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# COMPARATIVE WELFARE REGIMES: PUBLIC-PRIVATE MIX PENSIONS IN JAPAN AND MONGOLIA

by Batjargal Khishigsuren

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## INTRODUCTION

This paper consists of three main parts, namely (i) comparative welfare state regimes, (ii) the welfare state in Japan, and (iii) social welfare in Mongolia. The central purpose of the research here aims at exploring the Japanese-type welfare state and the Mongolian welfare regime from a comparative perspective. More specifically, I focus on Esping-Andersen's institutionalist approach which mainly argues that power relations, institutional legacies, political economy, and social policies are all intertwined to build up a certain type of welfare regime. He contends that examining only social programs and social expenditure can neither fully reveal fundamental differences of various welfare states nor explain social foundations of a particular welfare state.

There are two reasons for the comparative methodology adopted. First, it is an effective cognitive learning process, and second, it is an efficient research approach, having become increasingly popular in various fields in the last couple of decades. As an effective cognitive process, it is assumed that we only learn new information by comparing it with old or existing experiences and by distinguishing it from similar or different notions. Furthermore, in the last couple of decades comparative research approaches have prevailed in many fields of science. Particularly in the social sciences, multicultural and cross-national comparisons attract tremendous attention among scholars in various fields, especially with the development of an increasingly globalized world-society. Being the most commonly shared network, the capitalist market brings rival nations closer together and provides better access for new entrants, while promoting the universal values of equality and freedom among competitive and economic actors

in the world arena, including underdeveloped economies. In such a context, it is assumed that political economy plays a major role in balancing economic needs with social rights among citizens of all nation-states. Therefore, the welfare state and capitalism have apparently become two sides of the same coin and political scholars nowadays no longer tackle the question of the welfare state without considering its economic and social impact on a given society. While the economic performance and citizenship entitlements for any given country can be ranked and compared, an in-depth analysis of that country's state traditions and political culture may allow us to better understand how certain welfare states have managed to deal with socio-economic issues more or less successfully in the context of global competition.

In the new era of postindustrialism, the very topic of 'welfare states' appears to include greatly extended paradigms, and therefore contemporary political and institutional theorists see society as a complex regime of self-managing mechanisms levered by the synthesis of various formal and informal institutions, including politics and policy, macroeconomics and business, the labor market and management, unions and family, past and present, that all intertwine to shape one another not only on the national level, but also in the global arena. Thus, the overall coherence is subsequently seen as being intimately correlated with power relations among numerous actors.

While existing welfare state literature varies in terms of research areas, scope, conceptualization, methodological approach, time span, relevant actors, etc. both theoretical and practical concepts of the 'welfare state' are meant to cover extended components. To evaluate the performance of welfare states, earlier political economy theorists focused on public expenditure components, such

as income transfers, social services, pension, and insurance, in order to show the state's larger role in managing and organizing the economy (Esping-Andersen 1990, 2). In newer welfare state literature, broader views are taken to cover more macroscopic issues, such as employment, wages, production relations, and overall macro-economic steering as the integral components of a welfare-state complex, along with social rights accorded to individual persons depending on their social entitlement status.

The reason why I merely focus on Esping-Andersen's theory is that, since the publication of *The Three Worlds of Welfare Capitalism* in 1990, his conceptualization and classification of welfare regimes into liberal, conservative, and social democratic categories has struck a novel breakthrough in comparative welfare regime studies. On the façade, his typology is based on two dimensions, namely de-commodification and stratification, which analyzed and weighed a few core social programs, such as pension, sickness, and unemployment insurance. However, the insightful background examination of welfare regimes has also focused on the institutionalization process of key actors and the historical evolution of power relations. In particular, he has demonstrated the role labor movements have had in the formation of welfare states and their subsequent political legacy embedded in socio-economic policies of the welfare state.

His cross-national comparisons of advanced welfare states have shown three distinct welfare regimes which reflect their political traditions; liberal conceptions of a residual welfare state that should not intervene with 'free' markets by limiting work incentives and individual choices; paternalist conservative state traditions and Christian-democratic conceptions of a 'collective-bargaining;' and social-democratic conceptions of

universalist and redistributive welfare state. (Esping-Andersen, 1990) The liberal welfare state provides relatively low flat benefits to all citizens in order not to interfere with individual self-help and market incomes, so its de-commodification is low. Conservative welfare states have a medium level of de-commodification and they provide various occupational or social groups with extensive social transfer payments which are largely based on employment and contributions. Finally, social-democratic regimes provide universal social benefits and extend public services to all citizens which allows for the highest level of de-commodification from market forces.

Many critics argue that Esping-Andersen's typology is solely confined to western industrialized democracies, and therefore cannot accommodate for instance, Japan, which does not have a Euro-Christian tradition, and has not inherited the trappings of Christian democratic parties, the Church, or red-green class-coalitions that, according to Esping-Andersen, have played a determinant role in developing welfare states in the west. Nevertheless, I find substance in Esping-Andersen's theoretical concepts for two reasons. First, his typology dimensions are commonly found in any welfare regime, and second, historical evolution of power relations among key actors may well reveal institutional legacies crystallized either in politico-economic or social policies. I hope to identify the de-commodifying capacity and stratifying impact of Japanese social policies; in other words, social rights accorded to citizens of Japan. Furthermore, I intend to study welfare state evolution in Japan based on the history of politics among the state, capital (or market), and labor. In particular, I am interested in why the Japanese welfare state is evaluated in terms of the uniqueness of Confucianism, weak trade unions, small government, and management based on in

house labor unions.

I will also analyze and evaluate the Mongolian welfare regime, focusing on current social rights and the historical evolution of social welfare, in order to better understand the current situation and further trends in Mongolia. Adopting Esping-Andersen's theoretical model to the cases of Mongolia and Japan has led to a broad analysis covering a multitude of aspects involving welfare, state policy, and institutions.

The first chapter is an overview of welfare and welfare-state related theories, coupled with comparative welfare state arguments and Esping-Andersen's concepts, followed by a brief review of different welfare regimes; liberal, conservative, and social democratic. Chapter II focuses on the historical evolution of the Japanese-type welfare state based on labor movements. My exploration of labor mobilization in Japan goes beyond an analysis of the labor movements and their struggles, also considering their relationship to political economy, management practices, the living standard, social mobility, and so forth. The main concern of Chapter III is to identify the degree of de-commodification and stratification in Japan, yet it will also discuss a comparative typology basis that characterizes the distinctive characters of a Japanese-type welfare state. It concludes with a consideration of public-private mix pensions in Japan which are considered by Esping-Andersen to be an important domain expressing ideal-typical regime characteristics. The final chapter describes the Mongolian welfare state in the past and present, followed by a look at pension schemes which are undergoing transition.

The title of this thesis, 'Comparative Welfare Regimes' indicates the starting point of my research which aims to outline Japanese-and Mongolian-type welfare states. The subtitle, 'public-private mix pensions,' indicates my

destination. As a matter of fact, the pension system is the fundamental element of any welfare state that best demonstrates the overall dynamics and properties of a given welfare regime.

## CHAPTER I

### COMPARATIVE WELFARE STATE REGIMES

The main purpose of this chapter is to summarize some major conceptual arguments from extant literature concerning the comparative welfare state and social-welfare related theories, in order to reveal the key disciplinary areas, scope, relevant actors, and comparative research methodology approaches. In doing so, it hopes to explain the reason why the research presented here has come to concentrate exclusively on Esping-Andersen's typology concepts reflected in his *Three Worlds of Welfare Capitalism*. As mentioned in the Introduction, my overall intention aims at applying a 'working-class mobilization' thesis to the Japanese context, in order to see to what extent labor movements served as a driving force in forming the 'Japanese-type welfare state' during three historical periods of prewar, postwar, and postindustrial Japan. I have chosen these periods, since they reflect the evolutionary phases of capitalism, coupled with industrialization, nation-building, and democratization. In other words, I have chosen Esping-Andersen's concepts as a guide for exploring general welfare-related theories applied to Japanese historical experience.

This chapter will first build a theoretical framework that facilitates further arguments regarding the identification of key politico-economic actors and their interdependent relations. Then the question of institutionalization of actors and power relations will be tackled in Chapter II by looking at the history of labor movements in Japan, before going to subsequent empirical study

on the extent of de-commodification of social rights and social stratification in Japan in Chapter III.

The overall conceptual arguments regarding welfare states vary considerably depending on whether their main focus is confined to particular aspects of social welfare or welfare states in general. A number of political, economic, and other social theorists, as well as policy analysts have either academically or empirically analyzed the multifaceted complexities of a welfare state since WWII. Nevertheless, I will not try to include all such arguments tackling social welfare, welfare states, and welfare regimes, but instead focus on institutional approaches to political economy, labor politics, state roles in distribution and redistribution, regime clustering, as well as the convergence trends of welfare states.

This chapter includes three main parts under the following subheadings; (i) Comparative welfare states vs. other welfare theories, (ii) Esping-Andersen's typology vs. other comparative theories, and (iii) Review of different welfare regimes. After summing up selected conceptual arguments important to my discussion, the fundamental factors related to Esping-Andersen's typology – de-commodifying capacity, stratification impact of social policy, and public-private mix pensions – will be introduced along with other comparative typologies. Finally, a review of different welfare-state regime clusters will be presented in respect to liberal, corporatist, and social-democratic trajectories that are identified and categorized by Esping-Andersen in *The Three Worlds of Welfare Capitalism*.

### 1. 1. COMPARATIVE WELFARE STATES VS. OTHER WELFARE THEORIES

To begin with, let us clarify the major principal concepts of 'welfare,' 'social welfare,' 'welfare regime,' and 'welfare state.' In the broadest

sense, 'welfare' refers to happiness, prosperity, and the well-being of individuals, and is not limited to just physical survival, but to some degree of health and contentment that people hope to enjoy in their life. The historical origins of welfare theory or the notion which argues a principled justification either for or against state involvement in the delivery of 'good' originated in the 'Scottish Enlightenment,' based on utilitarian economics of notably David Hume and Adam Smith.<sup>1</sup> Later, the term 'welfare state' was frequently used to describe the broader social responsibilities of government in either theoretical literature or policy papers during the 20<sup>th</sup> century.

Heywood (1994, 1999) suggests that the term 'welfare state' is used at least in two contrasting senses. The broad meaning of 'a welfare state' indicates the provision of welfare as a prominent function of the state in the 20<sup>th</sup> century, in contrast to the minimal or 'nightwatchman' states of the 19<sup>th</sup> century whose domestic functions were largely confined to the maintenance of domestic order. Similarly, in this sense, William Temple, the Archbishop of York, first used the term in 1941 to distinguish Western 'welfare states' which were committed to the promotion of social well-being, from 'power states' of Nazi Germany and Stalinist Russia. The other meaning, most commonly used in the form of '*the* welfare state,' is used to 'describe a package of policies, and more specifically, the institutions through which the goal of welfare is delivered.' Thus, institutions such as the social security system, health services, and public education are often referred to collectively as 'the welfare state.'<sup>2</sup> While the term 'welfare state' denotes the state's responsibility for the administration of social welfare programs through its institutional infrastructure, the 'welfare regime,' or sometimes 'welfare state regime' accommodates a broader meaning, including the

production system and industrial relations, coupled with labor market related policies run by the state, in addition to social policy.

As democratic values, such as 'equality, liberty and freedom,' have prevailed within political parties throughout the political spectrum, the welfare state has increasingly become linked to the idea of 'equality,' in that it aims to secure a basic level of equal well-being for all citizens. In the 20<sup>th</sup> century, welfare issues became a subject of 'equality' and 'social justice' debates, yet any welfare-state related theoretical or conceptual argument was often challenged by a multitude of philosophical viewpoints, connecting redistribution policy to politically acceptable moral values. The question of how wealth should be 'justly' shared among all citizens in the realm of 'social justice' and 'equality' has thus been a utopian concern. Consequently, throughout the historical evolution of a welfare state, 'social welfare' has been achieved through packages of social policies and programs provided by the government and aimed at promoting the social well-being of its citizens.

Social justice itself appears as an egalitarian concept used to justify or challenge redistribution of benefits and rewards within a society, especially in the wake of an intensified democratization process. According to the rule of democracy, 'the majority rules,' justice should be accepted by the majority and available to as many as possible, therefore social welfare is itself seen as a form of collective action. Similarly, the state commitment to social welfare is inevitably presumed to be a collective means for the promotion of individual ends through maximizing the efficiency of overall social welfare. Conversely, the notion of 'equality' is also often linked to 'equalization of welfare, resources and access to opportunities' for different social groups, including women, the elderly, ethnic minorities, and the disabled. However, since we all

must accept the diversity of human capabilities and natural talents, why do we argue about the 'equality' and 'justice' of sharing wealth which is created by another's labor and talent? Only for this purpose, does the state serve as a fair divider of wealth among people? Why should the government have the right to do so? In this respect, the state role is often challenged by rightist libertarians and justified by leftist social-democrats.

Among theories defining a modern state, Dunleavy maintains that the state must, 'make strong ideological/ethical claims to be advancing the common interests or general will of members of the society.'<sup>3</sup> Not only does the state take on a paternalist responsibility for welfare, but members of a given society should also share a mutual welfare commitment. This is certainly rooted in earlier conservative, community-based welfare benevolence and altruism. In this regard, we may recall Rawls's famous phrase: 'Society is a collective venture for mutual advantage,' precisely because it implies that social and individual welfare shall be achieved through interactions between the state and society.

