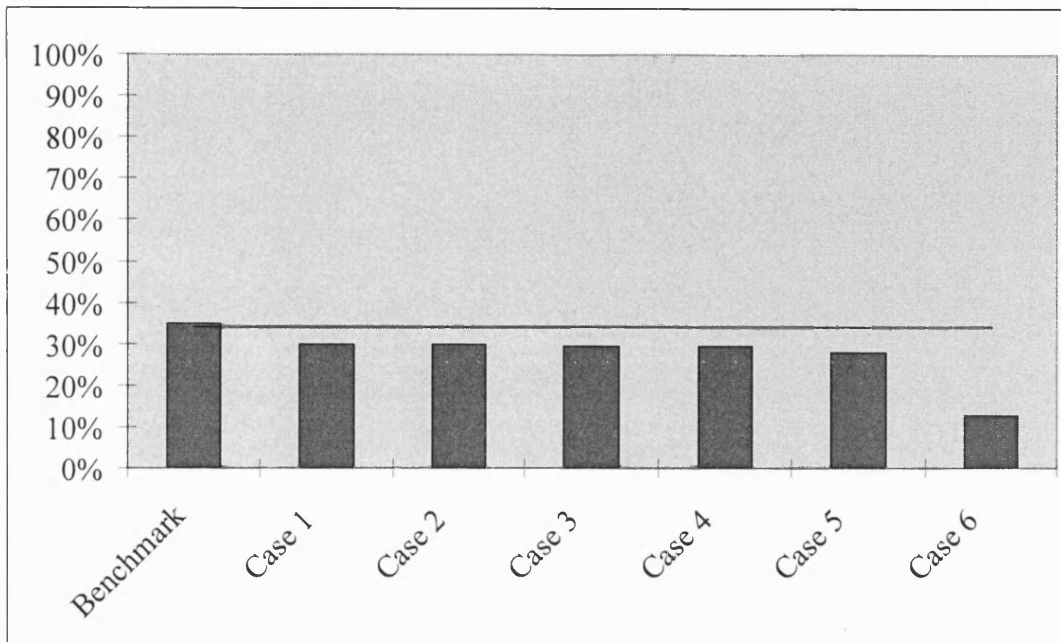
7.5 Results: Intergenerational redistribution and poverty prevention

Old-age pensions are in effect a form of redistribution between generations. How much resources are allocated to pensioners via public pensions varies across countries. Among the OECD countries, Britain is often ranked as less generous in pension provision, while Germany as one of the most generous and Japan somewhere in between (see Chapter 6). Nonetheless, in all the three countries, the ability to prevent pensioners from receiving means-tested benefits is often considered as a litmus test for the success of pension systems. Thus, the relative positions of pensions to means-tested benefits are still an important indicator not only of adequacy but also of the success of the system. Does the cross-national generosity ranking also hold true with the simulation results? How does this affect women with various employment trajectories on their economic status in old age? To what extent are the pensioners in the simulation better off or otherwise than those on means-tested benefits? In order to answer these questions, the benefit level of public pensions for each case is compared with national average earnings and the means-tested benefits.

Figures 7.9.1 to 7.9.3 show the pension levels of all cases relative to national average earnings as well as to the social minimum in each country. Both benefits and earnings are after income tax and social security premiums¹⁴⁵.

¹⁴⁵ Cross-national ranking in gross benefits is the same with that of net benefits, although taxation significantly contributes to the redistribution between generations in all the three countries.

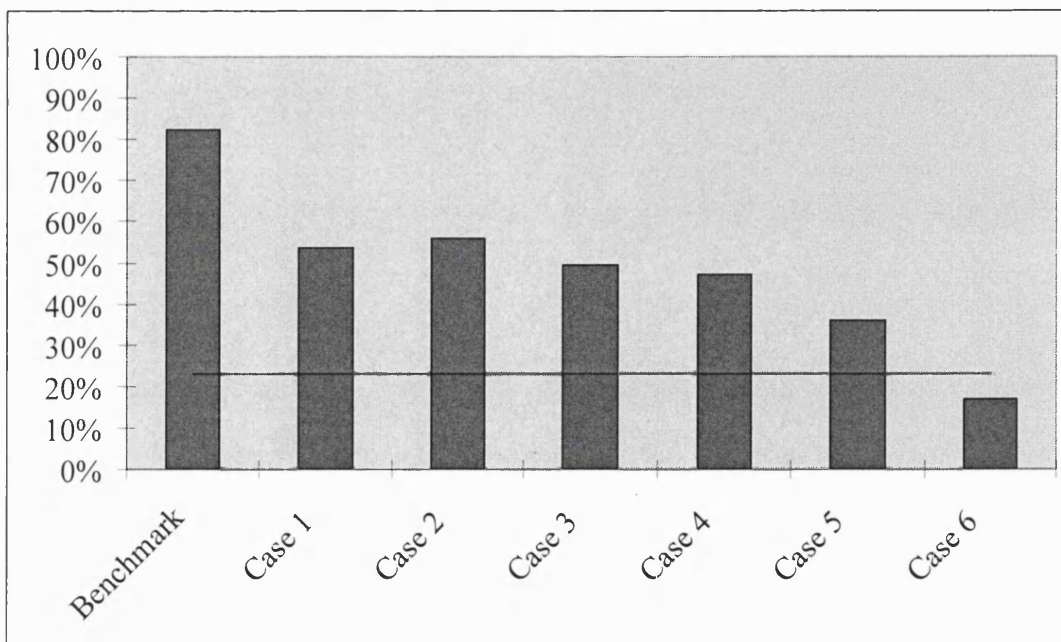
Figure 7.9.1 Total pensions and social minimum relative to the national average earnings, Britain



Note 1: The line denotes the level of social minimum benefits.

Note 2: Those on income support can receive additional benefits such as housing cost or heating. However, these benefits are excluded from the benefit levels shown above.

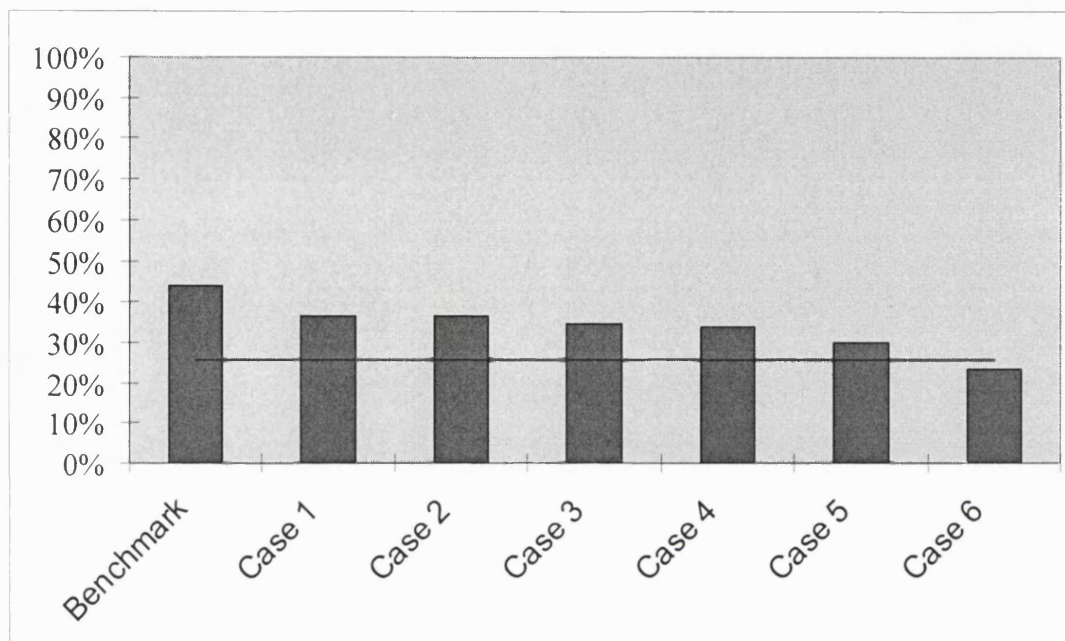
Figure 7.9.2 Total pensions and social minimum relative to the national average earnings, Germany



Note 1: The line denotes the level of social minimum benefits.

Note 2: Those on income support can receive additional benefits such as housing cost or heating. However, these benefits are excluded from the benefit levels shown above.

Figure 7.9.3 Total pensions and social minimum relative to the national average earnings, Japan



Note 1: The line denotes the level of social minimum benefits.

Note 2: Those on income support can receive additional benefits such as housing cost or heating. However, these benefits are excluded from the benefit levels shown above.

Case 1: Continuous employment

Case 2: 10 years full-time → 1 year break → full-time

Case 3: 10 years full-time → 6 years break → 4 years part-time (40% of male average) → full-time

Case 4: 10 years full-time → 6 years break → 4 years part-time (20% of male average) → full-time

Case 5: 10 years full-time → 6 years break → part-time (4 years at 20% → the rest at 40%)

Case 6: 10 years full-time → Withdrawal

The simulation results confirm the general order of pension generosity mentioned above. Despite its wide gender inequality, all cases in Germany receive much higher relative pensions than in Britain or in Japan. In contrast, British cases, which have

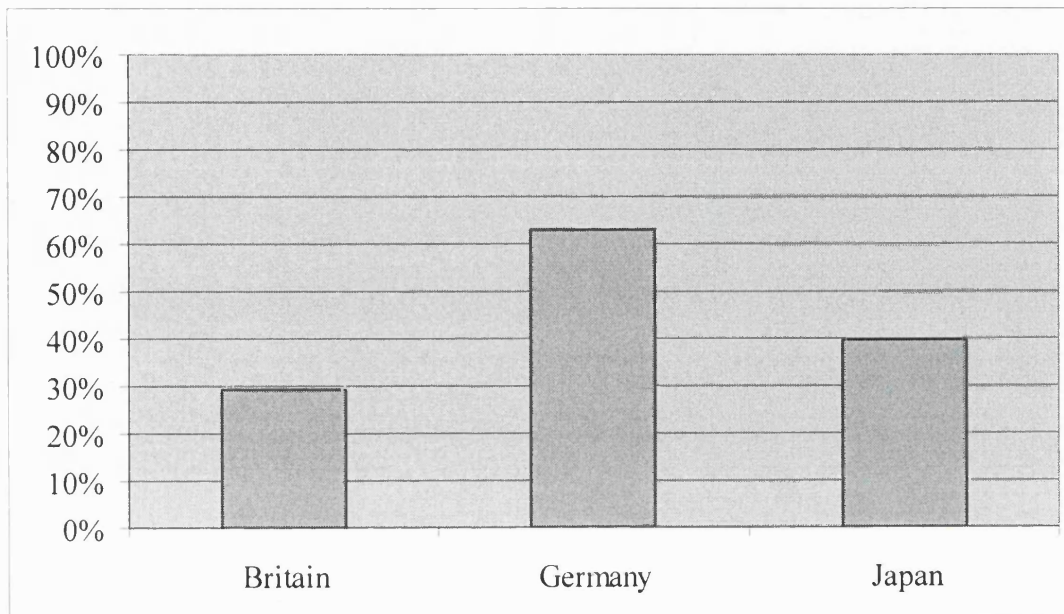
the narrowest gender gap in the benefit level, have the smallest resource share of the three countries. Indeed, all cases in Britain receive pensions below the level of means-tested benefits. Even the benchmark case is only marginally above the level. While survivors' pensions boost the total amount of women's pensions above the means-tested benefit level except for Cases 1 and 6, they are still hovering around the border of the income support level (see Appendix 5). In contrast, in Germany, all the benefits for widows except in Case 6 are brought up to about 90 per cent of average net earnings (see Appendix 5). This is as much as about the double of what Japanese or British widows can expect.

