

Income inequality in Japan

Tetsuo Fukawa (IFW, Tokyo)

Abstract

Based on the latest OECD Income Distribution Database, we reaffirmed that Japan belongs to the most unequal country group. Measuring either by the Gini coefficient or relative poverty rate, welfare states in Northern Europe realize the most equal society, Continental Europe such as Germany and France follow, and Japan lags behind most European countries although less bad than the UK or the USA. In many countries, income distribution is more even among the elderly than the total population, but this is not the case in Japan. Redistribution policy through taxes and social security systems for the working-age population may not function well in Japan. Japan realized a middle-class society through high economic growth after World War II. However, Japan has unintentionally transformed into an unequal society, leaving low-income households left behind for a long time. The relative poverty rate of children in single-parent households is greater than 50%, which is the worst among OECD countries. Today, the Japanese safety net is quite unreliable, and a more equal society should be pursued with a clear intention in order to increase the well-being of the Japanese people.

Key words: income inequality, Gini coefficient, relative poverty rate, social expenditure, safety net, COVID-19

1 Introduction

Japanese performance is good in such fields as longevity, total DGP, and the healthcare system, but Japan lags behind in many fields such as the gender gap and income equality. Japanese life expectancy is the longest among major countries, and Japanese people also enjoy a long, healthy life expectancy. Japan still has the third-largest GDP in the world, but this is simply caused by the fact that there are no European countries which have a higher population than Japan. The Japanese healthcare system used to be considered as excellent. However, the COVID-19 pandemic has revealed that there are many weaknesses including the followings:

- Access to inpatient care was easily blocked with a relatively low level of serious patients; and
- The number of those quarantined infected people who died without receiving any healthcare service piled up.

OECD (2020) described some characteristics of well-being in Japan in 2018 compared with other OECD countries as follows:

- Japanese performance is very good in the length of longevity, low levels of unemployment and murder;
- Japan lags behind in income equality, advocacy to the government, and social connection; and
- Japanese performance is very bad in housing and work-life balance.

European countries spend relatively big shares of GDP on social protection, and social protection systems play a crucial role in reducing both poverty and inequality (Neubourg C. et al., 2007). Within the social protection systems, targeted means tested social assistance play a modest role in most European countries, and have a role as an instrument of last resort after all the other instruments of social protection have contributed to lower poverty (Neubourg C. et al., 2007).

Japanese people once considered themselves as they were living in an equal society. Among issues related to inequality, income inequality is one of the key factors. Income distribution in Japan used to be believed as relatively equal compared to the other developed countries. However, since the mid-1980s, income inequality in Japan has increased as in the majority of OECD countries, and today, Japan is

considered as one of the most unequal societies among the OECD countries. A remarkable increase in the number and share of non-regular workers is one of the important reasons for the increase in the working-poor, low fertility, and income inequality in Japan. Under the circumstances of persistent low fertility, aging and declining of the population, and financial difficulty in sustaining social security benefits, the need to improve the efficiency of the income redistribution through taxes and social security systems has been increased. Moreover, public discontent has been accumulating in recent years, due to the perception that income inequality has been increasing.

Population decline together with rapid aging has a strong cost push pressure on social security systems in Japan. However, Japanese social expenditure as a percentage of GDP is relatively small, and there has been a concern if the Japanese safety net is good enough for those who need support. If the number of those who are unable to find a job or those who are poor although working increases, then the number of those who eventually have to rely on social assistance will inevitably increase in the future. However, the take-up rate (Note 1) of the Japanese public assistance is notoriously low among developed countries, and necessary support might not be delivered to those who actually need it. As the number of non-regular workers increases, such perception that Japan is heading towards an unequal society increases among the general public. In order to change this trend, the Japanese Government is pursuing reforms in working life, aiming to improve the working environment through correction of long working hours and more easily acquired paid holidays, and to increase opportunities and options to earn for those who face difficulty in working and earn enough money. An equal pay for equal labor policy is also included in the campaign, and an unreasonable difference in treatment between regular and non-regular workers is forbidden.

Educational attainment causes wage differences, which in turn causes income differences. People with a higher income have more chances to invest in education, skills, and health, and it is worried that income inequality will be magnified or rooted. There are such fears that robots and artificial intelligence (AI) will replace certain occupations, and some employments will disappear in near future. Furthermore, the COVID-19 pandemic has so far revealed not only the fragile nature of the Japanese healthcare delivery system but also the following problems in Japan:

- Relief benefits did not reach those who need help in a timely manner;
- The number of non-regular workers decreased remarkably, although the number of regular workers increased;
- Many, especially women, lost jobs, which is not captured by official unemployment statistics;
- Difficulties of single mothers have deepened; and
- The number of female suicides increased.