Be it liberal, social democratic, or corporatist regimes – Esping-Andersen's classification of modern welfare states found in advanced industrialized societies – no scholars ever claim that the state is the main 'welfare provider.' Rather the question should be to what extent the state should be responsible for providing welfare in an efficient and balanced manner and in a way that is also regarded as just and legitimate by the whole of society. Although there are many controversies in regard to welfare-related functions of the state, they can in most cases be divided into two distinct social policy camps, interventionist and non-interventionist. Inarguably, the bulk of wealth and income is distributed through the market

where general well-being is more likely to be pursued by people themselves through their individual self-interests and aptitudes. Thus, 'welfare policy, as normally understood, is supposed to remedy the failures of the market.'<sup>4</sup> It aims at providing temporary income or compensation to people who have, for whatever reason, failed to secure an adequate income flow from ordinary market dealings. But in reality, the degree of government intervention varies from country to country, and from one regime to another.

According to *laissez-faire* liberal thinkers, particularly Adam Smith, general well-being should be pursued by utility-maximizing individuals through their active participation in self-regulated and un-coerced market transfers. In contrast to liberalists, socialist-leaning thinkers who advocate greater state function in the redistribution process think that welfare cannot be left to the hostile and unpredictable forces of the market, and instead must necessarily be controlled by the state to a certain degree. Traditional conservatives support the hierarchical differences in welfare accessibility and lay heavy emphasis upon the social duty and altruism of employer and family, rather than either individuals or the state.

Power theorists, including Esping-Andersen, claim that the driving forces of welfare-state evolution should be sought organically within the power structure. As Japan does not share a Euro-Christian tradition upon which Esping-Andersen established his overall conceptions, elements such as industrialization, labor movements, Christian-democracy and so forth, appear to be hardly applicable to what some have called 'oriental' and 'late-developer' Japan. Esping-Andersen claims that 'welfare states were founded in opposition to both labor and socialism.' Furthermore, he says that an 'identifiable relationship between working-class interest and demands at the parliamentary

level' are prerequisites for a social democracy. While Esping-Andersen's arguments are primarily based upon Scandinavian welfare states, I hope to demonstrate the applicability of his arguments to a Japanese context by reviewing the history of labor movements in Japan. Esping-Andersen himself acknowledges that working class mobilization theory applies more to the social democratization of welfare states in Scandinavian nations where radical labor fronts happened to unite under a 'red-green' coalition at the parliamentary level and managed to voice a cross-class solidarity. However, the case of Japan is quite different since it has historically demonstrated relatively weak working class mobilization. In contrast to labor mobilization arguments, what will explain the reason of weak working class mobilization in liberal and conservative regimes? He often says that there is no single decisive factor in determining welfare state evolution, and we might ask what other factors could have contributed to the success of labor movements in Japan.

Eric S. Einhorn and John Logue, in *Modern Welfare States*, suggest prerequisite conditions that allowed labor movements to play a considerable role in the formation of Scandinavian welfare states. They claim that these countries have in common small populations, homogenously Lutheran societies, common historical paths, and similar geographical terrains, isolated by sea from mainland Europe where labor movements were more revolutionary and threatening.<sup>5</sup> These factors have seemingly created favorable conditions to achieve a social solidarity and have paved the way, ideologically speaking, for 'welfare state' development. Inspired by such arguments, I wish to look deeper into other socioeconomic aspects, such as demographic structure, modes of production, geo-political settings, and other key actors who might have played a certain role. For instance, the enormous

land and huge inflow of immigrant workers might have contributed to shape the overall distribution and redistribution system in North America.

In his following arguments concerning 'social transfers versus political economy,' Esping-Andersen critiques earlier comparative welfare theorists on the grounds that they too narrowly focus their analysis on social transfers when evaluating welfare states. He emphasizes the need to recognize the basic nature of the given regime as a whole. Furthermore he argues that the existence of social programs and the amount of money spent cannot fully characterize a given welfare state, but paradoxically enough, he also cannot escape from analyzing some major social programs such as pension and benefits for sickness and unemployment when he evaluates the so-called de-commodifying capacity and stratification impacts of social policies.

In support of Esping-Andersen's classification of Three Worlds, Goodin, et al. emphasized in their *Real Worlds of Welfare Capitalism* that 'high-minded moral values' and social grounds on which each welfare state is founded differ considerably. They highlighted the following moral values that welfare states have supposedly traditionally served. They include:

- promoting economic efficiency
- reducing poverty
- promoting social equality
- promoting social integration and avoiding social exclusion
- promoting social stability
- promoting autonomy<sup>6</sup>

They argue that moral norms matter, socially and politically, only insofar as people can actually be motivated to act upon them within a given society.

Some other comparative welfare theorists, unlike Esping-Andersen, instead compare welfare states in regards to their points of convergence, rather than their variations. Since industrialization and corporate governance, equality and democracy, prosperity and economic growth, nation-building and government consolidation, urbanization and modernization, as well as globalization, have all coincided hand-in-hand over the last century, political and other social scholars have come to address the development of capitalist economies as 'welfare states' based on the revolutionary achievements of social rights enjoyed by a majority of citizens. Despite the fact that the timing and magnitude of all these processes vary from country to country, welfare states share profoundly similar patterns and programs, no matter whether one looks at the United States, Belgium, Japan, Estonia, Brazil, or India.

P. Spicker argues in *The Welfare State* that the welfare state is placed in social relationships and mutual responsibilities, i.e. within specifically social contexts. His main concepts are expressed by the following arguments: (i) people live in society, and have (moral) obligations to each other; (ii) welfare is obtained and maintained through social action; and (iii) the welfare state is a means of promoting and maintaining welfare in society. Basically, social relationships are patterned and structured through social networks. People and communities have obligations to help each other through a common moral bond. To maintain the social order in a society as a whole, social protections are necessary in order to secure an individual's welfare, while economic and social rights are justly redistributed. Spicker emphasizes that social contexts along with processes of nation-building and democratization, have bound together social actors whose actions are commonly, but legitimately (in a morally acceptable and rational manner) structured.

Consequently a welfare state, as a form or a tool of collective action, provides a framework for political action to serve the interests of its citizens based on the commonly-accepted moral values of society.<sup>7</sup>

In contrast to Spicker, Wilensky has more empirically found patterns of convergence in health and social welfare programs, and to some degree in their financing mechanisms. His research reveals that most of the OECD countries have developed the same seven or eight programs, such as pensions, family allowances, health, work injury, education, and public assistance programs. In addition, he points out that, as expenditures for these programs expand, so do the taxes necessary to support them because of demographic and bureaucratic outcomes. Furthermore, Wilensky has argued in *Rich Democracies* (2002) that a convergence in social welfare programs also leads to a convergence in the politics of welfare states due to increasing phenomena such as, 'increased family break-up and gender equality, the push for equality among minority groups, the rise of mass higher education, the increasing number of intellectuals and experts, changes in social stratification, mobility, and the organization of work', commonly found in most developed countries.<sup>8</sup>

The role of the state in the redistribution process is widely debated on the basis of political, economic, and sociological principles. Some theorists contend that many theories of 'just distribution' concentrate overly on redistribution, rather than on production systems or a combination of both, despite the fact that 'social capital' created by the production system must be justly redistributed through redistribution mechanisms and social policy. Therefore, I wish to reiterate an institutionalist viewpoint that government plays roles on two levels through *redistribution* schemes

and *production* systems. Hollingsworth and Boyer in *Contemporary Capitalism* suggest a definition for social systems of production, as follows:

A social system of production refers to the following institutions or structures of a country or a region integrated into a social configuration: the industrial relationships system; the system of training workers and managers; the internal structure of corporate firms; the structured relationships among firms in the same industry on the one hand, and on the other firms' relationships with their suppliers and customers; the financial markets of a society; the conceptions of fairness and justice held by capital and labor; the structure of the state and its policies; and a society's idiosyncratic customs and traditions as well as norms, moral principles, rules, laws, and recipes for action.<sup>9</sup>

Presumably the state holds an indisputably decisive coordinating (or rather hegemonic and intervening) role within a market economy and enforces rules and regulations through various mechanisms, such as sanctions, priority- and agenda-setting, research and development planning, infrastructure and human resource development, protecting property and human rights, fiscal and monetary manipulation, environmental policy, public funding, service and tariff standardization. Even though liberal economists like Adam Smith have insisted on the 'invisible hand' of market self-regulation over direct state intervention, Keynesian economists acknowledge potential irreversible failures of the market from historical experiences such as the Great Depression, oil shocks, and even the recent hurricane Katrina which would have led to mass unemployment and poverty without government intervention and concern for overall macroeconomic equilibrium.

Not only does the state appear to regulate market mechanisms through pure fiscal and economic policy, but also these policy packages profoundly affect individual well-being directly and indirectly (separately from social transfers). Therefore, Esping-Andersen claims that employment policy, shaped by either the government or the market, is another important dimension of welfare states. For instance, during the postwar 'golden age of capitalism', the early retirement age by which the market was cleared of less desirable labor forces such as the elderly was a decisive factor for full employment. In contrast, when the economy started to stagnate following the two oil shocks, many of the OECD countries lifted the retirement and pension ages in order to allow the elderly labor force be more market-reliant and less dependent on state welfare. With elderly people overcrowding the labor market and the youth unemployment ascending noticeably, the response of the government is questionable.

## 1. 2. ESPING-ANDERSEN'S TYPOLOGY VERSUS OTHER COMPARATIVE THEORIES

Ever since it was published in 1990, Esping-Andersen's *The Three Worlds of Welfare States* has struck a big breakthrough in comparative welfare state scholarship and serves as a departure point for welfare-state related discussions. Nowadays many comparativists frequently use his nomenclature of 'liberal', 'corporatist', and 'social-democratic' welfare states as a standard benchmark in examining various welfare state regimes. Esping-Andersen claims that employing a comparative approach facilitates an analysis of driving factors behind the evolution of welfare regimes so as to show that welfare states are not all of one type. Indeed, Esping-Andersen identifies three highly distinct regime types, each organized around its own discrete logic of organizational

behavior, stratification, and societal integration. Their origins are rooted in different historical forces and they follow qualitatively different developmental trajectories.

The overall comparative institutional approaches, which Esping-Andersen encompassed in terms of de-commodification, stratification, and public-private mix pensions, have ultimately revealed essential characteristics used to unite or divide modern advanced welfare states into certain categories. Nevertheless, whether formulated in terms of the logic of capitalism, industrialism, modernization, or nation-building, nearly all of these phenomena have led to more or less similar and convergent evolutionary paths. These developmental factors have certainly played a decisive role in welfare regime evolution, but none can fully explain the variations of regime-specific characters. Key dimensions of a welfare state, such as de-commodification, stratification, and public-private mix pensions, are separately analyzed in each ideal-typical welfare regime so that the social citizenship or social rights of workers may well be identified accordingly.

According to Esping-Andersen, the main differences reflect three ideal-typical political traditions in the following manner: (i) liberal conceptions of a residual welfare state that should not intervene into 'free' markets by limiting work incentives and individual choice; (ii) paternalist Conservative state traditions and Christian-democratic conceptions of 'subsidiarity' which entitle welfare access through corporate employment attachment; and finally, (iii) social-democratic conceptions of a universalist and redistributive welfare state which advocates equal access to social welfare for all its citizens.

Under the banner of de-commodification, Esping-Andersen evaluated major social programs, such as old-age pensions, sickness benefits, and

unemployment insurance, to compare the decommodifying capacity of each welfare state among the selected 18 OECD-member countries. This is also in order to reveal the degree of labor commodification, i.e. the extent to which a person can maintain a livelihood independently of market forces. Esping-Andersen's de-commodification scores are based on criteria, such as replacement ratios and eligibility conditions for pensions, sickness benefits and unemployment benefits, and with this criteria the Scandinavian welfare states appear to have the highest degree of decommodification, Anglo-Saxon the lowest, and Continental Europe a moderate level in-between.

The second dimension for Esping-Andersen's typology, social stratification, suggests another principal question for evaluating existing social programs that may reveal whether welfare states reduce, sustain, or even nurture social stratification in a given society. Esping-Andersen states that, 'whether classes exist [in postindustrial societies] is an open question, not a forgone conclusion.'<sup>10</sup> Empirical evidence from both political scientists and sociologists suggests that the class structure of modern society has become increasingly complex and varies from system to system and from time to time. For instance, social stratification refers to many social divisions besides property ownership and includes, privileged occupational groups like civil servants, 'blue collar' or manual workers, a 'white collar' middle class composed of non-manual, clerical, and professional workers, an 'underclass' of disadvantaged and deprived individuals, racial, religious, and ethnic minority groups, gender divisions, urban and agrarian populations, and elderly and youths.

In the 20<sup>th</sup> century, concepts of social citizenship, bound to 'social justice' and 'equality', strongly affected the egalitarian principles of social welfare and an ability to equalize redistribution

accessibility. While most social justice theories are egalitarian and socialistic, some conservative, communitarian, and liberal thinkers hold different viewpoints about where and how 'justice' and 'equality' should be applied based on issues of unity, order, hierarchy, and natural differences. Some arguments confine the equalizing capacity of social welfare to only poverty alleviation, but others extend it to universal access. While examining different welfare regime stratification structures through occupationally distinct pension schemes, means-tested benefits, private-sector share of pension and health care spending, and universalism and equality of sickness, unemployment, and pension benefits, Esping-Andersen concluded that:

1. In conservative regimes, the social insurance reflects clear variations of occupational status and a large gap between top and bottom benefits. Etatism can be recognized by specific social entitlements provided exclusively to civil servants.
2. Means-tested, residual benefits and voluntary, private-sector welfare provision are regarded as common features found in liberal regimes.
3. Socialist ideals advocate egalitarian universalist social access with more or less equalized benefits.<sup>11</sup>

In spite of regime diversity in regards to stratification, we tend to find a vast array of middle class dominance in all mature democracies, yet their welfare systems depend on different mechanisms. Depending on the institutionalization of power relations among key actors, the middle classes became institutionally 'wedded' to the market in liberal regimes. Hierarchical and status-distinctive social insurance in the corporatist regimes cemented middle class loyalty to a peculiar type of welfare state. In Scandinavia, the success of

social democracy is closely related to the establishment of a publicly-employed middle class. In sum, the backbone of the welfare state is, by and large, the middle class.