These results suggest that in order to guarantee women's economic security in old age via public pensions, the extent of resource distribution between generations is an important factor to be considered. This would be especially the case for those who are less likely to have other assets or incomes to supplement the public pensions.

To explore the situations of women who are most disadvantaged in terms of their own assets, Case 6 is best suited. Figures 7.10 and 7.11 show the total level of pensions for Case 6 in widowhood relative to national average and means-tested benefits. As the figure demonstrates, even with Case 6, the German system still achieves much higher level of pensions relative to the society average than Japanese or British counterparts. In contrast, in Britain, survivors' pensions do not even bring up the pension level to the national minimum. In the British system, the level of pensions goes below the means-tested benefits if one lacks or insufficiently accrues the entitlement as a parent and a spouse (as in Case 1) or as a wage earner (as in Case 6). In other words, in Britain, women need to be breadwinners themselves *as well as*

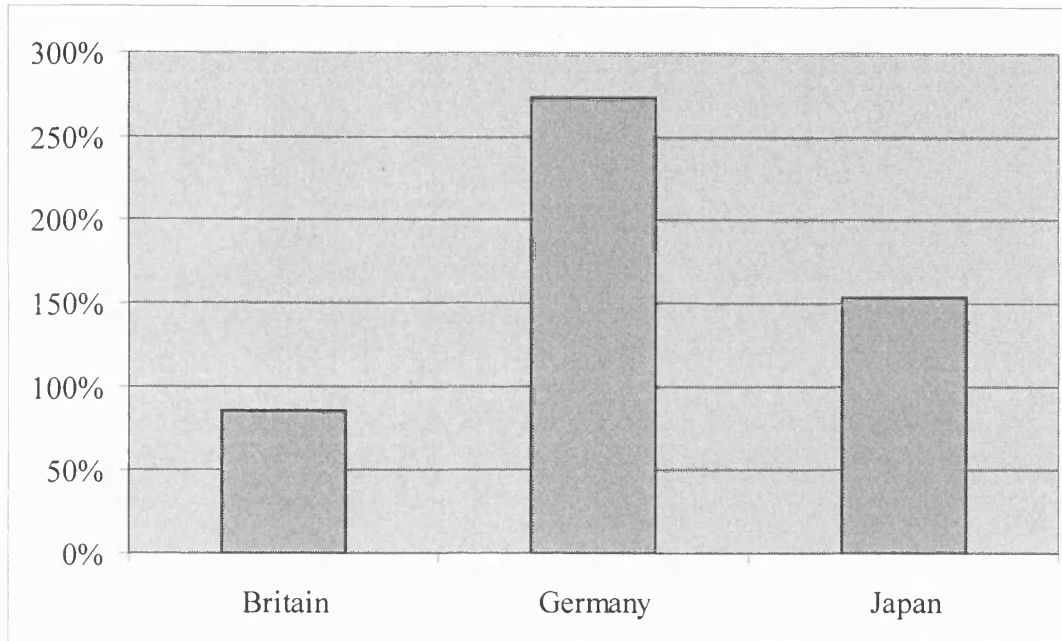
married to a breadwinner in order to gain economic security in old age from public pensions.

Figure 7. 10 Women's total pensions in widowhood relative to the national average earnings, Case 6



Case 6: 10 years full-time → Withdrawal

Figure 7. 11 Total pensions in widowhood relative to social minimum, Case 6



Case 6: 10 years full-time → withdrawal

In sum, women in Germany are more likely to enjoy better standard of living in old age compared with Japanese or British counterparts despite the widest gender gap in pension levels. The difference between Germany and the other two countries further widen in widowhood. These results point to the importance of looking at both gender relations and intergenerational relations when considering women's pension issues. Furthermore, incomes at 40 per cent of average earnings being a lower end of often-used poverty lines, pension levels on or below this line in Japan and Britain pose questions about the role of public pensions and raise concerns about the economic welfare of these pensioners.

7.6 Some limitations of the results

In interpreting the results of the simulations, there are some limitations to bear in mind. One is that the employment histories of model cases are highly standardised

by necessity. In the real world, unlike the models, women change their employers and their employment status more often than men in general. By smoothing the employment histories of model cases, the outcomes of simulations may have produced higher benefit outcomes than women in reality may actually be able to expect. Indeed, one of the serious problems women face is to find a decently paying full-time job after a break for child-raising (see Chapter 1).

The possible distortion of resulting benefits is also caused by the fixed rate of pay gap across countries. While the pay ratio of average full-time female employees to men's is more than 75 per cent in Britain in 2004, it was about 70 per cent in the former West Germany and 65 per cent in Japan. Thus, apart from the problems inherent in averaging of wages, the pension results for women in Britain and Germany are more likely to be limited to an illustration rather than a closer representation of reality.

The third issue to be considered is the effects of number of children on mothers' pension outcomes. While all the mothers in the simulations have only one child, this is of course not the case in reality. This is especially relevant to cases in Germany where mothers and widows may receive extra benefits or considerations if they have two or more children.

The last issue to be taken into account is with regard to widow's benefits. In the simulations, all the female cases except for Case 1 are modelled to be married to an employee with male average earnings. This, of course, is not true in real world, and thus the resultant benefit level of widows varies significantly and may be much lower than the model cases. On top of the possibilities of lower widow's benefits, there are also risks of no widow's benefits in reality. Not all women are married, and not all

marriages last for a lifetime. In the case of non-marriage or divorce, the benefits from this route are none or at least significantly reduced. Indeed, concerns for this risk have led many welfare states, including Britain, Germany and Japan, to introduce new arrangements for pension settlements for divorcees. However, these new development are not included in the simulations.

Notwithstanding these limitations, the simulations have revealed the possible implications of the inherent assumptions on the relations between women and men, between generations and between the state and citizens for women's old-age pensions.

7.7 Summary of the findings and implications for future reforms in Japan

It has often been pointed out that gender gaps in pay, working patterns and contribution period are the direct causes of lower women's pensions. As such, some argue that solutions to the issue should be sought by employment policies rather than by pension policies (see Chapter 5). According to the proponents of this position, the problem is not with the pension system but with the practices in the labour market. Nonetheless, the simulation results illustrated significant differences in the extent of the gender pension gap and poverty risk in Britain, Germany and Japan despite the standardization of pay gap and life courses of the model women. This suggests that disadvantages in the labour market can be mitigated by the design of redistribution systems in a society such as taxation and social security. Thus, the resultant extent of pension gap is not a simple sum of the inequalities during the working life but the combination of the workings of the labour market and the pension system. This means that gender inequality in pensions can be tackled from these two sides.

There are four major ways to narrow the gender pension gap via the pension system. First is to loosen the link between earnings and benefit levels. The simulation results have shown significant effects of a flat-rate tier and a redistributive earnings-related tier in narrowing gender gap in pensions. Having the widest gender pay gap of the three countries, this kind of measures are needed in Japan more than the other two countries to narrow the gender gap in pensions. Although the Japanese pension system has a flat-rate tier, the earnings-related tier is not redistributive. Thus, Japanese women would benefit significantly from measures such as differential formulae for various income bands in the earnings-related part exemplified in Britain.

The redistributive arrangements in the pension system are relevant only to those who are included in the system. This leads to the second measure, that is, to make the system more inclusive for irregular workers by lowering the threshold to the membership. The thresholds can be based on earnings and/ or time. In either case, part-time workers and short-time contract workers tend to be excluded from pension systems as wage earners. Among the three pension systems, the earnings and time thresholds in the Japanese system are the highest. Where Britain and Germany include part-time workers in the pension system as wage earners, Japan excludes them, leading to their lower total pensions as wage earners. In order not to disadvantage irregular workers, therefore, the thresholds should be constructed in such a way that most wage earners of various working patterns can be included in the system. Having the highest rate of female part-time working of the three countries, Japan urgently needs to reconsider its treatment of irregular workers for the purpose of pensions.

The third possible measure to compensate for the disadvantages in the labour market is to loosen the link between length of labour market attachment and the level of benefits. The reasons for individuals' shorter contribution periods vary, but women often cite care responsibilities as one of the main reasons. Thus, credits for care work are one big step forward for boosting women's pension prospects. While all the three countries under consideration have care credits, the least inclusive one can be found in Japan. In the country, care credits are regarded as compensation for employed parents rather than as rewards for contribution through care work or as a means to narrow the gender pension gap (see Chapter 5). In a way, care credits in Japan retain a strong link with the labour market. Consequently, as the simulation results have shown, mothers in Japan are more likely to be covered as dependent wives rather than as parents during their career break compared with their counterparts in Britain or in Germany. Considering the limitation of marriage-linked derived rights in terms of gender equality and equity among women (see Chapter 5), Japan needs further reforms on its care credits in order to better accommodate women with care responsibilities in their own right.

Nonetheless, the simulation outcomes have also illustrated the limited effect of care credits in narrowing the gender gap in final pensions. The results suggest that, setting aside implications for the gender division of labour, how care credits are constructed is less influential for narrowing the pension gap than how redistributive the overall pension system is. In other words, lower earnings is the largest determining factor of lower benefits, and care credits for children, at least in the current forms, are not enough to counter the lifetime low pay. This is true even with the German pension system, which has the most thorough and generous care credits of the three pension systems examined in this chapter. Despite its generous care

credits, the gender pension gap in Germany is generally larger than that of Japan or Britain. This limited effect of care credits is in a way not surprising given the fairly short period the credits can realistically cover out of the whole working life. Thus, although care-based entitlement is sometimes considered as *the* solution to women's pension plights as a means to strengthen women's individual pension rights, its limitation in actual effects on narrowing the gender pension gap should be well acknowledged.