All these phenomena are pointing out that income inequality is deepening due to the COVID-19 pandemic in Japan.

Other than income, there are many aspects of inequality such as property, education, and health. In this paper we focused only on income inequality. Disposable income is defined as market income minus taxes and social security contributions plus social security benefits. This paper is structured as follows. Income inequality was compared among 14 developed countries in Section 2. The weakness of the Japanese safety net was revealed in Section 3, and income inequality in Japan was discussed in Section 4. Conclusions of this paper were stated in Section 5.

2 Comparison of income inequality among 14 developed countries

2.1 Total population and the elderly

Table 1 shows the Gini coefficient and share ratio (Note 2) of the total population in 6 countries for the periods of 1985-2018 (2015 for Japan). Both indices are based on equalized disposable income. The Gini

coefficient is larger in the 2010s than in the 1990s for each country, and the latest data shows that income distribution is the most equal in Sweden (0.275). Japan (0.339) is much worse compared to Germany (0.289) or France (0.301). The UK (0.366) is further worse than Japan, and the USA (0.390) is the most unequal out of the 6 countries.

The share ratio (S80/S20), which indicates magnification of the share of the top 20% compared to the share of the bottom 20%, shows the same trends as the Gini coefficient. The share ratio was 5.0 in 1985 and increased to 6 in the 2000s and the 2010s in Japan, which is rather parallel with the UK.

Table 1 Gini coefficient and share ratio (S80/S20) of the total population in 6 countries: 1985-2018

Year	France	Germany	Japan	Sweden	UK	US
Gini coefficient of the total population						
1985	-	0.251	0.304	0.198	d1 0.309	-
1990	-	0.256	-	0.209	d2 0.355	-
1995	0.277 a	0.266	0.323	0.211	0.337 e	0.361
2000	0.287	0.264	0.337	0.243	0.352	0.357
2005	0.288	0.297	0.329 c1	0.234	d3 0.359	0.380
2010	0.303	0.286	0.336 c2	0.269	0.351	0.380
2015	0.295	0.293	0.339	0.278	0.360	0.390
2018	0.301	0.289 b	-	0.275	0.366	0.390
Share ratio (S80/S20)						
1985	-	3.5	5.0	2.7	d1 4.8	-
1990	-	3.6	-	2.9	d2 6.2	-
1995	4.1 a	3.9	5.7	2.9	5.4 e	6.9
2000	4.2	3.9	6.3	3.4	5.9	6.9
2005	4.2	4.2	6.0 c1	3.3	d3 6.1	7.8
2010	4.5	4.3	6.2 c2	4.0	5.9	7.9
2015	4.4	4.5	6.2	4.2	6.1	8.3
2018	4.6	4.5 b	-	4.1	6.5	8.4

Note 1: New definition below dotted line.

Note 2: a 1996, b 2017, c1 2006, c2 2009, d1 1983, d2 1991, d3 2004, e 1994.

Source: OECD Income Distribution Database 2021

Table 2 shows the Gini coefficients and relative poverty rates (Note 3) for the total population as well as for the elderly in 14 countries in 2018 (2015 for Japan). In many countries, the relative poverty rate of the 66-75 population is lower than that of the total population. However, this is not the case in Australia, Japan, the UK, and the USA. The relative poverty rate of the 76 + population is higher than that of the 66-75 population in every country except Italy.