'Neither state nor market was predestined as a locus of welfare provision', Esping-Andersen claims, 'Both social rights and social stratification are shaped by the nexus of state and market in the distribution system.'<sup>12</sup> In all postindustrial countries, there are common features of a private and public mix welfare provision that explain the most important structural properties of welfare states and the way they interdependently complement one another. As expected, Esping-Andersen's analysis of private-public mix welfare provisions re-affirms the distinct welfare roles of key actors in different welfare regimes. For instance, Scandinavian-type welfare provisions are based on more state-run institutional arrangements, whereas the UK and US rely more on multi-pillar occupational private pensions with less significance placed on public-run means-tested pensions normally confined to the least advantaged. Continental welfare states primarily concentrate on community-based welfare provisions through employment and family, and the state is the last resort for welfare provision.

In order to complement his typology shortfalls, we shall now sum up a few of the major comparative typology matrices which followed after Esping-Andersen's *Three Worlds*. By doing so, it is hoped that we may deepen our insights regarding to other dimensions of welfare regimes, such as power theories versus corporatism, additional Mediterranean or Antopodean welfare states, breadwinner models versus gender equality, pension models, poverty policy, and so forth.

First of all, the pros and cons of Esping-Andersen's 'power theory' and 'working-class mobilization thesis' have been argued and quoted

in much of the recent comparative welfare research literature. Indeed, he has successfully provoked further comparative research and policy analysis that attempts to explain welfare state evolution and the current situations in postindustrial democracies, by examining cross-national, cross-sectional, and cross-temporal comparative perspectives. The main success of Esping-Andersen is often downplayed by critiques that he has simply elaborated, rather than invented a threefold nomenclature. Some have argued that he was immediately inspired by previous comparisons of production systems made by political economists and sociologists, such as Titmuss, Marshall, Furniss, and Tilton, who had all already revealed the explicit key elements of social policy pegged to national political economy. For instance, these critics claim that what Esping-Andersen calls 'liberal welfare regime' was essentially the same as Titmuss's (1974) 'residual welfare model of social policy' and Furniss and Tilton's (1977) 'positive state;' and Esping-Andersen's 'social democratic welfare regime' is essentially identical to Titmuss's 'institutional redistributive model' and Furniss and Tilton's 'social welfare state.' Esping-Andersen's 'corporatist welfare state' is broadly the same as Titmuss's 'industrial achievement-performance model' and Furniss and Tilton's 'social security states.'<sup>13</sup> Nevertheless, Esping-Andersen shed light on the concept of 'regime-wholeness' which stresses the complexities of political economy, social policy, and individual welfare provision involved in the formation of a given welfare state. This understanding of 'regime wholeness' attempts to highlight not only social rights of citizens in the given welfare regime, but also distinct roles of key actors that state, market, and family play in welfare provision.

While focusing on a cross-class mobilization

thesis or the idea that labor movements serve as a driving factor behind welfare state evolution, Esping-Andersen did not discuss the link between two 'rival' theories of labor mobilization and corporatism. However, both are inseparably important to explain institutionalization processes along welfare state formation in any country, as Kemeny contends.<sup>14</sup> According to Kemeny, corporatism theory is a strong competitor for the labor movement thesis in explaining the Swedish welfare state, because Scandinavian countries are often recognized as possessing one of the strongest corporatist structures in the world. The main difference between corporatism and labor movement theories is that the former is used to analyze the policy-making process and distribution of power, whereas the latter is specifically confined to labor radicalism. Therefore, a theory of working class mobilization separate from corporatist theory, cannot convincingly explain Scandinavian welfare states. For Kemeny, corporatism is not simply a deadlocked power structure in which capital and labor are equal. Neither is it the case that one holds the other in permanent check. Nevertheless, in some countries and in some historical moments a certain corporatist partner will become stronger than the other, be it labor-led or capital-led. In the case of Scandinavia, Kemeny assumes that labor-led corporatism was sustained during the crucial decades when welfare state formation was in progress.

Another group of critics claims that Esping-Andersen's *Three Worlds* classification is insufficient to accommodate the diversity of welfare states and thus, several comparative welfare topologists suggest more than three types of welfare capitalism. For example, based on their social insurance and poverty policies, Leibfried (1992) elaborated four welfare regimes among western European countries, namely Scandinavian welfare

states, 'Bismarckian' countries, Anglo-Saxon countries, and Latin Rim countries. He added a fourth category of Latin Rim countries which include Spain, Portugal, Greece, Italy, and France to Esping-Andersen's three worlds. These so-called Latin Rim countries lack an articulated social minimum and a right to welfare, while the rest of his welfare regimes are seen as being more or less similar to Esping-Andersen's classification.

Ferrera (1996) utilized different dimensions of welfare regimes, such as eligibility rules for social access, conditions for social benefits, social protection financing mechanisms, and administrative arrangements for social security schemes in mapping his typology. He further accentuated distinctions with Leibfried's typology by pointing to a 'Southern model' in addition to the Scandinavian, Anglo-Saxon, and Bismarckian countries. According to Ferrera, Scandinavian countries are characterized by universal coverage for the risks of life, while Anglo-Saxon states are distinguished by highly inclusive social security coverage and an important role for means-testing and flat-rate benefits. Bismarckian countries ensure a relationship between social security entitlements and a person's labor market status and role within the family, while contributions play an important role in financing the various schemes. Finally, Southern countries do not have an articulated minimum of social protection and the state does not play a significant role in the welfare sphere.<sup>15</sup>

Bonoli (1997) criticized the de-commodification approach as not being able to appropriately differentiate between Bismarckian and Beveridgean approaches to social policy. The basics of his typology focus on Bismarckian and Beveridgean styles of social policy, by analyzing social expenditure as a proportion of GDP and the percentage of social expenditure financed through contributions. His findings reveal four types of

countries: British countries, Continental European countries, Nordic countries, and Southern countries. In Bismarkian regimes, pensions are determined by the earnings history of the recipient, while Beveridgean pensions are calculated on a 'fixed rate' basis.<sup>16</sup> For instance, Italy, France, and Germany have very high replacement rates at all income levels, whereas the UK and Dutch systems provide lower replacement rates for higher earners than for lower earners. In addition to this dualistic typology, Bonoli and Shinkawa (2005) suggest one more category named 'Bismarkian Lite' which is meant to describe borderline cases such as Japan.<sup>17</sup>

While some point to Mediterranean welfare regimes, other comparative authors claim that Antipodean countries (i.e. Australia and New Zealand) represent a separate prototype distinct from liberal regimes. Castles (1998) argues that Australia and New Zealand have a more inclusive social protection system which cannot be characterized as a standard liberal form. As thresholds are set at comparatively high levels and a large part of the population paradoxically receives some means-tested benefits, the Antipodes cannot be described as either a liberal or a social-democratic sub-category. In this respect, Castles and Mitchell (1993) developed an alternative fourfold typology of welfare states, namely Liberal, Conservative, Non-Right Hegemony, and Radical in their evaluation of welfare expenditure levels (i.e. household transfers as a percentage of GDP), average benefit equality, and income and profit taxes as a percentage of GDP. Furthermore, Korpi and Palme (1998) have similarly specified the distinct characteristics of the Antipodean countries and described five different ideal-types of institutional structure: (i) the targeted (empirically exemplified by the Australian case), (ii) voluntary state subsidized, (iii) corporatist, (iv) basic security, and (v) an encompassing model. Basically, Esping-

Andersen's model is still part of the newer typologies, but his subcategories of Mediterranean and Antipodean have been elevated to prototype classification.

While Esping-Andersen himself admits that the welfare state was, in fact, formulated upon male-breadwinner conceptions, he barely discusses gender in examining de-commodification and stratification. Comprising one half of the entire population, of the family, and of the labor force, women's status has certainly changed, or 'revolutionized', as he puts it. However, his comparative analysis that lacks a consideration of gender, understandably disappoints feminist authors who criticize him for being negligent of ignoring, 'one of the primary aspects of welfare provision'. Paradoxically, the main voice examining welfare state evolution often exaggerates the elevated status of women as having rocketed from an unpaid welfare-provider in the family, isolated from mainstream social life, to becoming a rival careerist within the labor force with privileged social entitlements. For Esping-Andersen, by abandoning their traditional role of welfare-provider and procreator the emancipated ambition of women is further threatening to the family structure, the labor market, and overall welfare state maintenance in general. Conversely, I assume that the decreasing birth rates are not because of women's emancipation, but rather caused by rational choice and a protective reaction on their part to avoid social risks that have not been adequately settled by social policy. Another reason that can explain this phenomenon is a labor market overcrowded with the elderly that in turn, causes young generations to be reluctant about shouldering family responsibilities due to income and employment insecurity, and so opt for late marriage and child-less families as a counter-reaction to social risks.

TABLE 1. An overview of typologies of welfare states (Arts & Gelissen, 2002)

	<i>Types of welfare states and their characteristics</i>	<i>Indicators/dimensions</i>
Esping-Andersen (1990)	<ol style="list-style-type: none"> <li>1. <i>Liberal</i>: Low level of decommodification; market-differentiation of welfare</li> <li>2. <i>Conservative</i>: Moderate level of decommodification; social benefits mainly dependent on former contributions and status</li> <li>3. <i>Social-democratic</i>: High level of decommodification; universal benefits and high degree of benefit equality</li> </ol>	<ul style="list-style-type: none"> <li>• Decommodification</li> <li>• Stratification</li> </ul>
Leibfried (1992)	<ol style="list-style-type: none"> <li>1. <i>Anglo-Saxon (Residual)</i>: Right to income transfers; welfare state as compensator of last resort and tight enforcer of work in the market place</li> <li>2. <i>Bismarck (Institutional)</i>: Right to social security; welfare state as compensator of first resort and employer of last resort</li> <li>3. <i>Scandinavian (Modern)</i>: Right to work for everyone; universalism; welfare state as employer of first resort and compensator of last resort</li> <li>4. <i>Latin Rim (Rudimentary)</i>: Right to work and welfare proclaimed; welfare state as a semi-institutionalized promise</li> </ol>	<ul style="list-style-type: none"> <li>• Poverty, social insurance and poverty policy</li> </ul>
Castles & Mitchell (1993)	<ol style="list-style-type: none"> <li>1. <i>Liberal</i>: Low social spending and no adoption of equalizing instruments in social policy</li> <li>2. <i>Conservative</i>: High social expenditures, but little adoption of equalizing instruments in social policy</li> <li>3. <i>Non-Right Hegemony</i>: High social expenditure and use of highly equalizing instruments in social policy</li> <li>4. <i>Radical</i>: Achievement of equality in pre-tax, pre-transfer income (adoption of equalizing instruments in social policy), but little social spending</li> </ol>	<ul style="list-style-type: none"> <li>• Welfare expenditure</li> <li>• Benefit equality</li> <li>• Taxes</li> </ul>
Siaroff (1994)	<ol style="list-style-type: none"> <li>1. <i>Protestant Liberal</i>: Minimal family welfare, yet relatively egalitarian gender situation in the labour market; family benefits are paid to the mother, but are rather inadequate</li> <li>2. <i>Advanced Christian-democratic</i>: No strong incentives for women to work, but strong incentives to stay at home</li> <li>3. <i>Protestant Social-democratic</i>: True work-welfare choice for women; family benefits are high and always paid to the mother; importance of Protestantism</li> <li>4. <i>Late Female Mobilization</i>: Absence of Protestantism; family benefits are usually paid to the father; universal female suffrage is relatively new</li> </ol>	<ul style="list-style-type: none"> <li>• Family welfare orientation</li> <li>• Female work desirability</li> <li>• Extent of family benefits being paid to women</li> </ul>
Ferrera (1996)	<ol style="list-style-type: none"> <li>1. <i>Anglo-Saxon</i>: Fairly high welfare state cover; social assistance with a means test; mixed system of financing; highly integrated organizational framework entirely managed by a public administration</li> </ol>	<ul style="list-style-type: none"> <li>• Rules of access (eligibility)</li> </ul>
<i>continued over</i>		
	<i>Types of welfare states and their characteristics</i>	<i>Indicators/dimensions</i>
	<ol style="list-style-type: none"> <li>2. <i>Bismarck</i>: strong link between work position (and/or family state) and social entitlements; benefits proportional to income; financing through contributions; reasonably substantial social assistance benefits; insurance schemes mainly governed by unions and employer organizations</li> <li>3. <i>Scandinavian</i>: social protection as a citizenship right; universal coverage; relatively generous fixed benefits for various social risks; financing mainly through fiscal revenues; strong organizational integration</li> <li>4. <i>Southern</i>: fragmented system of income guarantees linked to work position; generous benefits without articulated net of minimum social protection; health care as a right of citizenship; particularism in payments of cash benefits and financing; financing through contributions and fiscal revenues</li> </ol>	<ul style="list-style-type: none"> <li>• Benefit formulae</li> <li>• Financing regulations</li> <li>• Organizational-managerial arrangements</li> </ul>
Bonoli (1997)	<ol style="list-style-type: none"> <li>1. <i>British</i>: Low percentage of social expenditure financed through contributions (Beveridge); low social expenditure as a percentage of GDP</li> <li>2. <i>Continental</i>: High percentage of social expenditure financed through contributions (Bismarck); high social expenditure as a percentage of GDP</li> <li>3. <i>Nordic</i>: Low percentage of social expenditure financed through contributions (Beveridge); high social expenditure as a percentage of GDP</li> <li>4. <i>Southern</i>: High percentage of social expenditure financed through contributions (Bismarck); low social expenditure as a percentage of GDP</li> </ol>	<ul style="list-style-type: none"> <li>• Bismarck and Beveridge model</li> <li>• Quantity of welfare state expenditure</li> </ul>
Korpi & Palme (1998)	<ol style="list-style-type: none"> <li>1. <i>Basic Security</i>: Entitlements based on citizenship or contributions; application of the flat-rate benefit principle</li> <li>2. <i>Corporatist</i>: Entitlements based on occupational category and labour force participation; use of the earnings-related benefit principle</li> <li>3. <i>Encompassing</i>: Entitlement based on citizenship and labour force participation; use of the flat-rate and earnings-related benefit principle</li> <li>4. <i>Targeted</i>: Eligibility based on proved need; use of the minimum benefit principle</li> <li>5. <i>Voluntary State Subsidized</i>: Eligibility based on membership or contributions; application of the flat-rate or earnings-related principle</li> </ol>	<ul style="list-style-type: none"> <li>• Bases of entitlement</li> <li>• Benefit principle</li> <li>• Governance of social insurance programme</li> </ul>