The fourth measure to narrow the gender pension gap is granting benefits as dependent spouses. The simulation results have shown the significant role played by derived benefits, especially survivors' pensions, in narrowing the gender pension gap as well as mitigating the risk of poverty in old age. Although degrees vary between cases and across countries, it is noticeable that none of the female hypothetical cases succeed in achieving a comparable pension level with men's without derived benefits. Derived benefits are often criticised from a gender perspective as well as from a viewpoint of equity and fairness among women (see Chapter 5). However, care should be taken in reducing or removing these benefits in order not to risk further widening the gender pension gap and/ or threaten women's economic security in old age. This is especially relevant to Japan, which currently uses the entitlement as dependants quite extensively to provide for women.

However, in reality, these four points are not necessarily the measures proposed by those who advocate gender equality. In the next concluding chapter, the dilemmas of gender equality in pensions in Japan are summarised and discussed.

Part Four

Chapter 8 Conclusion

The previous chapters have examined the historical trajectories of women's old-age pensions in Japan and analysed the factors which affect women's economic welfare in old age. This concluding chapter summarises the findings and suggests the implications for future policies and further research. The chapter first looks at the scope and limitations of the thesis. This is followed by discussions on the perceived equality and fairness in the process of pension reforms in Japan. The next section considers the implications of the way pension issues are problematised in the country from a viewpoint of women's economic welfare in old age and gender equality in outcome. Then, policy implications of the study are discussed. The last section summarises the contributions of the thesis to the study of state welfare and suggests possible directions for further research.

8.1 The scope and limitations of the thesis

Redistribution systems in any welfare state are based on social norms and political priorities which shape and are shaped by the way certain issues are considered to be a problem. The thesis is an attempt to capture this dynamic in the context of the public old-age pension system in Japan. The focus is on the assumptions made about the family, gender roles and state welfare that are embedded in the problematisation and non-problematisation of certain inequalities in the history of the Japanese pension system. The central research questions which have guided this study are firstly, why gender inequalities in pension outcomes are rarely problematised in Japan even by advocates of gender equality, and secondly, what are the implications of this neglect for women's economic welfare in old age and for gender equality in outcome.

As the thesis itself has confirmed, 'women' are not a monolithic social group. Women differ from each other according to their class, marital status, nationality, ethnicity and 'race' to name but a few. While the thesis has looked at the diversity among women in terms of their employment history, the emphasis is put more on their similarities rather than infinite differences among them. This is because I believe it is strategically important to stress similarities among women rather than differences in order to challenge the male-oriented norms and principles embedded in the pension system.

The main focus of the thesis is on discourses which try to legitimise certain forms of resource distribution within a society. As such, the thesis does not discuss the 'affordability' of the suggested gender equality measures in the pension system. This omission can be justified because the research is based on the premise that the perception of affordability depends on the legitimisation of certain forms of redistribution.

Another area which is not addressed in the thesis is occupational pensions and private pensions. Inequalities in these forms of pensions are more likely to be greater than those in state pensions with significant gender implications. Moreover, recent moves to curtail state pensions may enhance the importance of these income sources in old age. Nonetheless, there have been few debates on gender equality and fairness with regard to occupational and private pensions in Japan. This is partly because the membership in these pension schemes is voluntary in principle and thus these pensions are perceived as a form of company fringe benefit and/or savings rather than a means of redistribution between citizens. Moreover, these pensions are often paid in lump-sum or for only limited years rather than life time. Because of these

differences from public pensions, the thesis has focused on state pensions and discourses on equality and fairness in their distribution.

8.2 Problems of women's pensions: Gender equality, neutrality and difference

Discourses of equality and fairness abound in welfare reforms. The quest for equality and fairness, however, does not necessarily mean the pursuit of equality in outcomes. Indeed, in recent years in Japan, the dominant discourse on gender equality in the pension system does not equate gender equality with equal share of resources between women and men but with gender neutrality of the pension entitlement. As such, discussions on 'women's pension problem' were centred on gender bias embedded in the pension system, which favourably treat male breadwinner/ female homemaker households.

The thesis has explored why gender inequalities in pension outcomes are rarely problematised in Japan even by advocates of gender equality in recent discussions on pension reforms. The answer to this question is sought by examining how a certain boundary of state welfare and the way it redistributes resources have been problematised or legitimised in the history of the Japanese public old-age pension system. In so doing, attention is paid to the changes and continuities of embedded assumptions in the pension system, which helped to promote certain approaches to competing issues of equality and fairness at certain point of time. These assumptions include not only about gender roles but also about inter-generational support and the state's role for welfare provision.

The historical analysis (Chapters 3 to 5) has suggested several factors which have contributed to the marginalisation of the issue of the gender pension gap as a

problem in Japan. These factors are intrinsically connected, reinforcing each other.

In brief, they are:

- the assumption of equal redistribution of resources within a household;
- the narrow definition of contribution;
- the structural division among women;
- the dominant emphasis on gender neutralisation as a route to gender equality without challenging the practical male-oriented nature of the pension system, and;
- the assumption that lifetime employment can lead to economic security in old age.

The first contributing factor to be noted is a long established assumption of egalitarian intra-household redistribution. Combined with the assumption that most people marry to form a male breadwinner/ female homemaker household, this assumption has helped to divert attention of the general public from the level of women's individual pension benefits and hence from the significant gender pension gap. Due to this assumption, the dominant focus in the debates on pension equality has been on the balance of pension levels between different types of households rather than between individuals throughout the history of the Japanese pension system.

Using the household as a basic unit for equality in outcome legitimised the differentiation of benefit levels based on the household type rather than on individuals' contribution. Thus, derived benefits for dependants were continuously

increased in the 1970s and the 1980s in order to differentiate the benefit levels of single households, single earner couple households and dual-earner couple households, culminating in the creation of the category No.3 in the 1985 Reform.

Although the legitimacy of the male breadwinner/ female homemaker household as a normative model is now under serious attack, the assumption that incomes are pooled and shared equally within a household remains generally intact in debates on pension reforms. This can be well illustrated by an apparent contradiction of principles enacted by some advocates who argue for individualising pension entitlements. While some challenge the legitimacy of derived pension entitlement on the grounds of unequal share of individuals' contribution, they seldom oppose the use of households as a base unit when discussing appropriateness of the level of pension benefits (for example, Shiota 2000). In a way, this is understandable because family members are obliged by law to support each other. However, the legally backed norm cannot be equated with actual situations. Moreover, even if incomes are shared equally within a household, the roles as a provider (usually husband) and as a dependant (usually wife) have significant implications for power relations between them. Indeed, this inequality in power relations has been a fundamental cause for the feminists' attack on the gender division of labour within the household. It is ironic, therefore, that even those who support the individualisation of pension entitlement on the grounds of gender-reinforcing effects of derived benefits often seem to accept the assumption of egalitarian intra-household redistribution by their relative silence on the issue of pension inequality in outcome between wife and husband.

Another contributing factor is a narrow definition of 'contribution' in the Japanese public pension system, whereby the 'contribution' is solely equated with premium

payment. When the strong link between the levels of benefit and paid premium is unquestioned in the name of an insurance principle, differential benefit levels among pensioners, including the pension gap between women and men, are more likely to be accepted as fair consequences rather than problematised as unequal. This can be in a way understood as a deliberate policy of the government. In the course of pension development, the Japanese government has repeatedly emphasised that the Japanese pension system is based on social *insurance* principle, which requires premium payment for the receipt of benefits. While there are calls for switching the finance of the pension system from an insurance based system to a tax based system, few policy makers have forcefully argued that other activities such as unpaid care work should also constitute contribution. On the other hand, those who stress the redistributive nature of *social* insurance are now on defence. The need for further redistribution in the Japanese social insurance system has been rarely discussed in debates on pension reform. Indeed, although care credits were introduced in the 1990s for parents in the Employees' Pension Insurance (EPI), they were framed more as a part of family policies rather than as the recognition of the value of care work or a measure to improve women's pensions. As the Japanese word for 'contribution' suggests, contribution for social insurance (*hokenryō*, literally, fees for insurance) is understood as a completely different entity from contribution in a general sense (*kōken*, literally, contribution).

The division among women in the pension system has also helped to marginalise the issue of the gender pension gap as a policy problem. Because the dominant discourses on 'women's pension problem' are focused on the conflicting interests of various categories of women, their similarly disadvantaged position as women, who generally receive much lower pension benefits than men due mainly to heavier load

of unpaid work and fewer gains from the labour market, is often neglected. The division among women in the pension system was first created at the introduction of National Pension (NP), when non-employee wives were divided between mandatory members (wives of the self-employed) and voluntary members (wives of employees). The division among women deepened from the 1970s as the derived pension rights of the latter were strengthened and the number of dual-earner employee households increased. As public pensions began being regarded as an important source of income in old age, married women's lack of or weak entitlement to old-age pensions upon divorce was repeatedly taken up as a problem. However, constrained by the narrow definition of the 'contribution', the issue was sought to be solved by improving derived benefits rather than attempting to better accommodate women as contributors. This manifested itself in the creation of the category No.3 – no obligation of premium payment for full pensions – in the 1985 Reform and the introduction of pension splitting upon divorce in the 2004 Reform. However, because those who can benefit from these arrangements are limited to dependent spouses of the EPI insured, these derived benefits are often perceived as an extra burden without benefits by people excluded from the arrangement such as single persons, the No.1 insured and dual-earner couples. The issue was increasingly framed as a problem of free riders (housewives) versus contributors (female employees and wives of the self-employed). As such, the focus of criticism is often on 'housewives' rather than on husbands who are free-riders of women's unpaid work and beneficiaries of the male-centred pension system, obscuring the gender pension gap as a problem.

Another contributing factor to the marginalisation of the gender pension gap as a problem in recent pension reforms is the dominant discourse which emphasises

gender neutralisation as a route to gender equality without challenging the practical male-oriented nature of the pension system. When the gender bias in a welfare system is problematised, derived benefits often become a target of criticism. Indeed, prominent feminists, especially academics, have criticised derived pension benefits as manifestations of underlying gender bias for the male breadwinner/ female homemaker household model, which encourages women's economic dependency. Moreover, in the case of Japan, it is difficult to defend derived benefits as *women's* practical interests or as rights based on contribution through unpaid work. This is because of the division between women along the line not only of their own employment status but also of their marital status and their spouse's employment status. Nonetheless, opinion polls still suggest strong support among the general public for derived benefits, including the most controversial arrangement of the premium exemption for dependent spouses (the No.3 insured). As a result, debates on gender equality in the pension system tend to be centred on the appropriateness of the removal of derived rights. Left unproblematised are the underlying gender bias for male workers (such as the disregard of unpaid work as contribution and other disadvantageous rules for women as wage earners) and the resultant gender pension gap.