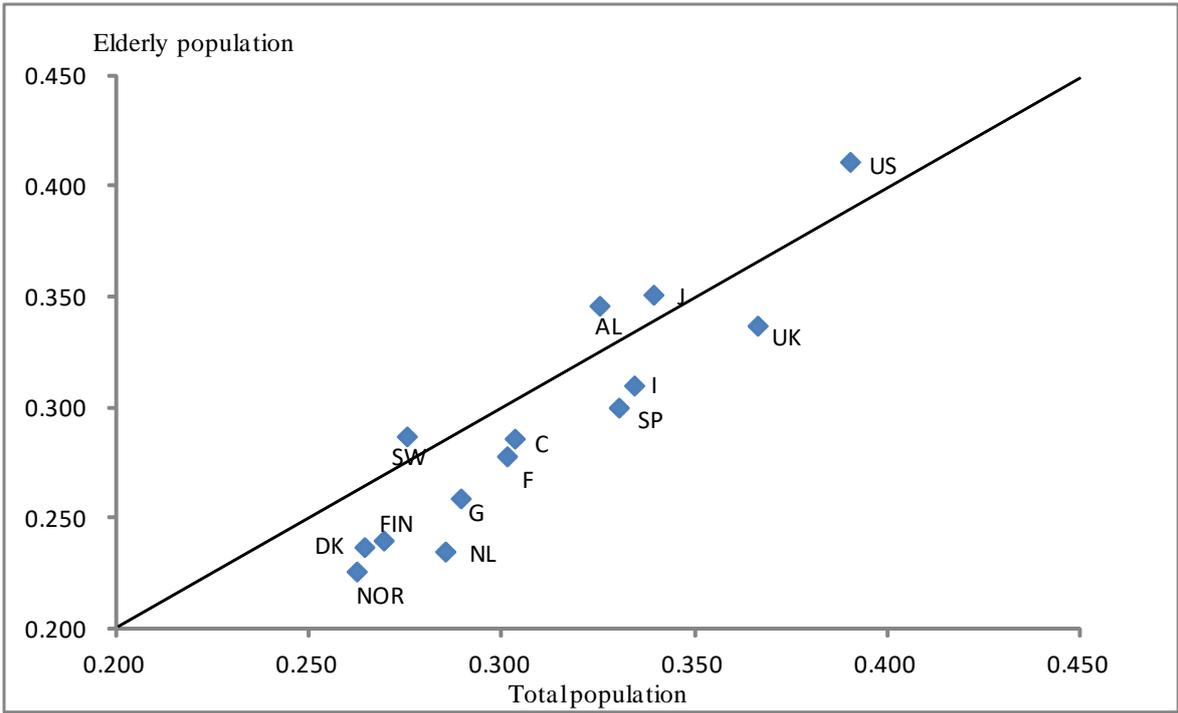
Figure 1 plots the Gini coefficient of the total population on the X-axis and the Gini coefficient of the elderly on the Y-axis for 14 countries. Denmark, Finland, and Norway are equal societies in terms of income distribution with low Gini coefficients for both the total population and the elderly. Japan, the UK, and especially the USA are located in the opposite direction. In many countries, the Gini coefficient of the elderly is lower than that of the total population. However, this is not the case in Sweden, Australia, Japan, and the USA as seen in Figure 1, implying that an old-age pension does not function well in eliminating poverty at old age in these countries.

The share ratio (S80/S20) of the total population also shows that income is more evenly distributed in Denmark, Finland, and Norway, and unevenly distributed in Italy, the UK, and the USA (Table 2). As seen in Table 1, The Japanese share ratio was high in the 1980s and the situation has not been corrected today with a rather high share ratio among 14 countries.

Table 2 Unequality indices for the total population and the elderly in 14 countries: 2018

	Gini coefficient		Relative poverty rate (%)			Total population	
	Total population	65+ pop.	Total population	66-75	76+	S80/S20	Poverty gap (%)
Australia	0.325	0.346	12.4	21.6	27.1	5.4	29.7
Canada	0.303	0.286	11.8	10.7	13.9	5.3	29.8
Denmark	0.264	0.237	6.1	2.0	4.5	4.0	29.4
Finland	0.269	0.240	6.5	4.3	11.3	4.1	21.2
France	0.301	0.278	8.5	3.9	4.5	4.8	24.2
Germany	0.289	0.259	10.4	8.9	10.9	4.7	25.1
Italy	0.334	0.310	13.9	9.7	9.8	6.6	40.4
Japan	0.339	0.351	15.7	16.7	22.9	6.2	33.7
Netherlands	0.285	0.235	8.3	2.0	4.9	4.6	31.6
Norway	0.262	0.226	8.4	2.5	7.2	4.4	33.7
Spain	0.330	0.300	14.2	9.2	11.3	6.1	36.6
Sweden	0.275	0.287	8.9	7.9	15.3	4.1	23.0
UK	0.366	0.337	11.7	12.9	17.8	6.7	36.8
USA	0.390	0.411	17.8	19.7	28.3	8.2	38.8

Note: Poverty gap shows the average equivalised disposable income of those who are below poverty line compared to poverty line.
 Source: OECD Income Distribution Database 2021, OECD Social Expenditure Database 2021.



Note : AL= Australia, C= Canada, DK= Denmark, FIN= Finland, F= France, G= Germany, I= Italy, J= Japan, NL= Netherlands, NOR= Norway, SP= Spain, SW = Sweden, US= USA.