TABLE 2. Classification of countries within seven typologies (Arts & Gelissen, 2002)

	<i>Type</i>				
	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>
<b>Esping-Andersen (Decommodification)</b>	<i>Liberal</i>	<i>Conservative</i>	<i>Social-democratic</i>		
	<ul style="list-style-type: none"> <li>• Australia</li> <li>• Canada</li> <li>• <u>United States</u></li> <li>• New Zealand</li> <li>• Ireland</li> <li>• United Kingdom</li> </ul>	<ul style="list-style-type: none"> <li>• Italy</li> <li>• Japan</li> <li>• France</li> <li>• <u>Germany</u></li> <li>• Finland</li> <li>• Switzerland</li> </ul>	<ul style="list-style-type: none"> <li>• Austria</li> <li>• Belgium</li> <li>• Netherlands</li> <li>• Denmark</li> <li>• <u>Norway</u></li> <li>• Sweden</li> </ul>		
<b>Leibfried</b>	<i>Anglo-Saxon</i>	<i>Bismarck</i>	<i>Scandinavian</i>	<i>Latin Rim</i>	
	<ul style="list-style-type: none"> <li>• <u>United States</u></li> <li>• Australia</li> <li>• New Zealand</li> <li>• United Kingdom</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Germany</u></li> <li>• Austria</li> </ul>	<ul style="list-style-type: none"> <li>• Sweden</li> <li>• Norway</li> <li>• Finland</li> <li>• Denmark</li> </ul>	<ul style="list-style-type: none"> <li>• Spain</li> <li>• Portugal</li> <li>• Greece</li> <li>• Italy</li> <li>• France</li> </ul>	
<b>Castles &amp; Mitchell</b>	<i>Liberal</i>	<i>Conservative</i>	<i>Non-Right Hegemony</i>		<i>Radical</i>
	<ul style="list-style-type: none"> <li>• Ireland</li> <li>• Japan</li> <li>• Switzerland</li> <li>• <u>United States</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>West-Germany</u></li> <li>• Italy</li> <li>• Netherlands</li> </ul>	<ul style="list-style-type: none"> <li>• Belgium</li> <li>• Denmark</li> <li>• Norway</li> <li>• Sweden</li> </ul>		<ul style="list-style-type: none"> <li>• Australia</li> <li>• New Zealand</li> <li>• United Kingdom</li> </ul>
<b>Siaroff</b>	<i>Protestant Liberal</i>	<i>Advanced Christian-democratic</i>	<i>Protestant Social-democratic</i>	<i>Late Female Mobilization</i>	
	<ul style="list-style-type: none"> <li>• Australia</li> <li>• Canada</li> <li>• New Zealand</li> <li>• United Kingdom</li> <li>• <u>United States</u></li> </ul>	<ul style="list-style-type: none"> <li>• Austria</li> <li>• Belgium</li> <li>• France</li> <li>• <u>West-Germany</u></li> <li>• Luxembourg</li> <li>• Netherlands</li> </ul>	<ul style="list-style-type: none"> <li>• Denmark</li> <li>• Finland</li> <li>• <u>Norway</u></li> <li>• Sweden</li> </ul>	<ul style="list-style-type: none"> <li>• Greece</li> <li>• Ireland</li> <li>• Italy</li> <li>• Japan</li> <li>• Portugal</li> <li>• Spain</li> <li>• Switzerland</li> </ul>	
<b>Fettera (Europe only)</b>	<i>Anglo-Saxon</i>	<i>Bismarckian</i>	<i>Scandinavian</i>	<i>Southern</i>	
	<ul style="list-style-type: none"> <li>• United Kingdom</li> <li>• Ireland</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Germany</u></li> <li>• France</li> <li>• Belgium</li> <li>• Netherlands</li> <li>• Luxembourg</li> <li>• Austria</li> <li>• Switzerland</li> </ul>	<ul style="list-style-type: none"> <li>• Sweden</li> <li>• Denmark</li> <li>• Norway</li> <li>• Finland</li> </ul>	<ul style="list-style-type: none"> <li>• Italy</li> <li>• Spain</li> <li>• Portugal</li> <li>• Greece</li> </ul>	
<i>continued over</i>					
	<i>Type</i>				
	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>
<b>Bonoli (Europe only)</b>	<i>British</i>	<i>Continental</i>	<i>Nordic</i>	<i>Southern</i>	
	<ul style="list-style-type: none"> <li>• United Kingdom</li> <li>• Ireland</li> </ul>	<ul style="list-style-type: none"> <li>• Netherlands</li> <li>• France</li> <li>• Belgium</li> <li>• <u>Germany</u></li> <li>• Luxembourg</li> </ul>	<ul style="list-style-type: none"> <li>• Sweden</li> <li>• Finland</li> <li>• <u>Norway</u></li> <li>• Denmark</li> </ul>	<ul style="list-style-type: none"> <li>• Italy</li> <li>• Switzerland</li> <li>• Spain</li> <li>• Greece</li> <li>• Portugal</li> </ul>	
<b>Korpi &amp; Palme</b>	<i>Basic Security</i>	<i>Corporatist</i>	<i>Encompassing</i>		<i>Targeted</i>
	<ul style="list-style-type: none"> <li>• Canada</li> <li>• Denmark</li> <li>• Netherlands</li> <li>• New Zealand</li> <li>• Switzerland</li> <li>• Ireland</li> <li>• United Kingdom</li> <li>• <u>United States</u></li> </ul>	<ul style="list-style-type: none"> <li>• Austria</li> <li>• Belgium</li> <li>• France</li> <li>• <u>Germany</u></li> <li>• Italy</li> <li>• Japan</li> </ul>	<ul style="list-style-type: none"> <li>• Finland</li> <li>• <u>Norway</u></li> <li>• Sweden</li> </ul>		<ul style="list-style-type: none"> <li>• Australia</li> </ul>

*Notes:* Underlined countries indicate a prototype.

While some hold that women obtained full civil and political rights a considerable time ago, with regard to their social rights, women are still discriminated against, sometimes formally, and nearly always informally, because of different gender roles. By simply ignoring gender analysis in his typology analysis, Esping-Andersen's

'systematic discussion of the family's place in the provision of welfare and care' is oblivious to gender-specific issues and their subsequent impact on a welfare state.<sup>18</sup> In terms of gender-based clustering, Siaroff (1994) compared the work-welfare choice of men and women across countries, and distinguished among 'protestant social-democratic',

'protestant liberal', 'advanced Christian-democratic', and 'late female mobilization' welfare state regimes respectively. Despite a different taxonomy, Siaroff's typology overlaps with Esping-Andersen's classification, with the exception of an additional category of 'late female mobilization' welfare regime which includes the Mediterranean welfare states and Japan.<sup>19</sup>

Looking at the summary of different typologies shown in Tables 1 and 2, we see that their labels differ, but the fundamental dimensions and representative countries are often found to overlap with Esping-Andersen's original ideal-types. For example, Castle and Mitchell's 'non-right hegemony' type is much like Esping-Andersen's 'social-democratic' type due to the high degree of universalism and equalization in social policy. Bonoli's 'continental' type overlaps with Esping-Andersen's 'conservative' type in that contributions play a significant role. Conversely, Sweden serves as the standard exemplary representative that approximates social-democratic/Scandinavian/Nordic ideal-types, whereas Germany represents a Bismarckian/continental/conservative/corporatist ideal-typical regime. The United States belongs to liberal/Protestant/Anglo-Saxon or basic security models.

In sum, despite many critiques of, and discontentment with, Esping-Andersen's welfare regime typology and its grounding based on a 'labor mobilization' thesis, there is hardly any radical alternative found that might challenge the overall form of Esping-Andersen's conceptual arguments.

### 1. 3. REVIEW OF DIFFERENT WELFARE REGIMES

This section considers different welfare regimes based on Esping-Andersen's typology dimensions

summarized earlier. His comparative research concludes that welfare states are not of one type, but distinct in terms of the ways in which welfare programs are institutionalized and the subsequent impact they have on society on both a macroscopic and microscopic level. Moreover, the roles of the state, the market, and family in providing welfare differ substantially from regime to regime (Esping-Andersen, 1990), as do social and political priorities, such as economic efficiency, social equality, and poverty reduction (Goodin, et al., 1999).

'Liberal' welfare regimes are commonly recognized as having means-tested assistance, modest universal transfers, and moderate social insurance plans. Social welfare programs cater mainly to low-income state dependents. Entitlement rules are generally strict and benefits for subsistence are considered just. The state encourages market-oriented welfare so that utility-maximizing individuals can mutually benefit from free exchange in the market and build 'a good life' as they wish, without being dependent on and distracted by anyone, or at least, by the state. According to Esping-Andersen's findings and typology, which mapped countries into different categories, Anglo-Saxon countries such as the United States, the United Kingdom, Canada, Ireland, Australia, and New Zealand represent 'liberal' regimes.

The conservative, or sometimes 'corporatist-étatist' regimes, strongly encourage the preservation of status differentials and traditional familialism, in regard to social welfare arrangements. Social insurance typically excludes non-working wives and family benefits encourage motherhood. Private insurance and occupational fringe benefits play a truly marginal role. Conservatives endorse community attachment of individuals to groups under the principle of 'subsidiarity' for the sake of social stability. In this

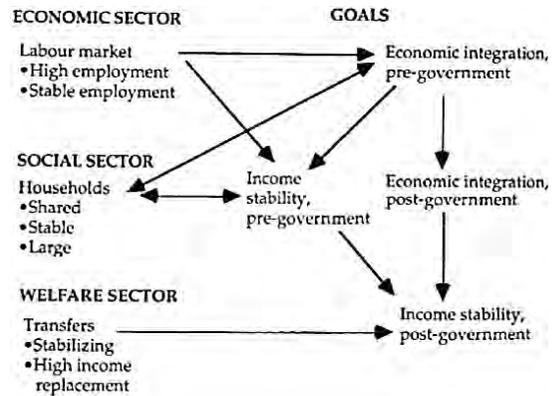
respect, continental European states including Germany, France, Italy, Switzerland, and Austria are often regarded as ‘conservative’ regimes.

Finally, the ‘social democratic’ welfare regime is characterized by principles of universalism and social equality extended to all members of society. All social strata are incorporated under one universal insurance system, yet benefits are graduated according to accustomed earnings. The social democratic welfare policy is committed to full employment. The right to work means the right of income protection on one hand, and on the other hand, it minimizes social problems and maximizes revenue income. The Scandinavian nations and the Netherlands are typical examples of ‘social-democratic’ regimes.

**Conservative Welfare-State Regimes: Corporatist-etatist**

An enduring conservative element endorses the perception of society as a moral community, held together by shared values and beliefs, and functioning as an organic whole. Conservatives are inclined to advocate a strong government and the strict enforcement of law and order but, being mindful of the danger of despotism, they have usually insisted upon a balanced constitution. Conservative political thought traditionally calls for a ruling-class ideology. In proclaiming the need to resist change, it legitimizes the status quo and defends the interests of dominant or elite groups. Human beings are seen as morally and intellectually imperfect, and they often seek security which can only be provided by tradition, authority, and a shared culture. In this respect, the emphasis is on maintaining traditional order and values, opposed to reform movements and radical modernization.

FIGURE 1. Conservative Welfare Strategy<sup>20</sup>



The conservative or corporatist-statist regimes are characterized by group politics, communitarian economics, and mutualist social policies. The fundamental value underlying corporatism is ‘social cohesion’<sup>21</sup> (Goodin, et al., 1999). The corporate model has mainly been favored by conservative ruling circles in continental Europe. The conservative understanding of ‘social integration’ as an important goal is found in conjunction with the related quest for ‘economic integration’, the idea of everyone sharing a common economic fate. Corporatist welfare strategies meant to stabilize workers’ post-government (after-tax and social insurance) incomes are based on employment, community integration, and post-government transfers, as shown in Figure 1 above.