Using the male worker as the basis of the model pension can be traced back to the origin of the Japanese public pension system, which was based on the strong assumption of the gender division of labour. Established as a means to control industrial labour during the Pacific War, the first public pension schemes were exclusively for regular workers. Because of the dominant norms and assumptions of women's primary roles as wife and mother, female workers were treated in the public pension system as temporary members. The strong belief in the differential

social roles of women and men even led to the perception of their equal treatment as unfair.

This underlying assumption on gender roles did not change substantially in post-war Japan. In the era of pension growth, EPI benefits were improved so as to live up to the claim that the benefits were to provide for the household via the male breadwinner rather than for individuals. This pre-empted the question of gender equality in pension outcome. Women were expected to benefit from EPI through their husband, thus they were not expected to receive the equivalent level of pensions with men, who were the breadwinners. While this kind of explicit assumption of the gender division of labour is now widely regarded as problematic, the male-oriented nature of the pension system itself is still largely left unquestioned. Therefore, the 'gender neutralisation' in the current form – accepting the male model as the norm – has a danger of accepting gender inequality in outcomes as a neutral consequence and thus 'fair'.

Related to all these factors is the last contributing factor for the general neglect of gender gap in pensions as a problem, that is, the lack of questioning of the assumption that those who have engaged in paid employment for lifetime would be able to receive sufficient pensions in their own right. This assumption obscures the issue of possible economic vulnerability of those who have been in the labour market over their lifetime. This assumption is well illustrated in another assumption that poor single women are predominantly widows or divorcees so that the risk of poverty among solo-living older women can be mitigated by strengthening derived rights. However, even if we suppose these assumptions are valid for today's pensioners, this does not mean that they remain valid for all female pensioners in the future.

There are two main reasons for this scepticism. One is the recent changes in the extent in the state responsibility for providing economic welfare in old age. As a result of recent pension reforms, the explicitly stated guaranteed level of public pension benefits has been significantly curtailed. The other reason for the concerns about women's pensions in their own right is the persisting gender inequality in paid and unpaid work. Due to their disadvantaged position as wage earners, women are more likely to receive lower pensions than men even if they have engaged in full-time employment for most of their lives. Considering these two issues, it can be said that the failure to take up the gender pension gap as a policy problem not only leaves the situation intact but also risks the danger of further threatening women's economic welfare in old age. However, few have questioned whether women's life-time paid employment can guarantee them economic security in old age in their own right.

8.3 Gender equality in outcome and women's economic welfare in old age

In response to the general neglect of issues with regard to the gender pension gap, this thesis has examined, firstly, whether this neglect is justified by the economic situation of the contemporary elderly and, then, considered the implications of the neglect of women's economic welfare in old age and gender equality in outcome.

The examination of income statistics of the elderly in the mid-1990s has revealed that, although the level of incomes of the elderly as a group was not significantly lower than that of younger generations, income inequality among the elderly was quite significant in Japan. Moreover, women as a group were worse off than men using any measures when individual incomes are compared. Cross-national comparison also demonstrated that the extent of both intra-generational inequality in old age and the gender pension gap was significantly greater in Japan than in Britain

and Germany – two European countries which have many commonalities with Japan in their gender models and the public pension systems. These results suggest that the relative marginalisation of the issue of the gender pension gap as a problem in Japan is not justifiable based on incomes of the contemporary elderly.

In order to explore the implications of the dominant way of problematisation of women's pensions, simulations based on hypothetical individual models were conducted using the pension rules of Britain, Germany and Japan. The simulation demonstrated:

- significant cross-national difference in the extent of the gender pension gap despite the standardisation of model life courses and earnings over lifetime;
- the limitation of care credits; and,
- the importance of derived rights for women's economic security in old age.

The first finding to note is that the design of the pension system matters for the gender pension gap. Although many policy makers in Japan argue that the gender pension gap is a mere reflection of gender inequality in the labour market and thus the solution should be sought through employment policies (for example, Hori 1997), the simulation results demonstrated that the design of the pension system is also an important factor for the gender pension gap.

This also raises a question about the purported 'gender-neutrality' of the pension system in Japan. In many western countries, this questioning has led feminists to criticise the male-centred nature of the apparent 'gender neutrality' of the pension system in the last couple of decades. As a possible measure to redress this male-oriented nature of the system, care credits have been introduced in some countries in the hope of compensating for pension disadvantages due to care commitments.

Japan has also introduced care credits in the 1990s, although their scope is quite limited and the feminist nature of their origin is dubious.

Despite this apparently positive development for women's pension rights, the simulation results have implied that these credits can be limited in their effect in narrowing the gender pension gap. The negative effect of women's life-time lower wages can be much larger than the positive effect of care credits, at least in the three pension systems under consideration. Thus, pension systems which redistribute more between lower and higher incomes but have only moderate care credits such as in Britain have a narrower gender pension gap than those which redistribute less between different income groups but have generous care credits such as in Germany. This suggests that policies for 'valuing care work' need to be accompanied by redistributive measures between haves and have-nots in order to substantially narrow the gender pension gap.

Another relevant finding with regard to the gender pension gap is the importance of derived benefits in narrowing the inequality. None of the three pension systems are successful in bringing up women's pensions to a comparable level to men's without the help of derived benefits. This is especially the case with the Japanese pension system, which relies extensively on derived benefits to provide for women in old age. Ironically, however, the legitimacy of derived benefits has been most severely challenged in Japan. Nonetheless, considering these findings, caution should be exercised concerning the moves to remove or curtail derived benefits. Otherwise, the current dominant way of problematisation of women's pensions in Japan – gender neutralisation – can lead to the continuation or even worsening of the gender pension gap in general.

8.4 Policy implications

In Japan, as elsewhere, recent debates on pension reform are mostly focused on the issues of intergenerational equity and sustainability of the state pension system. Citing the improved economic situations of pensioners and further advancement of population ageing, the dominant discourses of public pension reforms have shifted to a fairer share of 'burden' between generations and smaller state welfare. Against this backdrop, pensioners' economic security in general seems to be no longer a major concern in recent pension reforms in Japan. In the 2004 Reform, the benefit level was cut across the board without much effort to tackle inequality among pensioners. These recent moves are more likely to lead to a widening of the gender pension gap and threats to women's economic security in old age.

In order to counter the worsening prospects of women's pensions, more efforts should be made to attract general attention to the persisting gender pension gap as well as to women's economic insecurity in old age. Given the limited prospect of increasing the average resources per pensioner due to their growing number and proportion, the most effective strategy to improve the pension prospects for women is to question the unequal distribution between women and men within generations. As noted above, the simulation results have implied the indispensability of derived rights for many women, at least under current situations and in the immediate future, in order to gain better gender equality in outcome and economic security in old age. Thus, rather than prioritising the redress of unfair distribution of resources among women through removing the derived benefits, it may be more fruitful to start with the question of why women should be systematically receiving a lower pensions than men under the existing pension system.

However, in reality, this kind of question is not usually the one taken up by those who argue for gender equality. From the 1990s onwards in Japan, the most pressing problem for gender equality in pensions has often been depicted as the gender assumptions in the pension system rather than the gender gap in pension benefits. This way of framing the problem tends to emphasise the negative side of derived rights such as the gender reinforcing effects of these rights or inequality among women. Indeed, this has led some prominent feminists arguing for removing 'housewife privileges' in the name of gender equality.

Here, the insights of discourse analysis of policy problems are useful (see chapter 1). What power relations are challenged and not challenged in this way of formulation of a pension problem? The answers are multiple. However, it would be difficult to include power relations between women and men as an answer, if economic inequality is taken as a sign of power inequality as many feminists historically did. In other words, neither removal of derived benefits nor inclusion of part-time working women in the pension system as wage earners would undermine men's generally higher gains from the public pension system. Rather, the more the pension system becomes apparently gender neutral, the more legitimate the gender pension gap would appear to be.

If, on the other hand, the focus is shifted to gender inequality in outcome, the efforts to achieve gender equality in pensions would move to a different place. If the gender gap in pensions is problematised, a question why women's pensions are systematically lower than men's should arise. Rather than focusing on removing provisions based on the male breadwinner/ female homemaker model, therefore, more attention would be paid to reforming the norm based on male life courses

embedded in the pension system. Without questioning the male-oriented norm embedded in the system, 'gender neutralisation' is in effect synonymous with assimilation with the male-centred norm. In the actual society where care work is predominantly shouldered by women, this means the legitimisation of the status quo of gender inequality in outcome, or even aggravating it. As feminist scholarship on citizenship has revealed, the pursuit of 'gender equality' through assimilation to male model would result in women's second-class position with a guise of gender neutrality.

On the other hand, theories on citizenship from a gender perspective also suggest that 'gender neutralisation' can be a powerful companion to the movement for substantial gender equality, if it is based on critiques of men's absence from care work. If based on a new norm of adult citizens as paid *and* unpaid workers, a resultant pension system could better accommodate contributions through care work as equivalent to paid work. For this direction, care credits in the German pension system offer a good example in the sense that they allow those who combine paid and unpaid work to accrue more pension rights than those who are engaged in only one of these. In order not to penalise various combinations of paid and unpaid work, disadvantages for non-full-time wage earners in the pension system should also be minimised.

In this context, derived benefits can be understood as a practical short- to mid-term measure to supplement benefits in one's own right until the latter change into a more gender neutral form in order to achieve the main objective, that is, gender equality in economic power and economic welfare in old age. Indeed, if the inequality between wives of the No.1 insured and those of the No.2 insured is perceived as unfair and thus problematic, the demand should be for an extension of derived benefits to the

former rather than for their removal. Rather than removing an existing safety net from those who need one in one way or other, the effort should be focused on strengthening it and extending it to those who are also in need.

Considering the increasing job insecurity and diversity in working patterns as well as moral and practical imperatives to participate more in unpaid work for men, a pension system which can better accommodate workers with lower earnings, 'atypical' working patterns and care responsibilities should benefit not only women but also men.