Source: Table 2

Figure 1 Gini coefficients of the total population and the elderly in 14 countries: Disposable income, 2018

2.2 The 18-64 population

Concerning the 18-64 population, the Japanese Gini coefficient of the market income is in the middle among 14 countries, but the Japanese Gini coefficient of the disposable income is high next to the USA, the

UK, and Italy (Table 3). The situation is almost the same, if we use the relative poverty rate instead of the Gini coefficient.

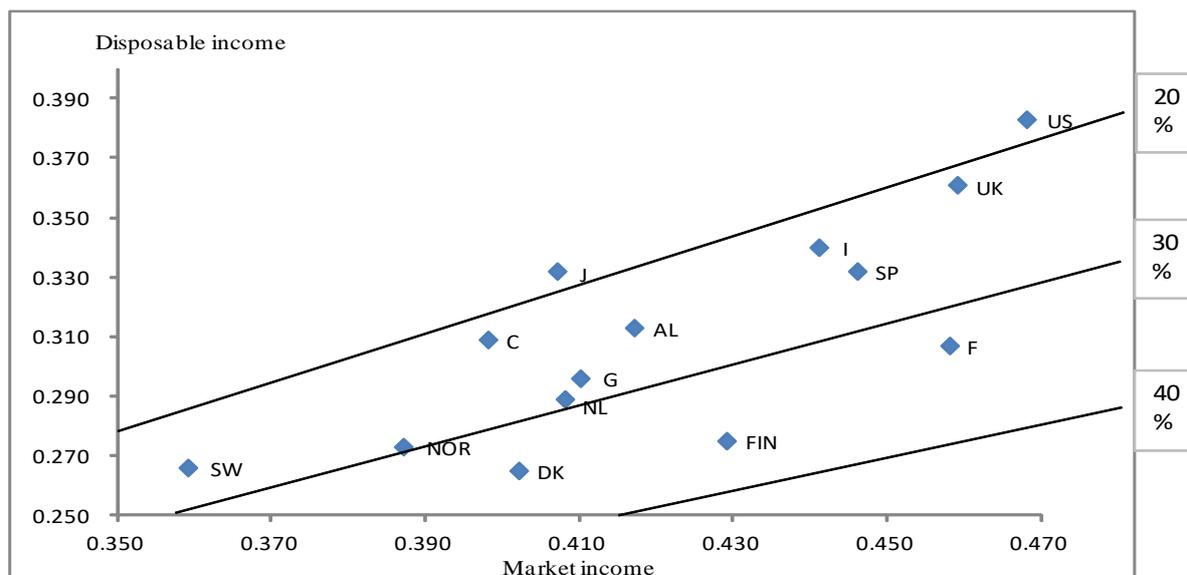
Table 3 Unequality indices for the 18-64 and the 0-17 populations in 14 countries: 2017/2018

	The 18-64 population				The 0-17 population		
	Gini coefficient		Relative poverty rate (%)		Relative poverty rate (%)		
	Market income	Disposable income	Market income	Disposable income	Total	Single-parent household	Parent's household
Australia	0.417	0.313	17.4	9.6	13.3	36.7	8.4
Canada	0.398	0.309	18.9	11.8	11.8	41.1	8.4
Denmark	0.402	0.265	17.7	7.5	4.7	8.2	2.7
Finland	0.429	0.275	22.0	7.2	3.5	12.5	2.2
France	0.458	0.307	25.5	8.6	11.7	25.9	6.0
Germany	0.410	0.296	18.5	10.2	11.3	29.6	7.7
Italy	0.441	0.340	21.4	14.0	18.7	37.0	15.0
Japan a	0.407	0.332	18.4	13.6	13.9	50.8	10.7
Netherlands b	0.408	0.289	19.8	8.8	10.9	29.5	6.3
Norway	0.387	0.273	18.4	9.6	8.1	23.1	4.4
Spain	0.446	0.332	24.7	13.8	19.3	40.2	19.0
Sweden	0.359	0.266	13.6	8.2	9.0	26.3	5.2
UK	0.459	0.361	19.3	10.6	12.4	25.9	9.5
USA	0.468	0.383	19.8	15.4	21.2	45.7	14.9

a: 2015, b: 2016

Source: OECD Income Distribution Database 2021.

Figure 2 plots the Gini coefficient of the market income on the X-axis and the Gini coefficient of disposable income on the Y-axis for the 18-64 population in 14 countries. The percentage shown on the right end indicates an improvement rate of the Gini coefficient of the disposable income from that of the market income. Figure 2 implies that an income redistribution policy through taxes and social security systems for the working-age population does not function well in the USA and Japan with an improvement rate of the Gini coefficient less than 20%. The improvement rate is more than 30% in Denmark, Finland and France.