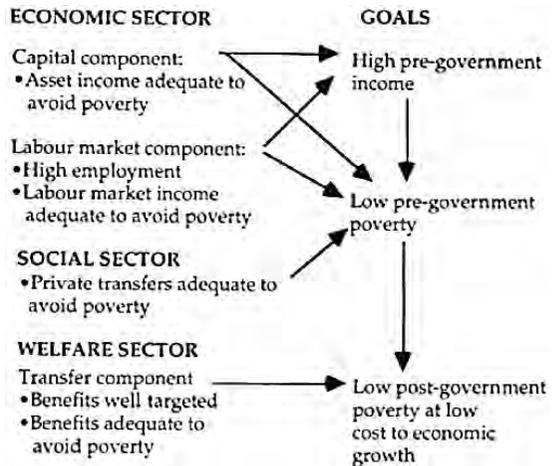
A classic example of conservative regime is the German welfare model. Otto von Bismack pioneered welfare policy by adopting a social insurance system based on occupational and social status in the mid-19<sup>th</sup> century. Job security and social priorities led to a large array of work-oriented social insurance schemes premised upon income hierarchy and maintenance of social status through employment. The Italian pension system, due to its history of fascism, strong familialism, job protection, and large social expenditures, is also considered to be as a conservative welfare regime. However, more recently the Italian model has undergone significant

reform, gradually shifting to a laissez-faire approach with limited government intervention and a commitment to global competitiveness due to a rapid aging of the population and external pressures on national policies within the European Union.<sup>22</sup> The Austrian welfare state is commonly classified as conservative due to its policies emphasizing status maintenance through earnings-related transfer payments in peculiar. Indeed, the Austrian pension system is fragmented along occupational lines, and civil servants are covered by a special and initially more generous scheme. More than 95% of all pensions are paid by the public pension system.<sup>23</sup> As for France, three different traditions of monarchy, revolution, and Catholicism have shaped France's exclusive emphasis on corporatism and the family through a period of conservative, paternalistic reforms since Napoleon III who first created the foundations for a family welfare system.

**Liberal Regimes**

In terms of its social welfare policies, the ultimate goal of liberal regimes is to promote high economic growth and, within its social welfare sector, to reduce poverty in the most efficient possible manner. The liberal welfare regime aims to promote people's welfare primarily through a highly productive capitalist economy, and only secondarily through a residualist system of social welfare transfer payments. The liberal welfare strategy is to help the poor, but to help them only as much as strictly necessary. The aim is to target benefits tightly, and to tailor them carefully to avoid paying more than required to alleviate visible poverty.<sup>24</sup>

FIGURE 2. Liberal Welfare Strategy<sup>25</sup>



Liberal welfare regimes, according to Goodin, et al., are characterized by liberal politics, capitalist economics, and residualist social policies. (Goodin, 1999) Thus, a liberal welfare regime aims at promoting people's welfare primarily through the market and meagerly through a residualist social welfare provision based on strict targeting. Looking at Figure 2, we see the ultimate goal of the liberal welfare regime is to encourage high economic growth so as to promote people's welfare primarily through a highly productive capitalist economy. Social-welfare transfer payments are secondary and accessible only as a 'last resort' for those unable to directly participate in the market.

Esping-Andersen classified Anglo-American countries, including the United States, the United Kingdom, Canada, as well as Australia, Ireland, and New Zealand, as comprising liberal welfare state regimes. He acknowledges borderline cases, but his clustering remains strong. For instance, in his view, Japan swings back and forth between being a liberal and a corporatist regime due to having slimmer social welfare provisions compared to other liberal regimes, yet it is also often regarded as conservative by prominent enterprise-based occupational welfare schemes.

Typically liberal means-tested social assistance

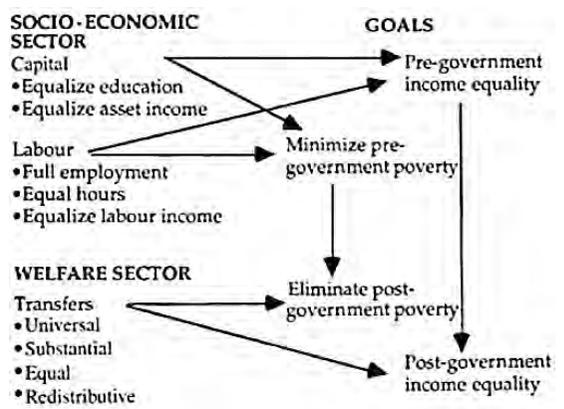
and public social insurance programs attached to employment and contributions are best exemplified by the US Social Security program that includes a two-tier system of public pensions for the elderly. The program is made up of an Old Age and Survivors Insurance (OASI) and Supplemental Security Insurance (SSI). A recent study by the OECD has indicated that the UK has one of the lowest levels of state pension provision among major Western nations. A Briton, who on average paid around 22,000GBP, could expect their pension to be less than 48% of their post-tax earnings. Lower state pensions have encouraged people to save through private pensions.<sup>26</sup> The Australian welfare state is commonly classified as liberal, though an inclusive higher minimum-wage policy and egalitarian means-tested benefits do contradict liberal principles. This has persuaded some comparative welfare theorists, such as Castles and Mitchell (1993), to articulate a fourth group they named the Antipodean model.

**Social Democratic Regimes**

As an ideological definition, social democracy stands for a balance between the market and the state and between the individual and the community. The main arguments in social democratic theories attempt to establish a compromise between an acceptance of capitalism as the only reliable mechanism for generating wealth, and a desire to distribute wealth in accordance with moral, rather than market principles. Social democrats see the welfare state as a practical application of communitarian values, believing that its function is to promote the spontaneous bonds of sympathy and compassion which characterize a genuine community. Social democratic theorists have also linked welfare to the goal of equality, believing it to be a necessary counter-weight to the injustices and ‘inhumanity’ of market capitalism.

The humanist tradition in socialist thought, which advocates a balance between efficiency and equality, has become the main objective of contemporary political economies for most developed countries, regardless of whether social-democratic, liberal, or conservative governments are in power.<sup>27</sup> However, the social democratic regime is commonly characterized by class politics, socialist economics, and redistributive social policies. Historically, the model appears to have emerged as a direct reaction to the social consequences of free market economics and liberal politics. The main goal of social democratic welfare regimes is ‘social equality’ and ‘poverty reduction’ as shown in Figure 3.

FIGURE 3. Social Democratic Welfare Strategy<sup>28</sup>



Esping-Andersen grouped Scandinavian states and the Netherlands, as social democratic regimes because of similarities based on his typology dimensions of de-commodification in social policy, social stratification, and public-private mix pensions. He concluded that the driving force to embrace ‘social democratic’ welfare regimes by Scandinavian states may well be attributed to working-class mobilization which succeeded in achieving a parliamentary majority. A broad red-green alliance, politically articulate and well-organized, gained the capacity to negotiate political deals at the

parliamentary level, leading to the establishment of a middle-class welfare state that benefits both its traditional working-class clientele and the new white-collar strata (the middle class).

There are at least four features – geographical, historical, political, and cultural – held in common by Scandinavian countries. The social context of Scandinavia which includes small, linguistically and religiously homogeneous populations, coupled with a penchant for keeping excellent statistics, might be considered favorable preconditions that have earned Scandinavia the reputation of being a ‘social laboratory’ to inspire the Western world, as Galensen has said.<sup>29</sup> As a classic example of social-democratic regime, the Swedish welfare state yields the highest levels of equality and accommodates a majority of the population through social welfare provision. The main criticism of social-democratic models lies in high taxes necessary for maintaining the system and for encouraging idleness by dictating individuals’ welfare in a way which stifles personal freedom and creativeness.

**The case of Japan**

The Japanese-type welfare regime is classified as either conservative or corporatist according to Esping-Andersen. Although his analysis of Japan in

*The Three Words* is quite scant, we can assume this somewhat ambiguous positioning is based on firm-based employment security policies, strong familialism, and residual social transfers.

As a borderline case, Japan may be categorized as a conservative model, while also reflecting prevalent market-oriented social policy elements common in other liberal welfare regimes like in the United States. Japan's firm-based welfare schemes resemble in many respects those of large-employer welfare capitalism found in the US (Esping-Andersen 1997), whereas business coordination and wage compression, which are so prominent in the Japanese political economy, are more similar to those found in Germany and tend to be treated as an outright counter-model to the market liberalism of the Anglo-Saxon variant (Albert 1991; Crouch and Streak 1996; Crouch and Yamamura 2000; Soskice 1995). Nonetheless, the importance of occupational pension plans and familialism may well define the Japanese-type welfare state as ‘conservative’, like her counterparts in continental Europe. A further discussion of the key elements of the Japanese-type welfare model will be continued in Chapter III.

Finally, to conclude this chapter, Mitchell has identified important areas of comparison looking at

TABLE 3: Esping-Andersen’s typology of welfare regimes (Esping-Andersen, 1999)

	<i>Liberal</i>	<i>Social democratic</i>	<i>Conservative</i>
Role of:			
● Family	Marginal	Marginal	Central
● Market	Central	Marginal	Marginal
● State	Marginal	Central	Subsidiary
Welfare state:			
● Dominant mode of Solidarity	Individual	Universal	Kinship; Corporatism; Etatism
● Dominant locus of Solidarity	Market	State	Family
● Degree of de-commodification	Minimal	Maximum	High (for breadwinner)
● Degree of Defamilialization	Medium	High	Low
Extent of redistribution	Low	High	Medium

multiple welfare states. These include policy, inputs, production, operations, and outcomes.<sup>30</sup> According to Mitchell, Esping-Andersen's typology belongs to the category of comparative production, since his analysis focuses on organization of welfare institutions and delivery of specific services which differentiate welfare regimes in various, but important ways, as summed up in Table 3 below.

## CHAPTER II

### LABOR MOVEMENTS TOWARDS A WELFARE STATE

The purpose of this chapter is to apply Esping-Andersen's power theory to a Japanese context in order to elucidate a Japanese-type welfare state regime. In doing so, we shall investigate the driving forces leading to its formation, multiplicity, and the overall roles of different actors, such as the state, market, and family through exploring the dynamism of labor movements in Japan.

In terms of welfare state evolution, the fundamental logic of labor mobilization theories suggests that workers first unite in order to forge a class identity through trade unions and/or a labor party. Moreover, in order to secure power, alliances with farmers and unskilled poor workers allow for a more extensive base of support so that they may elect the labor party representatives to parliament and make political bargains regarding distribution or redistribution policies. Nevertheless, Esping-Andersen acknowledges that workers do not automatically or naturally forge a socialist class identity. Working class collectivities in trade unionism and party-formation largely differ from country to country in terms of their aims, ideology, and political capacities.

What features best describe labor movements in Japan? Clearly Japanese workers do not unionize on a large scale and, thus have failed to pursue

political bargaining at the parliamentary level in terms of universal redistribution policies. At the same time, they have organized through 'intra-firm' or 'enterprise-based' unions. Ultimately, the Japanese-type welfare regime is not social democratic, but instead can best be described as a corporatist or mixture of conservative and liberal models. The reason that led to weak unionism in Japan is hardly discussed in *The Three Worlds*. Were enterprise-based unions chosen by workers voluntarily or did they come about as an alternative to movements? In other words, have enterprise unions been imposed involuntarily on workers?

Since Japan is seen as the only nation in Asia applicable to Esping-Andersen's typology mappings, his arguments regarding denominational parties, red-green alliances, and *laissez-faire* bourgeoisie policy should be addressed. However, studying the Japanese-type welfare model in comparison with her western counterparts, and based on a pro-western comparative methodology might appear problematic and one-sided to some extent. Certainly political culture and social foundations which have played an important role in the institutionalization of power relations between key actors might have tracked a different trajectory in Japan. Therefore, in this chapter, I focus on the capital-management nexus in industrial relations, i.e. labor politics in prewar, postwar, and postindustrial periods, in order to reveal roles of labor movements in the evolution of a Japanese-type welfare state. I will examine whether weak unionism was simply an ethic invented by labor or whether their harmony-seeking loyalty was inherited from Confucianism-based tradition.

The basic structure of this chapter will be divided into three historical periods; (i) prewar, (ii) postwar, and (iii) post-industrial. Each section will

characterize the power relations among actors, as well as the level of economic growth, industrialization, and the demographic changes which naturally demand more social needs and policy measures to achieve a balanced social order and economic prosperity. Regarding capital-management nexus, certain aspects such as the labor market, industrial relations, and distribution and redistribution regimes will be briefly analyzed.

## 2.1. PREWAR LABOR MOVEMENTS

For the purposes of this study, the prewar period shall be defined as beginning at the turn of the 20<sup>th</sup> century and running through roughly 1940. By 1900, Japan had already developed the solid foundations of a capitalist economy and a central administrative structure. However, policies behind the political and economic development were heavily biased toward providing defense and international security, since China had lost the Opium War and western colonizers were seen as targeting Japan next. The Meiji Restoration intensified two major legacies inherited from the Tokugawa era through a twin policy of *fukoku kyouhei*<sup>31</sup> (wealthy country, strong army), whose central pillars were rapid industrialization and the import of western technology. Japan was a late developer relative to western industrialized countries, yet by the 1930s she became one of the world's major industrialized countries, at a level similar to France and Italy.<sup>32</sup> In regards to industrialization, the Japanese economy evolved in two separate directions; traditional industry in textiles on one hand, and modern technology-based heavy industry such as ship-building and arsenal fortification on the other.

In contrast to a 'working class' consciousness among new workers and insufficient unionization initiative, the leaders of earlier labor movements were intellectuals and 'enlightened' workers who

had recently returned from the United States, where they learned western-type trade unionism. Their experience and training abroad inspired them 'to uplift the industrial workers' in the name of humanity and social justice from the evils rising alongside economic development and industrialization.<sup>33</sup> In the wake of radical humanists calling for active unionization among workers, there emerged some labor movements, very militant and violent in nature. The most prominent figures included Katayama Sen, Takano Fusataro, Kuwada Kumazo, who first established labor unions and leftist labor associations.