8.5 Contribution of the thesis and directions for further research

The contribution of this thesis is two-fold. One is its empirical contribution to the research body which emphasises the role of ideas in the policy making process. The examination of the pension history in Japan has demonstrated that the old-age pension system is a manifestation of dominant assumptions on relations between genders, between generations and between the state and individuals. The legitimacy of state welfare is strongly influenced by dominant perceptions of equality and fairness of the resource distribution, which is based on certain assumptions about the above relations. The study has confirmed that assumptions on these relations not only challenge the existing pension arrangements in the name of equality and fairness but also legitimise or obscure certain inequalities.

This thesis also seeks to contribute to critical studies from a gender perspective by exploring the dilemma of gender equality and difference played out in the debates on women's pension problems in Japan. Feminists in Japan have long criticised the public pension system as gender unequal. However, the dominant proposals for

gender equality are different before and after the 1985 Reform. Before the reform, advocates of gender equality problematised women's weak pension rights. As a practical measure for redress, many argued for improving derived benefits for housewives to narrow the gender pension gap. By contrast, after the 1985 Reform, many prominent feminists problematised derived benefits for dependent spouses. They argued that those arrangements would in effect encourage the status quo of the gender division of labour and thus power inequality between women and men. Thus, their demand was usually centred on gender neutralisation of the pension system. Nonetheless, this strategy for gender equality also has a danger of perpetuating the status quo of gender power inequality because it does not necessarily distinguish between gender neutrality and assimilation to a male model.

The research has demonstrated the multi-faceted nature of the concept of gender equality by showing the contrasting and conflicting policy proposals in the name of gender equality. This study has also confirmed the importance for feminists to judge any policy proposals from a viewpoint of possible impact on resource distribution between women and men by pointing out the possibilities that some policies in the name of gender equality can actually further deprive women of resources. As material inequality has significant implications for power relations (Phillips 1999), policies which lack the viewpoint of equality in outcome may reinforce or even aggravate unequal power relations between women and men. In order to challenge the unequal distribution of resources between women and men in old age, more critical attention should be paid to any taken-for-granted assumptions, which legitimise and obscure power relations embedded in the pension system.

In this sense, empirical research on the resource distribution within the elderly household in Japan and its relation with the intra-household power relations would help to further reveal the gender implications of pension policies.

Another research area which would contribute to discussions on pension equality in outcome is on those who are excluded from the public pension schemes for employees. With the growing casualisation of employment, increasing numbers of people, both women and men, are employed on a casual basis without being covered by public pension schemes as employees. Moreover, some of them do not pay the premium for compulsory National Pension and are thus excluded from any public pension schemes. Studies in this area would further reveal the underlying assumptions in the public pension system, with which fewer and fewer people can comply.

The third research area which would benefit discussions on pension outcomes is research based on longitudinal data. While simulations based on hypothetical individual life courses can illustrate the structural factors of the unequal outcome in the pension system, simulations based on actual longitudinal data can suggest better, albeit still limited, prediction of the pension prospect based on the actual life courses of the population. For this purpose, the new panel surveys started in 2001 have a great potential¹⁴⁶.

Further research in these directions would be able to point a way forward to go beyond the dilemma between gender equality and difference and suggest pension

¹⁴⁶ 21 seiki Jūdan Chōsa (21st Century Paney Surveys). For brief outlines, see <http://www.mhlw.go.jp/toukei/itiran/gaiyo/k-jinkou.html>.

policies which enable individuals, both women and men, to achieve autonomy in old age.

Appendix 1 Pension adjustments in Britain, Germany and Japan

Britain

The benefits are indexed to price inflation for Basic State Pension and to national production growth for State Second Pension in principle. When calculating the earnings-related pension, the value of earlier years' contribution is adjusted in line with the growth in national production.

Germany

The benefits are indexed to gross wages. As a result of the 2001 Reform, the adjustment rate takes into account changes in the premium rate for pension insurance schemes (of both public pensions and newly established private pensions) and in the ratio of pensioners to contributors.

The legislation requires that the target pension level (before tax but after social insurance premium deduction) for the 'standard' pensioners should be 46 per cent of the average wage (before tax but after social insurance premium deduction) until 2020, and 43 per cent until 2030.

Japan

The benefits are adjusted to the growth rate of net wages for the newly retired. For the pensioners aged 68 and over, the benefits are indexed to price inflation.

As a result of the 2004 reform, the adjustment rate takes into account the ratio of pensioners to contributors and changes in life expectancy until 2023. According to the government projections, this amounts to about 15 per cent reduction of benefits in real value by 2030. The legislation requires, however, that the replacement rate of

the model pension¹⁴⁷ should not fall below 50 per cent of the national average wage.

The adjustment rate is obtained by the formula below:

Growth in net wages – Rate of decrease in the insured x 0.997 (Fixed rate for life expectancy factor)

¹⁴⁷ Unlike the conventional usage, this ratio is between the *gross* pension benefits of a model couple and the *male* average earnings *net of tax and social insurance contributions*.

Appendix 2 Taxation, Social Security Contributions and Net Wages

Table A2. 1 Tax and social insurance rates, Britain (2004)

| Income Tax Allowances | |
|---|------------------|
| Personal allowance | £4,745 |
| Personal allowance for people aged 65 – 74 | £6,830 |
| Personal allowance for people aged 75 and over | £6,950 |
| (Income limit for age-related allowances) | £18,900 |
| Taxable Bands | |
| Starting rate - 10% | £0 – £2,020 |
| Basic rate - 22% | £2,021 – £31,400 |
| Higher rate - 40% | Over £31,400 |
| Social Security Contributions (per week) | |
| Up to lower earnings limit - 0% | £79 |
| Between lower earnings limit and primary threshold - 0% but counted in | £80 – £90 |
| Between primary threshold and upper earnings limit - 11% | £91 - £610 |
| Above upper earnings limit - 1% | Over £610 |

Source: Taxing Wages (OECD 2005); Inland Revenue website

Table A2. 2 The income and tax of employees in different circumstances, Britain

| | Wage level (as per cent of male average earnings) | 100% | 65% | 40% | 20% | Average (full-time) |
|---|--|---------------|---------------|--------------|--------------|--------------------------------|
| 1 | Gross earnings (per annum) | 24,236 | 15,753 | 9,694 | 4,847 | 22,060 |
| 2 | Standard tax allowance | 4,745 | 4,745 | 4,745 | 4,745 | 4,745 |
| | Basic allowance | 4,745 | 4,745 | 4,745 | 4,745 | 4,745 |
| 3 | Taxable income: 1-2 | 19,491 | 11,008 | 4,949 | 102 | 17,315 |
| 4 | Tax liability | 4,046 | 2,179 | 846 | 10 | 3,567 |
| | 10% | 202 | 202 | 202 | 10 | 202 |
| | 22% | 3,844 | 1,977 | 644 | 0 | 3,365 |
| | 40% | 0 | 0 | 0 | 0 | 0 |
| 5 | Tax credit | 0 | 0 | 0 | 0 | 0 |
| | Children | 0 | 0 | 0 | 0 | 0 |
| 6 | Income tax: 4-5 | 4,046 | 2,179 | 846 | 10 | 3,567 |
| 7 | Compulsory social security contributions | 2,666 | 1,733 | 1,066 | 533 | 2,427 |
| 8 | Net earnings: 1-6-7 | 17,524 | 11,841 | 7,782 | 4,304 | 16,067 |

* The average earning is a median value of full-time workers.

Source for the male average earnings: Annual Survey of Hours and Earnings, Office for National Statistics (2004)

Table A2. 3 Tax and social insurance rates, Germany (2004)

| Income Tax Allowances | | |
|--|---|------------|
| Basic allowance | None | |
| Dependent spouse | None, but joint assessment is possible | |
| Dependent children | €2,904 per child for single parents, 5,808 for couples | |
| Work-related expenses | €920 | |
| Special expenses | €36 | |
| Deduction for social security contributions | 1. Up to €3068: Deductible amount = contributions up to €3,068 – Gross wage x 0.16 2. Remaining contributions up to €1,334 3. Half of the remaining expenses up to €667 | |
| Tax Credits | | |
| Dependent children | €1,848/ child for the first 3 children, €2,148 for the fourth onwards. If the value of the tax credit is less than tax allowances, the tax allowances are used instead. | |
| Taxable Bands: $X = \text{taxable income}$, $Y = (X - 7664) / 10000$, $Z = (X - 12739) / 10000$ | | |
| 0% | €7,664 or less | |
| $(793.10Y + 1600)Y$ | Between €7,665 and €12,739 | |
| $(265.78Z + 2405)Z + 1016$ | Between €12,740 and €52,151 | |
| $0.48X - 8,845$ | €52,152 and above | |
| Solidarity surcharge | 5.5% of the income tax liability | |
| Social Security Contributions: for those with annual earnings at least €4800 | | |
| | Employees | Pensioners |
| Pension | 9.75% (ceiling €61,800), 11% by 2030 | N/A |
| Health | 7% (ceiling €41,856) | 7% |
| Long-term care | 0.85% (ceiling €41,856) | 1.7% |
| Unemployment | 3.25% (ceiling €61,800) | N/A |

Source: Taxing Wages (OECD 2005)

Table A2. 4 The income and tax of employees in different circumstances, Germany

| | Wage level (as per cent of male average earnings) | 100% | 65% | 40% | 20% | Average (insured) |
|---|--|---------------|---------------|---------------|--------------|--------------------------|
| 1 | Gross earnings | 46,164 | 30,007 | 18,466 | 9,233 | 29,375 |
| 2 | Standard tax allowances | 2,957 | 2,957 | 2,082 | 2,547 | 2,957 |
| | Dependent children | 0 | 0 | 0 | 0 | 0 |
| | Deduction for social security contributions | 2,001 | 2,001 | 1,126 | 1,591 | 2,001 |
| | Employment income deduction | 920 | 920 | 920 | 920 | 920 |
| | Other | 36 | 36 | 36 | 36 | 36 |
| 3 | Taxable income: 1-2 | 43,207 | 27,050 | 16,384 | 6,686 | 26,418 |
| 4 | Income tax liability | 10,811 | 5,002 | 1,928 | 0 | 4,803 |
| 5 | Tax credit | 0 | 0 | 0 | 0 | 0 |
| 6 | Solidarity surcharge | 595 | 275 | 106 | 0 | 264 |
| 7 | Income tax: 4-5+6 | 11,405 | 5,277 | 2,034 | 0 | 5,067 |
| 8 | Compulsory social security contributions (total) | 9,864 | 6,631 | 4,081 | 2,040 | 6,492 |
| | Pension insurance (11%) | 5,078 | 3,301 | 2,031 | 1,016 | 3,231 |
| | Sickness insurance (7%) | 2,930 | 2,100 | 1,293 | 646 | 2,056 |
| | Long-term care insurance (0.85%) | 356 | 255 | 157 | 78 | 250 |
| | Unemployment insurance (3.25%) | 1,500 | 975 | 600 | 300 | 955 |
| 9 | Net earnings: 1-7-8 | 24,895 | 18,098 | 12,351 | 7,192 | 17,816 |