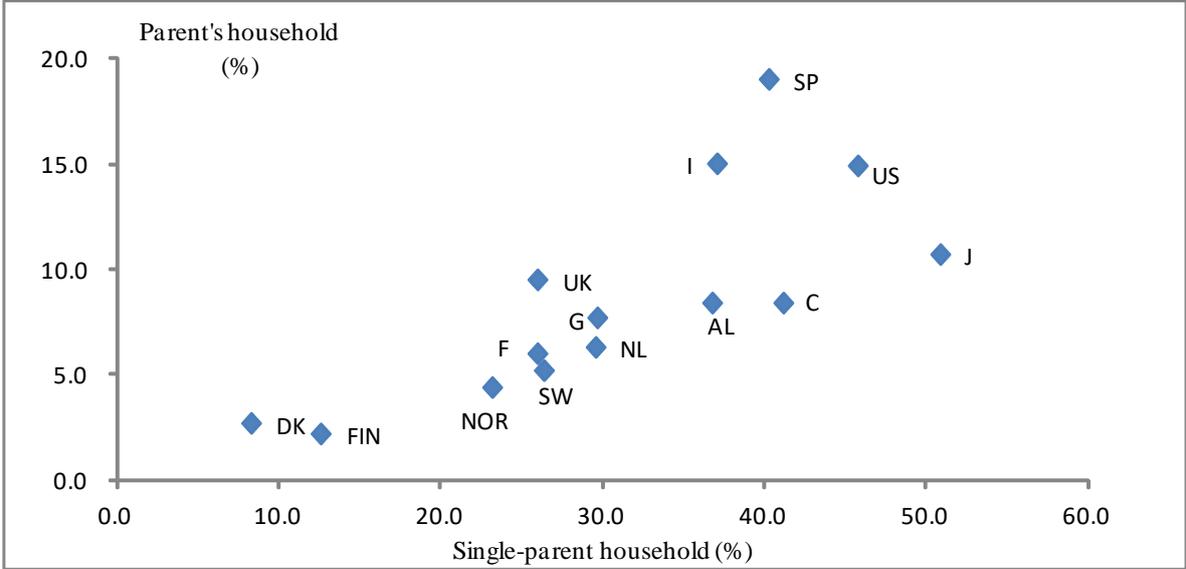
Note : AL= Australia, C= Canada, DK= Denmark, FIN= Finland, F= France, G= Germany, I= Italy, J= Japan, NL= Netherlands, NOR= Norway, SP= Spain, SW = Sweden, US= USA.

Source: Table 3

Figure 2 Gini coefficients of the market income and disposable income for the 18-64 population in 14 countries: 2018

2.3 The 0-17 population

In many countries, the relative poverty rate of the total population is lower than that of the 0-17 population (Tables 2 and 3). However, in Denmark, Finland, Japan, and the UK, the latter is clearly lower than the former. Concerning the relative poverty rate of the 0-17 population, Figure 3 plots the children living in a single-parent household on the X-axis and children living in the parent’s household on the Y-axis. The relative poverty rate for those children who live in a single-parent household is quite high in Japan (51%) and the USA (46%), and very low in Denmark (8%).



Source: Table 3
 Figure 3 Relative poverty rate of the 0-17 population living in a single-parent household and parent's household in 14 countries: 2017/18

3 The weakness of the safety net in Japan

Based on the OECD Social Expenditure Database, Table 4 shows social expenditure as a percentage of GDP in 14 countries. Social expenditure (Note 4) consists of two parts: Public through public systems and Private through private arrangements. While social expenditure (Public) as a percentage of GDP has generally declined in OECD countries over the past ten years, France remains the country which is the most generous in terms of its social benefits. In 2019, 31% of the French GDP was spent on social services by the government. Finland and Denmark boasts the next highest spending rate at 29%. Germany, Italy, Norway and Sweden spent more than 25%.