Therefore, it is not surprising that the government response was severe and oppressive in order to monitor and stop violent organizations. In response to such riots, the government immediately took preventive actions such as the Public Peace Police Law passed of 1901 which banned labor movements, strikes, and union organization.<sup>34</sup> Official statistics indicate that there were between 800 and 1,000 unions in existence around that time, including handicraft and employer groups, consumer unions, and production sales unions. The very notion of Western-style unions at that time was nearly synonymous with anarchism and sabotage.

Moreover, employers were in a position to promise better and competitive treatment of craft-skilled workers due to the scarcity of skilled workers. It was a time when a large flow of farmers inundated towns and factories. The scarcity of skilled workers, coupled with a seemingly endless supply of uncommitted 'mobile workers', are assumed to be origins of the *nenko system*. Although enterprise unionism was not supported by labor leaders, the Home Ministry and reform capitalists insistently supported enterprise unions and their establishment in big industry after 1921. Nevertheless, a notion that, 'Japanese employers

tried to decentralize occupational and industrial unions into enterprise', was not because employers were authoritarian, but rather because workers were violent and fueled by a socialist passion. Furthermore, the large gulf between intellectual labor leaders and new farmer-turned-workers did not allow for the effective operation of labor movements.<sup>35</sup>

## 2.2. POSTWAR LABOR MOVEMENTS

Between 1950 and 1985 the Japanese GDP grew by 1,409%. This contrasted with a 557% increase in West Germany, a 323% increase in the US, and a 223% increase in the UK. The Japanese economic growth rates during this period were not only very high compared with other countries, but also historically high. In the 22 years from 1951, the Japanese GDP grew continuously and rapidly by 9.2% annually on average, resulting in a seven-fold increase. The annual growth rate increased from 8.9% between 1951 and 1961, to 9.4% from 1961 to 1973. Japanese capitalism also transformed the social structure of Japan significantly. In 1950, wage workers accounted for only 39.3% of the total Japanese working population, yet by 1970 this figure had grown to 64.2%, an increase from 14.2 million to 33.8 million workers.

Postwar labor movements in Japan supposedly reflected contrasting characteristics, both cooperative and militant, public-sector and private-sector based, and comprising both big-corporation unions as well as medium- and small-enterprise unions.<sup>36</sup> Unions based at big corporations are seen as quite cooperative with management and employers, whereas public-enterprise unions in industries, such as steel, railway, telecommunications and the like, embarked on militant struggles and strikes in demanding living wages. Medium- and small-enterprise unionization remained low and insignificant.

In the early postwar period, the economy was hectic and hyper-inflation invoked workers to seek a 'living wage', not to mention better living conditions and productivity-linked wages. Union organization jumped from zero to about 50% in 1949.<sup>37</sup> Unions demanded, 'a fixed minimum wage based on the cost of living, adjusted to reflect regional variation, additional pay to reward ability, seniority, and attendance, the elimination of imbalances based on rank or educational background, and a commitment to adjust wages in the future to reflect price changes.'<sup>38</sup>

Entering the 1950s, the economy started to stabilize so that management regained the power to control management systems within companies, while labor maintained rights to consult with personnel- and managerial-decision makers through capital-labor consensus. Therefore, increasing livelihood levels, along high economic growth, apparently did not generate negative pressure to challenge the electoral hegemony of the incumbent Liberal Democratic Party (LDP). Rather in adopting a so-called 'postwar system', they pushed for full employment, social security, and other welfare state programs.<sup>39</sup> The reason why workers did not elect pro-labor socialist and communist party members into the Diet to achieve political bargaining at the national level was twofold. First, leftist radical political orientation tended to criticize the capitalist mode of production in terms of the state and businesses exploiting labor for their own gain, and secondly, the diversity of unions duplicated the polarized economic structure between both public and private enterprises, as well as large *keiretsu* and smaller companies. Unions associated with large firms were often recognized as being cooperative and rational towards both management and the government.

Postwar labor movements in Japan clearly show impressive labor performance and achievements,

including:

1. Rapid wage increases as high as those in other OECD countries
2. Employment security being ranked highest among OECD countries
3. Average annual working hours per worker the highest among G7 countries (2,124 hours in the 1990s)
4. Participation in decision-making was effective and institutionalized widely

### 2.3. POSTINDUSTRIAL LABOR MOVEMENTS

Turning to postindustrial labor movements, Japanese labor politics seems to have changed its orientation from enterprise-oriented activity toward a more concentrated focus on national politics in response to changes in the Japanese political economy. Globalization of large Japanese businesses, increasing exposure to international competition, an aging society, and increasing labor costs, have resulted in impacting employment relations, and have induced anxiety on the part of stakeholders, employees, and employers, as well as the unemployed, policy-analysts, politicians, and academic scholars. All are concerned about how to cope with the changing environment of a new era. The process of shifting union movements from enterprise back into politics already started in the 1980s, when four national confederations – *Sohyo*, *Domei*, *Churitsu Roren*, and *Shin Sanbetsu* – were unified into *Rengo*. The formation of *Rengo* took place in two stages, with private-sector unions joining in 1987, and public-sector unions in 1989. The reason for this unification was to remedy the shortfalls of enterprise-based union activities in the wake of economic recession since the mid-1970s, by expanding their scope into the political arena.<sup>40</sup> While tight competition in the global market has increasingly pressured Japanese export-led

industries, management embarked on gradual reforms to withdraw from annual uniform wage increases, lifetime employment, and seniority wages. Therefore, union leaders aimed at improving unions' influence over government policy-making through unification of once divided union confederations (Shinoda, 1997).

In Japan, while giant confederations of small unions have formed for the sake of achieving something in the political arena at the macro level, the union movement faces the challenge of declining organization rates and waning unifying power at the micro level. Likewise, many scholars observe a general decline in unionization rates worldwide. Furthermore, in the 1980s and 1990s, industrial relations in North America and Western Europe experienced decentralization of collective bargaining at the national, industrial, and sectoral levels, resulting in a trend to bargain now on the entrepreneurial level.<sup>41</sup> Thus, looking at the macro level we may argue that Japanese labor appears to be centralizing, while its western counterparts are decentralizing. An analysis at the micro level however, would reveal that both in Japan and the west labor faces similar challenges of harnessing membership numbers to effectively bargain on a national political level.

In summary, Esping-Andersen's point that labor movements appear as an important lever to affect social policy within an industrialization process, is also very helpful in explaining a Japanese-type welfare state. Industrialization was first launched by militarist politics, but subsequent industrial relations favorably affected the economy, labor market, and management practice. In sum, the major characteristics of Japanese labor movements led to the early development of a Japanese welfare state centered on workers, but not on the poor. These workers were rather the elite of the labor force and they took advantage of two achievements

within corporations; income stability and social equality. Industrialization and trade unions always evolved hand-in-hand and eventually played a decisive role in welfare development in both prewar and postwar periods. The speedy industrialization of the prewar period favored skilled craftsmen, while expanding economic growth also favored a competitive educated labor force in postwar years.

### CHAPTER III

#### JAPANESE-TYPE WELFARE STATE REGIME

This chapter consists of three sections that include, (i) the Japanese-type welfare state, (ii) de-commodifying capacity and stratification impacts of the Japanese welfare regime, and (iii) public-private mix pensions in Japan. The main goal here is to further explore the Japanese-model welfare state. We shall start with its general characteristics based on various theoretical arguments, in order to better understand the principles of de-commodification and stratification, before finally looking at the internal structure of pension systems in Japan. It is hoped that this will reveal the operational functions and coherence of the Japanese model based on Esping-Andersen's typology foundations.

In *The Three Worlds of Welfare Capitalism* Esping-Andersen considers Japan's welfare system a conservative regime. However, it is more accurately described as borderline case between liberal and conservative regime models, since it reflects prevalent market-oriented elements common in other liberal welfare regimes like the United States. Japanese private pensions and slim social expenditures are often regarded as typical of liberal welfare regimes, yet firm-based and family-oriented welfare policies seemingly resemble conservative welfare states.

Nevertheless, there are many controversial typology arguments regarding which model Japan belongs to and how Japan should be categorized. What unique characteristics does Japan embrace? Why do those specifics prevent Japan from being identified within a certain group? What similarities does Japan share with other regimes? These questions will be tackled in the first section of this chapter.

In the second section, I will examine hypothetical allegations of de-commodifying capacity and stratification resulting from social policies in Japan to the degree that available sources permit. In terms of Esping-Andersen's de-commodification scoring among 18 industrialized welfare states, Japan was ranked as a conservative regime with a fair degree of de-commodified social policy focused on employment status and familial obligations. As for stratification, Esping-Andersen acknowledges, 'a welfare state narrows social class differences, but still nurtures the social stratification.' In his weight-scoring of regime-specific stratification analysis, Japan exhibits high 'corporatism', moderate 'etatism', stricter 'means-testing', high 'public pensions', high 'private health spending', lower 'universalism', and low 'average benefit quality'. This implies that Japan is comparable with more corporatist/conservative regimes. In contrast to regime-specific aggregate analysis, other specific aspects of social stratification and mobility will be reviewed based on empirical statistics and data.

In the last section, we will explore the Japanese public-private mix pension system, its structure, operational mechanisms, and finally, ongoing reforms which are attracting worldwide attention. For Japan is facing an aging society relatively earlier than other industrialized countries and taking crucial reformatory actions in her pension system before others. It is thought that the pension

reform mirrors what is going on in the Japanese society both at the grassroots level and in the political arena.

### 3. 1. `JAPANESE-TYPE WELFARE STATE`

Japan is considered distinct from other welfare states found in Europe, North America, and East-Asia. Japan was the first Asian nation to adopt industrialization and democracy, and so became the first to establish a welfare state regime in Asia. Many scholars begin their comparisons between Japan and other countries from the point of rapid industrialization which resulted in high-growth, or the so-called `bubble` economy, thus concluding that Japan is an exceptional case contrary to other western industrialized democracies. Furthermore, the incumbent ruling party of Japan – the Liberal Democratic Party (LDP) – tenaciously remained in power for half a century during the high-growth and oil shocks, surprising some scholars who question democratization in postwar Japan. Enterprise-based welfare programs, including occupation and private pensions and family allowances, are found to be fairly specific in Japan and are often attributed to a strong groupism and familialism rooted in Confucianism. Weak trade unions and low unionization are other factors that distinguish Japan from other mature democracies, despite unheard of low unemployment levels without a powerful leftist political faction. In terms of its political economy, Japan has developed both export-based large corporations in the manufacturing industry and small- and medium-sized enterprises protected by the government subsidies and other interventions, therefore Japan is often regarded as a `dualistic economy`. A handful of conglomerates called *keiretsu* in Japan often attract attention from corporate economists and management students in the west, who see the *nenko* system as the main advantageous property

of Japanese-type management practices, coupled with lifetime employment, seniority pay, in-house training, and enterprise-based unions. Because of these specifically Japanese features, many comparative theorists argue whether western-oriented theories can adequately theorize the Japanese welfare regime, or even whether Japan can be regarded as a welfare state belonging to an `East-Asian welfare model`.

East Asian states are similar in terms of high growth, fast industrialization, and strong cultural conservative legacies, yet they are still not similar enough to comprise a solid category of `East Asian welfare state model`. Because the commonalities shared among East-Asian countries derive from a common cultural tradition, `developmental state` arguments barely say anything about structural organization, maturation of social programs, consequent social impacts, and outcomes related to the economy and labor market. It is perhaps wise to remain skeptical of a monolithic `East-Asian welfare model`.

Basically, Esping-Andersen's tripartite topology essentially focuses on key welfare providers, be it the state, market, or family. Liberal regimes advocate high economic growth so that the market can provide better welfare to competitive and motivated individuals. This means the market plays a major role in liberal regimes in terms of welfare provision. Social-democratic models rely on an institutional welfare state which provides equal and universal public-based welfare. Finally, in conservative welfare regimes, family- and community-based welfare providers are considered significant. Therefore, since the Japanese-type welfare model appears to rely on primary communities such as family and enterprise, rather than the state or pure market transfers, we may conclude that Japan's is a conservative regime.

### 3. 2. DE-COMMODIFICATION AND STRATIFICATION

De-commodification and stratification are the two dimensions of Esping-Andersen's typology used to evaluate the dynamics of different welfare states and subsequently classify them into three clustered groups. While Esping-Andersen provides weighted scoring results in his *The Three Worlds*, he neglects to explain the basis for his quantitative measurements of each variable used. Therefore, we shall now look deeper into de-commodification of social policy in Japan and its subsequent stratification impact, by unpacking Esping-Andersen's weighted scoring results.

#### **De-commodification**

This subsection will rely on an article titled, 'Trends in Welfare State Decommodification in Eighteen Advanced Industrial Democracies, 1972-2000' written by Lyle A. Scruggs and James P. Allan.<sup>42</sup> The three core programs of pension, unemployment, and sickness insurance, are considered by Esping-Andersen as the basis for his de-commodification measurements. While they certainly cannot provide a complete picture of de-commodification practices in Japan, they are also the three categories analyzed by Scruggs and Allan. We should keep in mind however, that Japan is often considered a corporatist society because of its particular mix of social policy and company-based welfare services and benefits. Considering

the diversity of company size and competitive levels, we might also acknowledge a vast array of variables for measuring de-commodification. Shinkawa and Pempel (1996) listed a multitude of services and benefits, which many Japanese firms are presumed to deliver, such as, 'subsidized housing, housing allowances or soft loans for housing; transportation allowances; medical facilities for employees and their families; in-plant canteens, barber shops, nurseries, and discount shopping centers; organized company vacation spots at ski-centers or hot springs; child-care allowances and often on-site nurseries; as well as company picnics, athletic clubs, marriage brokerage facilities, cultural clubs and libraries', in addition to 'generous insurance schemes and retirement plans'.<sup>43</sup>

Scruggs and Allan reassessed the same de-commodification variables employed by Esping-Andersen to reveal historical trends of de-commodification in those 18 countries considered in *The Three Worlds*. They also questioned whether the de-commodification of certain welfare programs can properly reveal certain typology basics, and whether these remain unchallenged over time to distinguish long-standing institutional features of countries. The tables below summarize pension-, unemployment-, and sickness-insurance benefits evaluated by their replacement rates and preconditions.