Source for the male average earnings: Statistisches Jahrbuch 2004

Table A2. 5 Tax and social insurance rates, Japan (2004)

| Income Tax Allowances | | |
|---------------------------------|--|---|
| | Local | Central |
| Basic allowance | ¥330,000 | ¥380,000 |
| Dependent spouse | ¥330,000 | ¥380,000 |
| Dependents (per person) | Minimum of ¥330,000 per person | Minimum of ¥380,000 per person |
| Social security contributions | All contributions | |
| Earnings through employment | Allowance | Income bands |
| | ¥650,000 | ¥1.625 million or below |
| | 40% | Above ¥1.625 million to ¥1.8 million |
| | 30% with tax credit ¥180,000 | Above ¥1.8 million to ¥3.6 million |
| | 20% with tax credit ¥540,000 | Above ¥3.6 million to ¥6.6 million |
| | 10% with tax credit ¥1.2 million | Above ¥6.6 million to ¥10 million |
| | 5% with tax credit ¥1.7 million | Above ¥10 million |
| Incomes through public pensions | Allowance | Income bands |
| | ¥1.2 million | ¥3.3 million or less |
| | Pension income x 25% with tax credit ¥375,000 | Above ¥3.3 million and below ¥4.1 million |
| | Pension income x 15% with tax credit ¥785,000 | Above ¥4.1 million and below ¥7.7 million |
| | Pension income x 5% with tax credit ¥1,555,000 | Above ¥7.7 million |

| Taxable Bands* | | | |
|--------------------------------------|----------------------|-------------------------------|----------------------|
| Local Tax | | Central Tax | |
| 5% | ¥2 million or less | 10% | ¥3.3 million or less |
| 10%, tax credit of ¥100,000 | ¥7 million or less | 20%, tax credit ¥330,000 | ¥9 million or less |
| 13%, tax credit ¥310,000 | Over ¥7 million | 30%, tax credit ¥1.23 million | ¥18 million or less |
| | | 37%, tax credit ¥2.49 million | Over ¥18 million |
| Social Security Contributions | | | |
| | Employees | Pensioners | |
| Pension | 9.15% (2017 onwards) | N/A | |
| Health | 4.1% | 15%** | |
| Long-term care | 0.555% | | |
| Unemployment | 0.8% | N/A | |

* The tax rate for each income band is applied to the total income.

**The rate differs across municipalities, thus, this rate is for illustration purpose only.

1. Those aged 65 and over with income of ¥1.25 million or below after public pension income deduction are exempted from local tax.

2. Although the rate for the long-term care part of National Health Insurance Tax is reduced by 25% if all of the household members are exempted from local income tax, the simulations ignore this reduction for simplification.

3. Contributions for National Health Insurance can be treated either as premium or as tax depending on the municipal regulations. In either case, however, the money paid is deductible for national income tax purposes.

4. Survivor's benefits are exempt from income tax and National Health Insurance Tax.

Source: Taxing Wages (OECD 2005); National Tax Agency website

Table A2. 6 Standard remuneration for pension contribution¹⁴⁸, Japan (2004)

| Grade | Nominal remuneration | Actual monthly remuneration | Grade | Nominal remuneration | Actual monthly remuneration |
|-------|----------------------|-----------------------------|-------|----------------------|-----------------------------|
| 1 | ¥98,000 | Below ¥101,000 | 16 | ¥260,000 | ¥250,001 - ¥270,000 |
| 2 | ¥104,000 | ¥101,001 - ¥107,000 | 17 | ¥280,000 | ¥270,001 - ¥290,000 |
| 3 | ¥110,000 | ¥107,001 - ¥114,000 | 18 | ¥300,000 | ¥290,001 - ¥310,000 |
| 4 | ¥118,000 | ¥114,001 - ¥122,000 | 19 | ¥320,000 | ¥310,001 - ¥330,000 |
| 5 | ¥126,000 | ¥122,001 - ¥130,000 | 20 | ¥340,000 | ¥330,001 - ¥350,000 |
| 6 | ¥134,000 | ¥130,001 - ¥138,000 | 21 | ¥360,000 | ¥350,001 - ¥370,000 |
| 7 | ¥142,000 | ¥138,001 - ¥146,000 | 22 | ¥380,000 | ¥370,001 - ¥395,000 |
| 8 | ¥150,000 | ¥146,001 - ¥155,000 | 23 | ¥410,000 | ¥395,001 - ¥425,000 |
| 9 | ¥160,000 | ¥155,001 - ¥165,000 | 24 | ¥440,000 | ¥425,001 - ¥455,000 |
| 10 | ¥170,000 | ¥165,001 - ¥175,000 | 25 | ¥470,000 | ¥455,001 - ¥485,000 |
| 11 | ¥180,000 | ¥175,001 - ¥185,000 | 26 | ¥500,000 | ¥485,001 - ¥515,000 |
| 12 | ¥190,000 | ¥185,001 - ¥195,000 | 27 | ¥530,000 | ¥515,001 - ¥545,000 |
| 13 | ¥200,000 | ¥195,001 - ¥210,000 | 28 | ¥560,000 | ¥545,001 - ¥575,000 |
| 14 | ¥220,000 | ¥210,001 - ¥230,000 | 29 | ¥590,000 | ¥575,001 - ¥605,000 |
| 15 | ¥240,000 | ¥230,001 - ¥250,000 | 30 | ¥620,000 | ¥605,001 and over |

¹⁴⁸ In order to avoid frequent changes in the level of monthly contributions, earnings are categorised into 30 bands or 'grades' and the amount of each grade shown in the table is used as a base for contribution calculations rather than actual amount of earnings.

Table A2. 7 The income and tax of employees in different circumstances, Japan

| | Wage level (as per cent of male average earnings) | 100% | 65% | 40% | 20%* | Average earnings** |
|---|---|-----------|-----------|-----------|-----------|--------------------|
| 1 | Gross earnings | 5,427,000 | 3,527,550 | 2,170,800 | 1,085,400 | 4,854,000 |
| 2 | Standard tax allowances (central) | 2,777,720 | 2,143,465 | 1,526,794 | 1,030,000 | 2,608,838 |
| | Basic allowance | 380,000 | 380,000 | 380,000 | 380,000 | 380,000 |
| | Dependants | 0 | 0 | 0 | 0 | 0 |
| | Deduction for social security contributions | 772,320 | 525,200 | 315,554 | 0 | 718,038 |
| | Employment income deduction | 1,625,400 | 1,238,265 | 831,240 | 650,000 | 1,510,800 |
| 3 | Taxable income (central): 1-2 | 2,649,280 | 1,384,085 | 644,006 | 55,400 | 2,245,162 |
| 4 | Income tax (central) | 264,928 | 138,408 | 64,401 | 5,540 | 224,516 |
| 5 | Standard tax allowances (local) | 2,727,720 | 2,093,465 | 1,476,794 | 980,000 | 2,558,838 |
| | Basic allowance | 330,000 | 330,000 | 330,000 | 330,000 | 330,000 |
| | Dependants | 0 | 0 | 0 | 0 | 0 |
| | Deduction for social security contributions | 772,320 | 525,200 | 315,554 | 0 | 718,038 |
| | Employment income deduction | 1,625,400 | 1,238,265 | 831,240 | 650,000 | 1,510,800 |
| 6 | Taxable income (local): 1-5 | 2,699,280 | 1,434,085 | 694,006 | 105,400 | 2,295,162 |
| 7 | Local tax | 169,928 | 71,704 | 34,700 | 5,270 | 129,516 |
| 8 | Compulsory social security contributions (total) | 772,320 | 525,200 | 315,554 | 0 | 718,038 |
| | Pension insurance | 483,120 | 329,400 | 197,640 | 0 | 450,180 |
| | Health insurance | 216,480 | 147,600 | 88,560 | 0 | 201,720 |
| | Long-term care insurance | 29,304 | 19,980 | 11,988 | 0 | 27,306 |
| | Unemployment insurance | 43,416 | 28,220 | 17,366 | 0 | 38,832 |

(Continues)

(Continued)

| | | | | | | |
|----------|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| 9 | Net earnings: 1-5-9-10 | 4,219,824 | 2,792,237 | 1,756,145 | 1,074,590 | 3,781,930 |
|----------|-------------------------------|------------------|------------------|------------------|------------------|------------------|

* In the calculations, they are considered as dependants of the employed partner, thus, they are exempt from social security contributions.

** The average earning is a mean value of full-time male and female workers.

Source for the wages: Basic Survey on Wage Structure (2004)

Appendix 3 Examples of pension calculations (benchmark cases)

Britain

Weekly basic pension benefits =

Full pension x Qualifying years*/ (44 – (Years for Home Responsibilities Protection))

*Qualifying years \leq 44

Full basic pension is £79.60 in 2004. The benefit level is adjusted to price inflation.

Annual earnings-related pension benefits:

The benefits are calculated in two steps. Firstly, the earnings for each qualifying year are broken down into earnings bands and multiplied by different rate as below.

Then, the obtained values are added up and divided by 49.

| | Bandwidths for 2004/05 | Percentage rate |
|--------|------------------------|-----------------|
| Band 1 | £4,108 - £11,600 | 40 per cent |
| Band 2 | £11,601 - £26,600 | 10 per cent |
| Band 3 | £26,601 - £31,720 | 20 per cent |

In the simulations, the government projection of real production growth – 2 per cent per annum – is used in order to determine the level of full basic pension benefits and earnings-related pension benefits in the monetary value of 2004. The benchmark model case has contributed for 45 years, although the contribution period is calculated as 44 years for Basic Pension due to the ceiling. Thus, the benefit level for the benchmark case is obtained as follows;

$$\text{Weekly basic pension benefits} = 79.60 \times (1 - 0.02)^{45} \times 44/44 = 79.60 \times 0.98^{45} \times 1 \doteq 32.07$$

Annual earnings-related pension benefits =

$$\frac{(45 (11,600 - 4,108)) \times 0.4 + (45 (24,236 - 11,600)) \times 0.1 + 0 \times 0.2}{49} \div 3,912.61$$

49

$$\text{Weekly earnings-related pension benefits} = 3,912.61 / 52 \div 75.24$$

Thus, the pension benefits for benchmark case in Britain is:

$$\text{Weekly pension benefits} = 32.07 + 75.24 = 107.31$$

$$\text{Annual pension benefits} = 107.31 \times 52 \div 5,580$$

Germany

Monthly pension benefits = PEP x Pension Type Factor x AR

PEP: Personal Income Points (persönliche Entgeltpunkte)

Personal income point of a year can be obtained by dividing one's wage by the average wage of the insured people in the year. In 2004, one income point is 29,375.