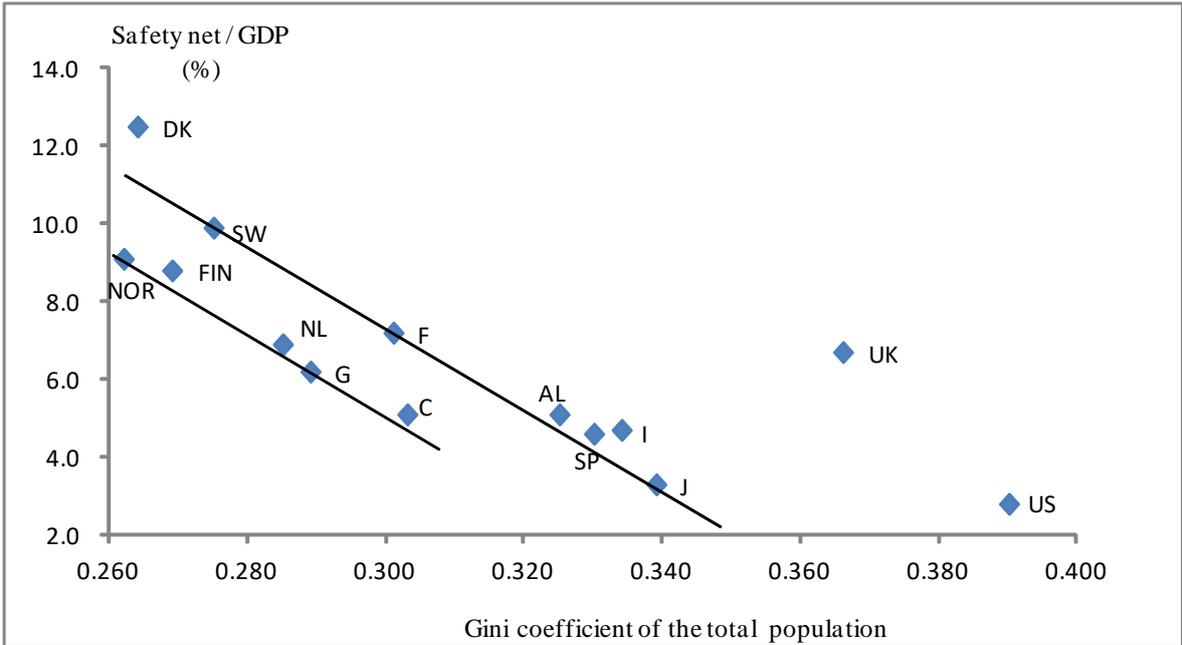
In some countries such as the Netherlands and the USA, private expenditure is important in the fields of old-age pension and health insurance. According to Table 4, social expenditure (Public + Private) as a percentage of the GDP is the smallest in Australia (23.3%), followed by Canada (25.1%), Japan and Spain (25.2%), and social expenditure is more than 30% of the GDP in Denmark, Finland, France, the Netherlands, and the USA.

Table 4 Social expenditure / GDP in 14 countries: 2017

	Social expenditure / GDP (%)				Per capita GDP (1,000 US\$, ppp)
	Public		Private	Public + Private	
	Total	Safety Net			
Australia	16.7	5.1	6.6	23.3	51.3
Canada	18.0	5.1	7.1	25.1	48.6
Denmark	29.2	12.5	3.8	33.0	55.1
Finland	29.6	8.8	1.3	30.9	47.5
France	31.5	7.2	3.6	35.1	44.8
Germany	25.4	6.2	3.6	29.0	53.0
Italy	27.6	4.7	1.9	29.5	41.8
Japan	22.3	3.3	2.9	25.2	40.9
Netherlands	16.6	6.9	13.5	30.1	55.3
Norway	25.2	9.1	2.6	27.8	62.9
Spain	23.9	4.6	1.3	25.2	39.6
Sweden	26.0	9.9	3.8	29.8	52.7
UK	20.5	6.7	6.4	26.9	46.0
USA	18.4	2.8	12.5	30.9	60.1

Source: OECD Social Expenditure Database 2021.