TABLE 6. Japan's Unemployment Insurance Decommodification Data, 1972-2000

Indices	1972	1980	1990	2000
Replacement rate	66.3	68.8	66	71
Qualifying weeks	26	26	26	26
Waiting days	7	7	7	7
Duration	35	35	35	35
Coverage	0.43	0.45	0.49	0.5

TABLE 7. Japan's Sickness Insurance De-commodification Data, 1972-2000

	1972	1980	1990	2000
Replacement rate	50.0	51.6	56.6	60.8
Qualifying weeks	0	0	0	0
Waiting days	3	3	3	3
Duration of benefits	26	26	26	26
Coverage	0.56	0.56	0.59	0.58

TABLE 8. Japan's Old-age Pension Insurance De-commodification Data, 1972-2000

	1972	1980	1990	2000
Minimum replacement rate	4.9	19.1	17.1	22.7
Standard replacement rate	155.1	52.5	47.2	47.9
Contribution ratio	0.5	0.5	0.5	0.5
Qualifying years	40	40	40	40
Coverage	0.6	0.6	1	1

(Source: L. Scruggs, and J. Allan 'Trends in Welfare State Decommodification in Eighteen Advanced Industrial Democracies, 1972-2000,' 2003)

Japan with 22.7% in 2000, is one of the countries with the lowest minimum replacement rates, along with Germany (18.1%), Italy (29.4%), Switzerland (25.1%), the UK (27.8%), and the US (26.7%). Nevertheless, there is a strong tendency towards more generous replacement rates in most countries from 1972 to 1990. This can be attributed to the program 'maturation' process in Japan until 1985. There has been a general trend for public pensions to become increasingly universal. In 1972, about 86% of those over the retirement age were receiving old-age pensions, whereas the figure went up to 97% in 2000. Scruggs and Allan conclude that their findings have confirmed the strengths of institutional 'path-dependency' trends and they have demonstrated the importance of time-series analysis, rather than cross-sectional data, when comparing the welfare states of advanced industrial democracies.

**Stratification in Japan**

As mentioned earlier, Japan's social stratification analysis by Esping-Andersen is recognized by high 'corporatism', moderate 'etatism', stricter 'means-testing', high 'public pensions', high 'private health spending', lower 'universalism', and low 'average benefit quality', according to

his variables selected. This implies that Japan is comparable with more corporatist/conservative regimes. In order to look deeper in to the social stratification phenomenon in postwar Japan, Kanomata's Social Stratification and Social Mobility (SSM) Survey analysis conducted between 1955 and 1995 reflects a change in both intragenerational and intergenerational mobility illustrating a U-turn progress over time. Chances for class mobility became more flexible during the bubble period, before the stagnant economy once again put a freeze on social mobility. Intergenerational mobility suggests that sons and daughters can change their original class status from that of their parents, whereas intragenerational mobility means that one can build on a career path upwards from his/her first job.

Since income level is more or less parallel to education level, some scholars in both Japan and the West, tend to emphasize educational credentials in the case of Japan. Ishida, in *Social Mobility in Contemporary Japan*, examined the process through which individuals attain socioeconomic status and a change in class position between generations in Japan through a cross-national comparison with the United States and Britain. However, Ishida

has concluded that the overall dependence of social background on educational advancement is more evident in Japan than the other two countries. In addition, family wealth and property appears to make a larger difference in college attendance

in Japan than in the other two nations.<sup>44</sup> The table below shows the link between the social background and educational advancement, as analyzed by Ishida.

TABLE 9. Characteristics of Classes in Japan (as of 1995)<sup>45</sup> Mean(Standard Deviation)

Class	Education (year)	Annual Income (10,000 yen)
Upper-white	14.6 (2.28)	790.5 (489.3)
White-collar Employee	13.2 (2.37)	556.1 (254.4)
Blue-collar Employee	11.1 (2.03)	435.8 (197.2)
Self-employed White-collar	12.6 (2.62)	661.7 (465.8)
Self-employed Blue-collar	10.8 (2.24)	526.7 (304.9)
Farmer	10.1 (2.38)	336.9 (212.7)
Total	12.42 (2.70)	559.9 (212.7)

There has been a growing concern that economic forces are causing income inequality. However, a recent study by Tomioka and Ohtake (2003) in *Perceptions of Rising Inequality` in Japan: An Econometric Analysis*,<sup>46</sup> reveals social stratification has been intact without much change. The anxiety over inequality appears to be provoked by professional technocratic elites with their influence in political decision-making circles and on the public. The public perception of 'rising inequality' was seemingly from a polarization between extreme poverty and extreme affluence, yet the insulated middle class remains sound.

### 3. 3. PUBLIC-PRIVATE MIX PENSIONS IN JAPAN

The Japanese public pension system is

considered to have two tiers, namely: (i) National Pension Scheme (NPS) and (ii) Employee Pension Insurance (EPI).

The NPS is a universal public program that covers all residents older than 60 and provides them with a flat pension. It covers 80% of the working-age population and has almost 70 million participants, including farmers, the self-employed, the unemployed, students, and non-working wives. The EPI is for salaried workers and covers about 32 million private sector employees. There are also five Mutual Aid Association Schemes (MAAS) for about 6 million public employees, such as civil servants and teachers. The system operates based on pay-as-you-go (PAYG) model with defined-benefit principles.

TABLE 10. Subscription of Public Pension Plans (thousand persons)

Year	Total	Member ship	Category 1	Category 2			Category 3
				Total	Welfare annuity	Mutual Aid Association	
1992	69,416	65,944	17,702	36,216	30,629	5,587	12,025
1995	67,287	64,418	17,812	34,821	28,946	5,875	11,785
1998	70,487	68,083	19,319	37,187	31,942	5,245	11,577
2001	69,831	68,262	21,186	35,647	30,586	5,061	11,428

(Source: Administration Department, Social Insurance Department)

TABLE 11. Public Pension Recipients (thousand persons)

	Total	National Pension	Employee Pension	MAA	Welfare Pension
1987	22,523	10,643	8,910	2,048	1,488
1990	25,001	11,001	10,643	2,390	964
1995	32,363	14,751	14,254	2,958	400
1998	37,404	37,404	17,469	3,218	215
2000	40,906	40,906	19,304	3,392	137

(Source: Annual Report on Health, Labor and Welfare, 2002, MHLW)

It is quite evident from an increase in the number of recipients, that the aging phenomenon is steadily affecting the system's budget and afflicting enormous burdens on current and future contributors. Calculating the dependency ratio between pension recipients and subscribers, the difference is 1:1.6 (40,906: 68,262), yet this might not be a sophisticated estimation.

**Corporate Pension Schemes**<sup>47</sup>

Corporate pension schemes, voluntarily

Although increasing contributions and decreasing benefits seem to induce public anxiety about future pension entitlements, the nature of Japanese corporate pension schemes seems favorable to 'pension privatization' advocated worldwide. Pension reforms in Japan are widely attracting attention from overseas economists and international organizations such as the World Bank. A multi-pillar pension system dominated by occupational pensions has earned

TABLE 9. The Share of different private pensions by number of firms, 1997

	Pension types	Share (%)
1.	Retirement allowance only	47.5%
2.	Employee's Pension Fund only	10.7%
3.	Tax Qualified Pension only	27.5%
4.	Tax Qualified + Employee's Pension Fund	11.2%
5.	Tax Qualified + Own Pension	0.4%
6.	Tax Qualified + Own + + Employee's Pension Fund	0.3%
7.	Own Pension	1.7%
8.	Employee's Pension Fund + Own Pension	0.8%

(Source: H11 Kigyou Nenkin Hakusho)

introduced by corporate entities in Japan, are considered to be a third layer supplementing public pensions. Japan, as a Bismarkian Lite model of pensions, has the more limited first-tier public pension system typical of liberal-residual welfare states, but it also has a second-tier employer-provided occupational pension, as well as individual pension plans. (Ebbinghaus, Rein, Goodin and Rein).

the nomenclature of 'World-Bank model' and is widely advocated by multinational organizations in both developed and developing worlds. However, others argue that the sustainability of a pension system relies heavily on the trust of citizens, rather than on frequent reform action which only damages the credibility of the system. Political debates assessing intergenerational fairness often lead to greater public anxiety provoked by difficulties to understand who will receive what

and when.

## CHAPTER IV

### SOCIAL WELFARE IN MONGOLIA

Mongolia is a landlocked country in Central Asia, sandwiched between the two superpowers of Russia on the north and the People's Republic of China on the east, south, and west. The territory of Mongolia is 1.5 million sq. km, making it the fifth largest country in Asia and seventeenth in the world. As of July 2004, the population of Mongolia was about 2.5 million. The population density is 1.9 persons per sq. km, but one third of the population inhabiting Ulaanbaatar produces densities as high as 162 people per sq. km, whereas in the Gobi desert the density is as low as one person per 20 sq. km. Mongolia is ethnically a relatively homogeneous country composed mostly of Khalkha Mongols (86%), other small Mongolian-originated ethnic groups (8%), Kazakhs (5%), local Chinese and Russians (1%).

The country is territorially and administratively divided into 21 provinces and three major cities, including the capital city of Ulaanbaatar. Urban dwellers account for 59.1% of the population, while the rural population is 40.9%. In terms of demographic structure, Mongolia can be said to be a young nation with over 1.2 million or 45% of the total population younger than 20, and 73% of the population younger than 35 years of age. The percentage of people over 60 accounts for only 3.6% as of 2004. About 40% of the labor force is engaged in agriculture, mostly in herding livestock. (Statistical Yearbook, 2004)

Animal husbandry has been the traditional economic activity of Mongols from ancient times and still remains the dominant sector of the national economy. Over 90 per cent of the land is used for pasture, whereas 1% is used for the

cultivation of hay and another 1 % for other crops. The climate is dry and extreme, with temperatures in winter as cold as  $-40^{\circ}\text{C}$  in January, and summers as hot as  $+40^{\circ}\text{C}$  in July. Mongolia is rich in mineral resources, including copper, coal, molybdenum, tin, tungsten, silver, and gold, responsible for a large part of the national income, yet the largest reserves still remain unexploited.

During the era of socialism from 1921 to 1990, Mongolia developed many industrial facilities with Soviet aid. Yet they were mainly based on processing livestock, such as dairy and meat products, leather and leather goods, wool and cashmere textiles, felts, carpets, etc. Building-material, copper-smelting, tourism, and timber industries are also significant economically. Nevertheless, the economy is still undergoing a transitional phase from planned to market economy, and has endured a severe recession over the last decade ever since Mongolia became a democracy and has embarked on the path of reforming her political, economic, and social structures. As with other transitional economies, Mongolia has experienced a serious decline in political and economic developments, as well as widespread unemployment and poverty.

In 2004, the GDP of Mongolia reached 5.332 billion US dollars, with the nominal GDP per capita 6,022USD or 135th among 180 International Monetary Fund member countries (IMF, 2005). Despite the low rank, the government proclaimed that the real growth rate of the GDP had risen by 10.6% in 2004, the highest in a decade.

#### 4. 1. POLITICAL ECONOMY IN THE 20<sup>th</sup> CENTURY

During 70 years of socialism under Soviet-led quasi-colonial rule, the Mongolian government implemented a Marxist-inspired political economy and social welfare system. At the expense of equality, the socialists opted for a state-led

command economy, eliminating private property and prohibiting free competition. In doing so, the state took on the responsibilities of sole employer providing full employment and welfare.

Despite having a planned economy that was not market-driven, but instead fed by continuous subsidies from the Soviet Union, Mongolia achieved some impressive results, such as achieving a

literacy rate of 97.8% and a life expectancy of 63.7 years by 1990. They also managed to establish lower mortality and morbidity rates, as well as universal access to free public education from the elementary to post-graduate level. In terms of gender equality, the literacy rate reached 95% among women and participatory employment rate reached 86% in 1989.

TABLE 12. Macro economic indicators from 1960 to 1990 in Mongolia

Main indicators	1960	1970	1980	1989	1990
GDP ( <i>mlln.tug</i> )	3581.2	5752.3	10895.1	19261.7	18193.8
Annual growth (%)	-	4.5	6.9	6.5	6.1
Industry ( <i>mlln.tug</i> )	7.5	1875.8	4846.3	92433.7	8887.4
Agriculture ( <i>mlln.tug</i> )	1272.2	1622.8	1746.3	2867.3	2858.4
Other ( <i>mlln.tug</i> )	1593.6	2254.1	4303.3	7050.7	6448.0
GNI ( <i>mlln.tug</i> )	2097.1	2726.1	4939.3	8646.0	8327.5
Annual growth (%)	-	2.7	6.1	5.9	5.7

(Source: T. Namjim, *Economy of Mongolia*, 2004, p 545)

As the Soviet Union and COMECON fell apart following *perestroika* and *glasnost* in the late 1980s, Mongolia slid into a deep recession and has been stumbling ever since. In the early 1990s Mongolia embarked on a path toward reforming its political economy and social policies, shifting from a command to a market economy, and from socialism to democracy. Until recently, the transition has been most difficult. From 1990 to 1992, the GDP dropped by over 20% and the level of national savings rapidly declined from 35% of the GDP in 1990 to 26% in 1995. Furthermore, inflation reached its peak of 325.5% in 1992. As might be expected, unemployment and poverty escalated rapidly throughout the country and among all social groups. The Government of Mongolia launched a series of reforms to address the socio-economic recession, beginning in 1991. These included such steps as a gradual liberation of state-controlled prices and tariffs, privatization of state-owned enterprises, establishment of a two-tier banking system, deregulation of foreign

trade, adoption of a floating exchange rate system, implementation of tight monetary and fiscal policies aimed at reducing inflation, adoption and enforcement of laws to encourage fair competition, and creating a favorable environment for private sector development.<sup>48</sup> Political inefficiency and natural disasters led the economy into an even deeper recession throughout most of the 1990s as well as the first years of the 21<sup>st</sup> century. Severe winters and summer droughts hit animal husbandry – the main economic sector – which resulted in a loss of 8 million animals and an escalation in unemployment and poverty.<sup>49</sup>

#### 4. 2. SOCIAL SECURITY IN TRANSITION

As Mongolia is undergoing this political and economic transition, so too is its social security system changing from being fully-subsidized, to one that is funded by contributions from employers and employees, as well as government subsidies. The current social security system is still new and in the early stages of transition, yet it has

shaped certain policy domains by addressing social phenomena brought about by the current politico-economic regime.