Thus, PEP of the benchmark case is:

$$\text{PEP} = 46,164 / 29,375 \times 45 \div 70.72$$

Pension Type Factor: A value is given according to the type of the benefit. In the case of old-age pensions, the value is 1.0.

AR: Current Pension Value (aktueller Rentenwert)

Current Pension Value (AR) corresponds to the monthly pension paid to an average earner for each insured year. It is adjusted annually by a statutory formula. AR is calculated using the following formula:

$$\text{AR}_t = \text{AR}_{t-1} \times \frac{\text{BE}_{t-1}}{\text{BE}_{t-2}} \times \frac{100 - \text{AVA}_{t-1} - \text{RVB}_{t-1}}{100 - \text{AVA}_{t-2} - \text{RVB}_{t-2}} \times ((1 - \text{RQ}_{t-1}) \times \alpha + 1)$$

Where:

AR_t = new current pension value to be determined

AR_{t-1} = current pension value in effect (West)

BE_{t-1} = average gross wage earned during the previous year

BE_{t-2} = average gross wage earned two years before

RVB_{t-1} = contribution rate to the statutory pension insurance in the previous year

RVB_{t-2} = contribution rate to the statutory pension insurance two years before

AVA_{t-1} = share paid into additional private old-age scheme in the previous year = 4%

AVA_{t-2} = share paid into additional private old-age scheme two years before = 4%

RQ_{t-1} = pensioner quotient = equivalence pensioner/ equivalence contribution payer
in the previous year

RQ_{t-2} = pensioner quotient = equivalence pensioner/ equivalence contribution payer
two years before

α = statutory determined distribution weight = 0.25

However, in this thesis, the officially recognised floor replacement rate of 43 per cent until the year 2030 is used¹⁴⁹ for the base of calculation in order to determine AR of a certain year beyond 2030 in the monetary value of 2004. Thus, AR is:

$$\frac{\text{Gross standard pension} - \text{social insurance contributions}}{\text{Gross average wage} - (\text{social insurance contributions} + \text{private pension contributions})} = 0.43$$

$$\frac{45 \times 1.0 \times AR \times 12 - (\text{sickness} + \text{long-term care})}{29,375 - (\text{pension} + \text{unemployment} + \text{sickness} + \text{long-term care} + \text{private pension})} = 0.43$$

$$\frac{45AR \times 12 - 45AR \times 12 \times (0.07 + 0.017)}{29,375 - 29,375 \times (0.11 + 0.0325 + 0.07 + 0.0085 + 0.04)} = 0.43$$

$$\frac{45AR \times 12 - 45AR \times 12 \times (0.07 + 0.017)}{29,375 - 29,375 \times (0.11 + 0.0325 + 0.07 + 0.0085 + 0.04)} = 0.43$$

$$\frac{45AR \times 12 - 45AR \times 12 \times (0.07 + 0.017)}{29,375 - 29,375 \times (0.11 + 0.0325 + 0.07 + 0.0085 + 0.04)} = 0.43$$

$$493.02AR / 21,708.125 = 0.43$$

¹⁴⁹ For details on adjustment formula, see the report on the 2004 reform by German Social Advisory Council, <http://www.sozialbeirat.de/englisch/home.html>

$$AR = 0.43 \times 21,708.125 / 493.02 = 18.93\dots$$

Thus, the pension benefits for benchmark case in Germany is:

$$\text{Monthly pension benefits} = 70.72 \times 1.0 \times 18.93 \div 1,338.73$$

$$\text{Annual pension benefits} = 1,338.73 \times 12 \div 16,065$$

Japan

Annual basic pension benefits =

Full pension x $\frac{(\text{insured months}) + (\text{exempted months} \times 1/3) + (\text{partly exempted months} \times 2/3)}{480}$

480

Full basic pension is ¥780,900 in 2004. The benefit level is adjusted to wage growth.

Annual earnings-related pension benefits =

Average monthly equivalent* x Insured months x 0.005481

* Annual earnings (including bonuses) is used for the base rather than monthly salary

Until 2030, both formulae are adjusted by 'adjustment rate', calculated from wage growth, life expectancy and the ratio between pensioners and contributors. In the simulation, the expected rate of resultant decrease in the benefits, 15 per cent, is used to determine the level of full basic pension benefits and earnings-related pension benefits in the monetary value of 2004. Thus, the benefit level for the benchmark case is obtained as follows:

Basic pension benefits = $780,900 \times (1 - 0.15) = 663,765 \div 663,800$

Earnings-related benefits = $440,000 \times (45 \times 12) \times 0.005481 \times (1 - 0.15) \div 1,106,900$

Thus, the pension benefits for benchmark case in Japan is:

Annual pension benefits = $663,800 + 1,106,900 = 1,770,700$

Monthly pension benefits = $1,770,700 / 12 \div 147,600$

Appendix 4 Taxation, Social Security Contributions and Net Pensions

Britain

Taxation for pensioners: Pensions are subject to taxation. Those aged 65 and over have higher personal allowance.

Social security contributions for pensioners: None

Germany

Taxation for pensioners: In principle, pensions are subject to taxation. The taxation is levied only on the returns on pensions, which is credited to the capital collected through the payment of contributions. The amount of the returns depends on the age of the beneficiary at the commencement of pension payments.

If there are no other earnings, pensions are often below the limit of taxation. Thus, in the simulations, taxation is not taken into account for net pensions.

Social security contributions for pensioners:

- Sickness Insurance: The rate varies across funds. The average rate is 7.1%.
- Long-term care insurance: 1.7%.

Japan

Taxation for pensioners: In principle, pensions are subject to taxation. However, there is a special tax allowance for public pension income.

Social security contributions for pensioners:

- Health Insurance and long-term care insurance: The rates as well as the base of the taxation vary significantly across municipalities. In the simulations, 15 per cent of gross income from which public pension income allowance is deducted is used as a combined rate for both insurance schemes.

Table A4. 1 The income and tax of pensioners in different circumstances, Britain

| | Case | Bench- mark | Case 1 | Case 2 | Cases 3, 4 | Case 5 | Case 6 |
|----------|-------------------------|----------------|--------------|--------------|---------------|--------------|--------------|
| 1 | Gross income | 5,580 | 4,801 | 4,793 | 4,716 | 4,505 | 2,062 |
| 2 | Standard tax allowances | 6,830 | 6,830 | 6,830 | 6,830 | 6,830 | 6,830 |
| | Basic allowance | 6,830 | 6,830 | 6,830 | 6,830 | 6,830 | 6,830 |
| 3 | Taxable income (1-2) | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 | Tax liability | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 | Tax credit | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | Income tax (1-4+5) | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 | Net income | 5,580 | 4,801 | 4,793 | 4,716 | 4,505 | 2,062 |

Note: Pension levels are shown in the monetary value of 2004.

Table A4. 2 Pension results relative to three criteria (gross), Britain

| Pensions relative to (%): | Bench- mark | Case 1 | Case 2 | Cases 3 | Case 4 | Case 5 | Case 6 |
|----------------------------------|----------------|--------|--------|---------|--------|--------|--------|
| Average male's pensions | N/A | 86.0 | 85.9 | 84.5 | 84.5 | 80.7 | 36.9 |
| Society average | 25.3 | 21.8 | 21.7 | 21.4 | 21.4 | 20.4 | 9.3 |
| Social minimum | 101.8 | 87.6 | 87.4 | 86.0 | 86.0 | 82.1 | 37.6 |

Table A4. 3 Pension results relative to three criteria (net), Britain

| Pensions relative to (%): | Bench- mark | Case 1 | Case 2 | Case 3 | Case 4 | Case 5 | Case 6 |
|----------------------------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Average male's pensions | N/A | 86.0 | 85.9 | 84.5 | 84.5 | 80.7 | 36.9 |
| Society average | 34.7 | 29.9 | 29.8 | 29.4 | 29.4 | 28.0 | 12.8 |
| Social minimum | 101.8 | 87.6 | 87.4 | 86.0 | 86.0 | 82.1 | 37.6 |

Table A4. 4 The income and tax of widowed pensioners in different circumstances, Britain

| | Case | widow 2 | widow 3 | widow 4 | widow 5 | widow 6 |
|----------|-------------------------|----------------|----------------|----------------|----------------|----------------|
| 1 | Gross income | 6,749 | 6,673 | 6,673 | 6,461 | 4,687 |
| 2 | Standard tax allowances | 6,830 | 6,830 | 6,830 | 6,830 | 6,830 |
| | Basic allowance | 6,830 | 6,830 | 6,830 | 6,830 | 6,830 |
| 3 | Taxable income (1-2) | 0 | 0 | 0 | 0 | 0 |
| 4 | Tax liability | 0 | 0 | 0 | 0 | 0 |
| 5 | Tax credit | 0 | 0 | 0 | 0 | 0 |
| 6 | Income tax (1-4+5) | 0 | 0 | 0 | 0 | 0 |
| 7 | Net income | 6,749 | 6,673 | 6,673 | 6,461 | 4,687 |

Note: Pension levels are shown in the monetary value of 2004.

Table A4. 5 Pension results relative to three criteria (gross), Britain

| Pensions relative to (%): | widow 2 | widow 3 | widow 4 | widow 5 | widow 6 |
|----------------------------------|---------|---------|---------|---------|---------|
| Average male's pensions | 120.9 | 119.6 | 119.6 | 115.8 | 84.0 |
| Society average | 30.6 | 30.2 | 30.2 | 29.3 | 21.2 |
| Social minimum | 123.1 | 121.7 | 121.7 | 117.8 | 85.5 |

Table A4. 6 Pension results relative to three criteria (net), Britain

| Pensions relative to (%): | widow 2 | widow 3 | widow 4 | widow 5 | widow 6 |
|----------------------------------|---------|---------|---------|---------|---------|
| Average male's pensions | 120.9 | 119.6 | 119.6 | 115.8 | 84.0 |
| Society average | 42.0 | 41.5 | 41.5 | 40.2 | 29.2 |
| Social minimum | 123.1 | 121.7 | 121.7 | 117.8 | 85.5 |

Table A4. 7 The income and tax of pensioners in different circumstances, Germany

| Case | Benchmark | Case 1 | Case 2 | Case 3 | Case 4 | Case 5 | Case 6 |
|--|---------------|---------------|---------------|--------------|--------------|--------------|--------------|
| Gross income | 16,065 | 10,442 | 10,892 | 9,660 | 9,232 | 7,000 | 3,002 |
| Compulsory social security contributions (Health and Long-term care insurance) | 1,398 | 908 | 948 | 840 | 803 | 609 | 0 |
| Net income | 14,667 | 9,534 | 9,944 | 8,820 | 8,428 | 6,391 | 3,002 |

Note: Pension levels are shown in the monetary value of 2004.