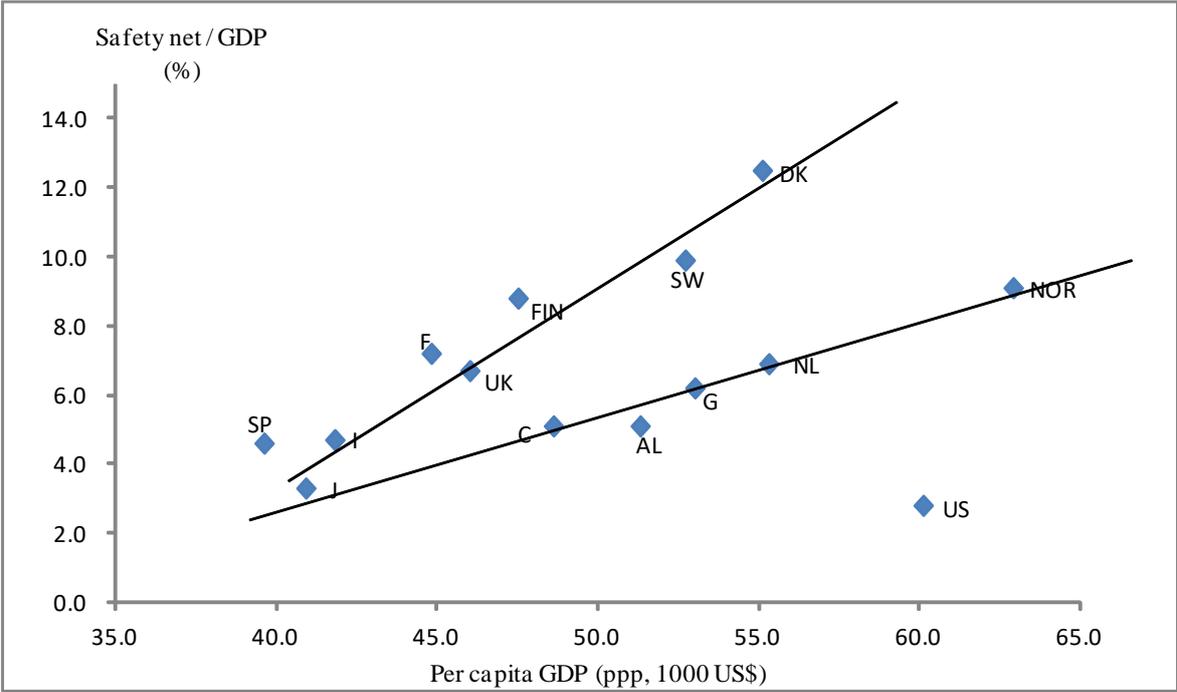
We defined safety net expenditure in a narrow sense as the sum of Incapacity related, Family, Active labor market programs, Housing, and Other social policy areas in public systems (Note 5). Figure 4 plots the Gini coefficient of the total population on the X-axis and the safety net as percentage of the GDP on the Y-axis for 14 countries. This figure shows a tendency that the Gini coefficient of the total population decreases as the safety net as a percentage of GDP increases. The Japanese safety net is quite small next to the USA and Japan belongs to high-income inequality countries. The safety net of the UK is similar to that of Germany, but income distribution is much worse in the UK.



Source: Table 2 and Table 4

Figure 4 Gini coefficient of the total population (2018) and safety net / GDP (2017) in 14 countries

Figure 5 plots the per capita GDP (purchasing power parity, 1,000 US\$) on the X-axis and the safety net as a percentage of GDP on the Y-axis for 14 countries. From this figure, we can observe two lines: one is connecting Italy, the UK, and Denmark (Japan, Spain, France, Finland, and Sweden are located near this line) and the other is connecting Japan, Canada, Germany, the Netherlands, and Norway (Australia is located near this line). These two lines have different gradients with respect to the per capita GDP increase. The USA is apart from these two lines. As the Japanese per capita GDP is low, we have to wait to see which path Japan will take in future years.



Note : AL= Australia, C= Canada, DK= Denmark, FIN= Finland, F= France, G= Germany, I= Italy, J= Japan, NL= Netherlands, NOR= Norway, SP= Spain, SW= Sweden, US= USA.

Source: Table 4

Figure 5 Per capita GDP and safety net / GDP in 14 countries: 2017

4 Discussions

Today, the richest 10 per cent of the population in the OECD area earns 9.5 times the income of the poorest 10 per cent; in the 1980s, this ratio stood at 7:1 and has been rising continuously ever since (Cingano, 2014). This long-term trend increase in income inequality has curbed economic growth significantly. While the overall increase in income inequality is also driven by the very rich 1% pulling away, what matters most for growth are families with lower incomes, not just the poorest income decile but the bottom 40% of income earners, slipping behind (OECD, 2014). To tackle inequality and promote opportunities for all, OECD countries should adopt a comprehensive policy package, centered around four main areas: Promoting greater participation of women into the labour market; fostering employment opportunities and good quality jobs; strengthening quality education and skills development and adaptation during the working life; and a better design of tax and benefits systems for efficient redistribution (OECD, 2015). In Japan, this would include initiatives such as:

- Expand the social protection coverage of non-regular workers by workplace-based social insurance systems, notably by improving compliance and by extension to part-time work with actual hours close to full-time hours;

- Promote training opportunities for non-regular workers to enhance the transition to regular employment, and step-up plans to create a Japanese national vocational qualification system;
- Strengthen in-work benefits and fiscal measures that increase work incentives, especially for second earners;
- Increase the availability of affordable child care and develop measures to encourage a better work and family balance such as promoting fathers to take paternity leave, and to increase female labor force participation; and
- Consider introducing an earned-income tax credit for low-wage workers (OECD, 2015).