By enacting Social Insurance Package Laws in 1994, followed by Social Welfare Laws in 1995, Mongolia adopted a new social security system. The Employment Promotion Law was then passed in 2001. According to these laws, the Mongolian social security sector has the following structure: social insurance, social welfare, and employment services.

The social insurance sub-sector operates on the principle that benefits are financed by contributions from employers and employees and available only to those who qualify based on age, employment duration, and years insured. In other words, the system is designed to protect laborers. The social insurance plans consist of five major programs: (i) Pension Insurance, (ii) Employment Injury and Occupational Disease Insurance, (iii) Unemployment Insurance, (iv) Sickness Benefits (and funeral grants), and (v) Health Insurance.<sup>50</sup>

The social welfare sub-sector provides services and benefits to the most vulnerable and underprivileged members of society, such as the elderly, disabled, multi-children families, and low-income groups. The services and benefits include in-kind services, allowances, and cash benefits from the Social Assistance Fund.

Although Mongolia can be categorized as a country with a social insurance pension system, the coverage of state-subsidized social welfare services is largely extended to many social groups without solid means-testing mechanisms. Thus the fund subsidies are escalating each year primarily due to poverty and politics. Poverty is extending its scope due to prevalent unemployment and internal migration from rural to urban areas, yet statistics claiming a 35% poverty rate have not changed since 1999. Because social welfare often

becomes an important platform for party politics, politicians still cling to path-dependent socialist policies that stretch access to social welfare to a maximum number of participants without realistic means-testing.

In sum, the social welfare system looks large in terms of coverage and range of services, however it cannot efficiently fulfill its policy objectives of poverty reduction and employment promotion. This is due to the low amount of benefits which cannot alone alleviate poverty, and inefficient targeting which exceeds the number of beneficiaries.

#### 4.3. PENSION SYSTEM IN MONGOLIA

According to the classification outlined by Bonoli and Shinkawa in *Aging and Pension Reform Around the World* (2005), the current pension system of Mongolia may well fall into the 'social insurance' pension model which typically includes most continental European countries. In these countries, public pension provision is predominant so private pensions remain insignificant (Bonoli and Shinkawa).<sup>51</sup>

As workers did not make any contributions under the socialist pension system in place until 1990, from the very beginning the old-age pension fund in Mongolia has faced drastic deficits, as most of those who retired before and soon after 1995 contributed nothing or little as workers. Mostly, benefits depend on payments made while employed, though a means-tested minimum pension is provided to those who paid little before retirement. According to the social insurance package laws enacted in 1994, employers now have to pay 16%, and employees 7% of monthly salaries. As of 2004, about 404,600 employees have paid social insurance pension premiums nationwide. According to the Ministry of Social Welfare and Labor of Mongolia (MSWL), only 42% of the total

labor force is covered under the current pension system.<sup>52</sup> The total number of voluntary contributors in 2004 was only about 29,200 among the self-employed and herders.

Another alarming figure which concerns policy-makers and analysts is the 1:1.44 ratio between social insurance contributors and pension recipients. According to international expert organizations such as the ILO, the target ratio must normally stand at 4:1 in order to achieve equilibrium. Furthermore, the legal pension and retirement age set at 60 for men and 55 for women, might remain intact for the near future since the life expectancy is currently as low as 60.8 for men and 66.5 for women.<sup>53</sup> The minimum pension amount is determined by the government, proportionate to the minimum wage, livelihood standard, and consumer price index.

Since the current system has been operating for only one decade, the overall workings have not yet been adequately institutionalized, and many issues are urgently waiting for prompt resolution. Nevertheless, there is still much time and room to reform the current pension scheme, as the current laborers will continue to pay another decade or two in order to qualify for full pension benefits. Like other transition states, Mongolia is recommended to reform policies so as to improve sustainability of the funding mechanisms and thus avoid dependency on aid from multinational and bilateral donors. It is already a common tendency to replace traditional PAYG systems with mixed, multi-pillar pension arrangements within the developed world. Developing states too, are on the way to adopting the so-called 'World-Bank model'.

Finally, analysis of the Mongolian welfare state inspired by Esping-Andersen's typology foundations – institutionalization of key actors, de-commodification, stratification, and public-

private mix pensions – has allowed me to see fundamental elements and weaknesses of the Mongolian welfare system.

Regarding labor movement involvement in Mongolian-type welfare state evolution, the welfare regime in the era of socialism was merely adopted by the government solely based on socialist ideals of universality, social equality, and income security. But this ultra-utopian universal equality did not succeed primarily because the command economy was not market-driven and the authoritarian state was hostile to freedom. Trade unions in Mongolia during the socialist regime served as a watchdog apparatus for the incumbent communist party. This was opposite the ideals of trade unions in capitalist societies.

Due to political inaction the Mongolian welfare state remains in its early stage, nurturing old-type welfare approaches based on path-dependent policies. Consequently, the welfare state has not yet acquired the trappings of a liberal, social democratic, or conservative model, and any such argument would only be premature at this stage. Not only the pension system, but also the whole social security sector is progressing quite slowly through a transitional stage. Looking at the other transition states, which opted for fast reform actions, we see less poverty and inequality, whereas those with slow policy reform initiatives yield prevalent poverty and unemployment.<sup>54</sup>

## CONCLUSION

Starting from a comparative welfare-state related theoretical analysis, and moving to an empirical study of public-private mix pensions in Japan and Mongolia, I have attempted to discover a multitude of theoretical aspects involving individual welfare, social welfare, welfare states, and welfare regimes. On the one hand, we have

looked at social rights, social equality, justice, and state roles, on the other hand we have empirically studied labor mobilization, political economy, de-commodification, social stratification, and public-private mix pensions in Japan and Mongolia. Nevertheless, the overall intention of this research – investigating Japanese and Mongolian welfare states based on Esping-Andersen's comparative welfare regime theories – has been accomplished.

I have divided Esping-Andersen's comparative welfare-state research approaches into the historicity of institutionalization and social rights. The former deals with labor movements and identifying to what extent working-class mobilization plays a determinant role in evolution of the welfare state. The latter focuses on a few core social programs, including unemployment, sickness, and pension insurance, and reveals the degree of de-commodifying capacity and stratification. As Esping-Andersen argues, the welfare state or welfare regime is not only a package of social programs and services, but a complex of politico-economic and social policies which are coordinated by relations among key actors, such as the state, capital, market, and family. Therefore, social insurance programs in fact reflect the fundamental characteristics of certain welfare regimes that can be categorized into three main groups, namely liberal, conservative, and social democratic welfare regimes.

I have explored labor movements in Japan to reveal whether Esping-Andersen's class mobilization thesis applies to a Japanese context. In reference to his typology dimensions, I have examined de-commodification and stratification effects of Japanese social policy. Not only Esping-Andersen, but also Marx correctly predicted the potential of labor movements. Esping-Andersen indicated that, 'welfare states were founded in opposition to both labor and socialism', whereas

Marx advocated a socialist revolution by which the proletariat might escape from commodified slavery by the bourgeoisie. Marx was utopian and former socialist countries have already proven the failure of his theories, but Esping-Andersen's western-based studies have proven themselves to be more accurate. Thus, I have tried to apply his arguments to a Japanese context, and by doing so, I have hoped to prove the truthfulness of a 'weak unionism in Japan' thesis.

My research has demonstrated that Esping-Andersen's labor mobilization theory is sound, yet Japanese labor has taken a slightly different trajectory compared to labor in the west. Along with evolution of industry, the working class expanded with a large number of unskilled and semi-skilled workers. As more farmers moved to factory towns, the need to protect the social rights of workers in terms of income security, working conditions, and permanent employment increased. Their only weapon in their struggle with employers or the state was their 'large number' which could allow them collective bargaining for rights and power. However, this situation was different in Japan in several regards.

In the early 20<sup>th</sup> century when Japan began industrializing, they were already advanced enough so that there was not much momentum for a working class to emerge. Because industrialization took place swiftly, the case of Japan was more focused on advanced industries, rather than basic industries which employ a large number of workers. Because of Japan's security priorities, advanced industries developed more rapidly under the direct guidance and control of the government. Furthermore, ship and arsenal factories needed more skilled workers rather than semi- or unskilled workers. Since skilled workers were scarce, both capitalists and laborers tried to take advantage of competition inside corporations and adopted an

orthodox 'nenko' system, which included permanent employment, high salaries for core (skilled or specialized) workers, and other social benefits which even extended to a worker's family.

In general, in both basic and advanced industries, labor movements were actually more than strong. Aside from being violent and militant, leaders of labor movements from the early days challenged the legitimacy of the government and advocated a 'syndicalist' ideology inspired by German socialist movements and Russian bolshevism. These leaders did not emerge from the working class communities, but were instead western-educated 'enlightened workers' who actively participated in North American and German labor movements. The gulf between enlightened leaders and the working class was large, but enterprise-based unions were also potential rivals. Therefore, the threat of socialism also intermingled with labor movements, as Esping-Andersen has stated.

The early development of the Japanese welfare state centered on elite workers, but not on the poor. These workers were rather the elite of the labor force and they took advantage of two achievements inside corporations, those being income stability and social equality. Hierarchies in Japanese firms are justly based on skills and length of service to the community. In other respects, laborers are equal members of the company. Laborers did not need a labor party and a class consciousness to uniformly represent a class status from the early phases of industrialization. In the west, until recently, there was a uniform class in terms of representation, status, and consciousness. Just in the last two decades, the west has begun to witness labor and leftist parties moving toward the right as trade unions and class consciousness decline.

In terms of social rights, which protect workers from possible market risks and failures, Japan, as

Esping-Andersen has determined, may belong to the category of conservative regime, despite of her prevalent liberal elements. By comparing Japan with other OECD member countries and neighboring states, we see that Japan is more similar to her western counterparts, rather than her Asian neighbors whose social security systems are not as mature as Japan's. Lately, comparative welfare-state convergence theories are gaining strength suggesting that welfare states are more alike than different. In this regard, I have reviewed institutionalist theories and conceptual arguments beyond social policy, including political economy, social systems of production, and pension systems. Japan, being an Asian state with a Confucian tradition, might not be the best case argument for rejecting the so-called western-biased comparison. However, I would be more convinced by comparisons based on particular dimensions or indices, rather than a fuzzy cultural tradition. Therefore, I pay more attention to common characteristics that are so fundamental to various welfare states. Cultural aspects are important if considering the institutionalization of key actors and norms of social justice. Because the processes of industrialization and democracy tend to act as universalizers, even these categories eventually homogenize with the west and undermine traditional cultures sooner or later. For example, the idea of *keiretsu* may be very Japanese, but it is already being dismantled.

According to Esping-Andersen's divergent typologies which focused on distinct variations, Japan belongs to the conservative category like her continental European counterparts, with a strong traditional heritage in specific areas such as family and corporatism, as well as etatism. Nevertheless, I have demonstrated that Japan is a mature postindustrial welfare state and that her pension system, which reflects political economy

and social policy simultaneously, is even becoming 'a role model', along with other regimes in the Anglo-Saxon world, with their rationalistic emphasis on individual welfare and privatization of social welfare. Such systems are strongly advocated by multinational organizations like the World Bank, IMF, EU, and ADB, despite regime-specific characteristics and varying degrees of maturity in different countries. The Japanese-type multi-pillar pension system has already gained a name as the World Bank-model pension system and has been advocated in the wake of population aging and stagnant economies.

Finally, I have followed a similar research approach to investigate the Mongolian-type welfare state. Mongolia is a transitional welfare state, yet has been undergoing this transition poorly due to political inaction and slow reform measures. There are controversial arguments about whether transitional states may be appropriately called 'welfare states'. Transition countries are not like developing countries in terms of political and social culture, economic structure, extent of the informal sector, and pre-transition points, but they were similarly affected by the dismantling of state-owned enterprise systems. These changes were exacerbated by the collapse of historic trading relationships and fiscal shocks to state budgets. The effects of these shocks have been so tumultuous that poverty and unemployment have increased, wages have dropped, and newly created private firms have struggled to become competitive.<sup>55</sup> Comparing Mongolia with other similar countries, we see that Mongolia has become one of the top-ten, aid-dependent countries in the world along with the poorest South East Asian and African countries.

Regarding labor mobilization, both during the period of socialism and the more recent transitional stage, Mongolia has not had a tradition of a

working class due to its largely agrarian-based economy. However, trade unions in socialism were once common, operating as a watchdog apparatus for the incumbent party and enforcing both command-economy policies and communist ideological propaganda.

## ENDNOTES

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