Table A4. 8 Pension results relative to three criteria (gross), Germany

| Pensions relative to (%): | Benchmark | Case 1 | Case 2 | Case 3 | Case 4 | Case 5 | Case 6 |
|---------------------------|-----------|--------|--------|--------|--------|--------|--------|
| Average male's pensions | N/A | 65.0 | 67.8 | 60.1 | 57.5 | 43.6 | 18.7 |
| Society average | 54.7 | 35.5 | 37.1 | 32.9 | 31.4 | 23.8 | 10.2 |
| Social minimum | 391.4 | 254.4 | 265.4 | 235.4 | 224.9 | 170.6 | 73.1 |

Table A4. 9 Pension results relative to three criteria (net), Germany

| Pensions relative to (%): | Benchmark | Case 1 | Case 2 | Case 3 | Case 4 | Case 5 | Case 6 |
|---------------------------|-----------|--------|--------|--------|--------|--------|--------|
| Average male's pensions | N/A | 65.0 | 67.8 | 60.1 | 57.5 | 43.6 | 20.5 |
| Society average | 82.3 | 53.5 | 55.8 | 49.5 | 47.3 | 35.9 | 16.8 |
| Social minimum | 357.4 | 232.3 | 242.3 | 214.9 | 205.4 | 155.7 | 73.1 |

Table A4. 10 The income and tax of widowed pensioners in different circumstances, Germany

| Case | widow 2 | widow 3 | widow 4 | widow 5 | widow 6 |
|--|---------|---------|---------|---------|---------|
| Gross income | 16,065 | 16,065 | 16,065 | 16,065 | 12,292 |
| Compulsory social security contributions (Health and Long-term care insurance) | 1,398 | 1,398 | 1,398 | 1,398 | 1,069 |
| Net income | 15,319 | 15,319 | 15,319 | 15,319 | 11,222 |

Note: Pension levels are shown in the monetary value of 2004.

Table A4. 11 Pension results relative to three criteria (gross), Germany

| Pensions relative to (%): | widow 2 | widow 3 | widow 4 | widow 5 | widow 6 |
|---------------------------|---------|---------|---------|---------|---------|
| Average male's pensions | 100.0 | 100.0 | 100.0 | 100.0 | 76.5 |
| Society average | 54.7 | 54.7 | 54.7 | 54.7 | 41.8 |
| Social minimum | 391.4 | 391.4 | 391.4 | 391.4 | 299.5 |

Table A4. 12 Pension results relative to three criteria (net), Germany

| Pensions relative to (%): | widow 2 | widow 3 | widow 4 | widow 5 | widow 6 |
|---------------------------|---------|---------|---------|---------|---------|
| Average male's pensions | 100.0 | 100.0 | 100.0 | 100.0 | 76.5 |
| Society average | 86.0 | 86.0 | 86.0 | 86.0 | 63.0 |
| Social minimum | 373.3 | 373.3 | 373.3 | 373.3 | 273.5 |

Table A4. 13. 1 The income and tax of pensioners in different circumstances, Japan

| | Case | Benchmark | Cases 1 and 2 | Case 3 |
|----------|--|------------------|------------------|------------------|
| 1 | Gross income | 1,770,700 | 1,418,500 | 1,321,300 |
| 2 | Standard tax allowances (central) | 1,665,605 | 1,612,775 | 1,598,195 |
| | Basic allowance | 380,000 | 380,000 | 380,000 |
| | Dependants | 0 | 0 | 0 |
| | Deduction for social security contributions | 85,605 | 32,775 | 18,195 |
| | Pension income deduction | 1,200,000 | 1,200,000 | 1,200,000 |
| 3 | Taxable income (central) (1-2) | 105,095 | -194,275 | -276,895 |
| 4 | Income tax (central) | 10,510 | 0 | 0 |
| 5 | Standard tax allowances (local) | 1,615,605 | 1,562,775 | 1,548,195 |
| | Basic allowance | 330,000 | 330,000 | 330,000 |
| | Dependants | 0 | 0 | 0 |
| | Deduction for social security contributions | 85,605 | 32,775 | 18,195 |
| | Pension income deduction | 1,200,000 | 1,200,000 | 1,200,000 |
| 6 | Taxable income (local) (1-5) | 155,095 | -144,275 | -226,895 |
| 7 | Tax (local) (9-10) | 7,755 | 0 | 0 |
| 8 | Compulsory social security contributions (Health insurance and long-term care (15%)) | 85,605 | 32,775 | 18,195 |
| 9 | Net income | 1,666,831 | 1,385,725 | 1,303,105 |

Note: Pension levels are shown in the monetary value of 2004. Contributions for Cases 5 and 6 are less likely to be nil in reality due to non-income-related components in most municipalities.

Table A4. 13.14 2 The income and tax of pensioners in different circumstances, Japan

| | Case | Case 4 | Case 5 | Case 6 |
|----------|--|------------------|------------------|-----------------|
| 1 | Gross income | 1,301,100 | 1,131,200 | 881,800 |
| 2 | Standard tax allowances (central) | 1,595,165 | 1,580,000 | 1,580,000 |
| | Basic allowance | 380,000 | 380,000 | 380,000 |
| | Dependants | 0 | 0 | 0 |
| | Deduction for social security contributions | 15,165 | 0 | 0 |
| | Pension income deduction | 1,200,000 | 1,200,000 | 1,200,000 |
| 3 | Taxable income (central) (1-2) | -294,065 | -448,800 | -698,200 |
| 4 | Income tax (central) | 0 | 0 | 0 |
| 5 | Standard tax allowances (local) | 1,545,165 | 1,530,000 | 1,530,000 |
| | Basic allowance | 330,000 | 330,000 | 330,000 |
| | Dependants | 0 | 0 | 0 |
| | Deduction for social security contributions | 15,165 | 0 | 0 |
| | Pension income deduction | 1,200,000 | 1,200,000 | 1,200,000 |
| 6 | Taxable income (local) (1-5) | -244,065 | -398,800 | -648,200 |
| 7 | Tax (local) (9-10) | 0 | 0 | 0 |
| 8 | Compulsory social security contributions (Health insurance and long-term care (15%)) | 15,165 | 0 | 0 |
| 9 | Net income | 1,285,935 | 1,131,200 | 881,800 |

Note: Pension levels are shown in the monetary value of 2004. Contributions for Cases 5 and 6 are less likely to be nil in reality due to non-income-related components in most municipalities.

Table A4. 154 Pension results relative to three criteria (gross), Japan

| Pensions relative to (%): | Bench- mark | Case 1 | Case 2 | Case 3 | Case 4 | Case 5 | Case 6 |
|----------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Average male's pensions | N/A | 80.1 | 80.1 | 74.6 | 73.5 | 63.9 | 49.8 |
| Society average | 36.5 | 29.2 | 29.2 | 27.2 | 26.8 | 23.3 | 18.2 |
| Social minimum | 182.6 | 146.3 | 146.3 | 136.2 | 134.2 | 116.6 | 90.9 |

Table A4. 16 Pension results relative to three criteria (net), Japan

| Pensions relative to (%): | Bench- mark | Case 1 | Case 2 | Case 3 | Case 4 | Case 5 | Case 6 |
|----------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Average male's pensions | N/A | 83.1 | 83.1 | 78.2 | 77.1 | 67.9 | 52.9 |
| Society average | 44.1 | 36.6 | 36.6 | 34.5 | 34.0 | 29.9 | 23.3 |
| Social minimum | 171.9 | 142.9 | 142.9 | 134.4 | 132.6 | 116.6 | 90.9 |

Table A4. 1617 The income and tax of widowed pensioners in different circumstances, Japan

| | widow 2 | widow 3 | widow 4 | widow 5 | widow 6 |
|---------------------|-----------|-----------|-----------|-----------|-----------|
| Gross income | 1,594,600 | 1,546,000 | 1,535,900 | 1,494,000 | 1,494,000 |
| Net income* | 1,561,825 | 1,527,805 | 1,520,735 | 1,494,000 | 1,494,000 |

*Survivors' pensions are exempt from taxation. Thus, tax is levied only on pensions in one's own right.

Table A4. 17 Pension results relative to three criteria (gross), Japan

| Pensions relative to (%): | widow 2 | widow 3 | widow 4 | widow 5 | widow 6 |
|----------------------------------|---------|---------|---------|---------|---------|
| Average male's pensions | 90.1 | 87.3 | 86.7 | 84.4 | 84.4 |
| Society average | 32.9 | 31.9 | 31.6 | 30.8 | 30.8 |
| Social minimum for the elderly | 164.4 | 159.4 | 158.4 | 154.0 | 154.0 |

Table A4. 18 Pension results relative to three criteria (net), Japan

| Pensions relative to (%): | widow 2 | widow 3 | widow 4 | widow 5 | widow 6 |
|----------------------------------|---------|---------|---------|---------|---------|
| Average male's pensions | 93.7 | 91.7 | 91.2 | 89.6 | 89.6 |
| Society average | 41.3 | 40.4 | 40.2 | 39.5 | 39.5 |
| Social minimum for the elderly | 161.0 | 157.5 | 156.8 | 154.0 | 154.0 |

Table A4. 19 Social minimum for the elderly, Britain (2004)

| | Weekly | Annually |
|-------------------|--------|----------|
| For single person | £105 | £5,483 |
| For couple | £161 | £8,369 |

Table A4. 20 Social minimum for the elderly, Germany (2004)

| | Monthly | Annually |
|-----------------------------|---------|----------|
| For single person | €342 | €4,104 |
| For couple without children | €618 | €7,416 |

Table A4. 21 Social minimum for the elderly, Japan (2004)

| | Monthly | Annually |
|--|----------|------------|
| For single person living urban area | ¥80,820 | ¥969,840 |
| For single person living in rural area | ¥62,640 | ¥751,680 |
| For couple living in urban area | ¥121,940 | ¥1,463,280 |
| For couple living in rural area | ¥94,500 | ¥1,134,000 |

Note: In the calculations in Chapter 7, benefit level for single person living in urban area is used.

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