Fukawa and Oshio (2007) overviewed the long-term trend in income inequality in Japan during the 1980s and 1990s based on the micro data from the Surveys on Income Redistribution and concluded the following three points:

- First, the widening disparity in market income for the working-age population has been a driving force for rising income inequality for the overall society, while population aging has added to its uptrend. This pattern has become more evident in the 1990s, during which income growth has slowed substantially under the post-“bubble” economic slowdown.
- Second, wide income inequality for the aged population reflects high rates of co-residency and labor force participation among the elderly. This uniqueness to the Japanese elderly explains the fact that population aging has led to a rise in overall inequality measures.
- Third, the current scheme of redistribution policies is less effective in reducing income inequality compared to other OECD countries. This leaves the distribution of disposable income relatively uneven. Especially, limited progressiveness of social security contributions has failed to mitigate a rise in income inequality for the working-age population.

Growing market income inequality of the working-age population and the weakened function of income redistribution through taxes and social security systems are considered to be major reasons for Japan’s inequality in disposable income. According to the Japanese national statistics, there was some reduction in income inequality during the 2010s (Note 6). However, there exists such perception that inequality is expanding in Japan. Furthermore, through factors such as educational environment, population aging and the development of AI, inequality can become entrenched over generations towards a stratified society (Morinobu, 2021).

It is well established that earnings and income inequality have increased sharply in the United States since the late 1970s, but the explanations for the increase remain a matter of debate, and no single explanation seems to be able to account for most of the growth in inequality (Hoffmann, Lee, and Lemieux, 2020). Although education only accounts for a modest fraction of the level of earnings dispersion, education accounts for over half of the growth in US labor and capital income inequality (Hoffmann, Lee, and Lemieux, 2020). The situation in Germany has not significantly improved since the 1960s, and income inequality remains much the same as it was several decades ago (Lee, 2021). Therefore, the German government has thus far failed to reduce income inequality by large margins (Lee, 2021). OECD figures suggest that the UK has among the highest levels of income inequality in the European Union (as measured by the Gini coefficient), but data published by Eurostat gives a more positive picture, indicating income inequality in the UK is lower than in several other EU countries although it is slightly higher than the EU average (Francis-Devine, 2020). Unlike the United States, income disparities linked to education are not a major factor in the rise in inequality in Europe, with the exception of Germany, where education can account for a substantial, though much smaller, part of the rise in income inequality (Hoffmann, Lee, and Lemieux, 2020).

Based on the latest OECD Income Distribution Database, we reaffirmed that Japan belongs to the most

unequal country group. Measuring either by the Gini coefficient or the relative poverty rate, welfare states in Northern Europe realize the most equal society, Continental Europe such as Germany and France follow, and Japan lags behind most European countries although less bad than the UK or the USA. Among 14 countries, we found the following points as features of income inequality in Japan:

- In many countries, income distribution is more even among the elderly than the total population, but this is not the case in Japan;
- Redistribution policy through taxes and social security systems for the working-age population may not function well;
- The relative poverty rate of those children who live in a one-parent household is more than 50%, the highest in 14 countries;
- Low-income households have been left behind for a long time; and
- The Japanese safety net is too weak and requires immediate improvement.

In many countries, the income inequality of the elderly is smaller than that of the total population. However, this is not the case in some countries including Japan, suggesting that preventing poverty through old-age pension may not working well in those countries. High income inequality among the elderly in Japan is partly explained by a high labor participation rate of the elderly. Nevertheless, as pension benefits as a percentage of the GDP are not small in Japan, pension benefits may be less distributive as desired and leave many low-income beneficiaries behind.

The high unemployment rate is considered to lead to high income inequality of the market income for the working-age population in Europe. The increasing share of non-regular workers is also related to rising income inequality among the working-age population. Their share in employment increased from 20% in 1990 to 38% in 2019 in Japan. More than 60% of non-regular workers are women, because the tax / benefit system creates disincentives for dependent spouses to increase earnings in order to avoid paying income tax in Japan. An important policy measure would be to facilitate the move of irregular workers into regular jobs, and if more women were transitioned into more permanent positions, it would reduce both gender inequality and overall income inequality (Aizawa et al., 2017). In many European countries, income redistribution policies for the working-age population are available on both the benefit side (such as family benefits for child-rearing households, welfare benefits for low-income households, etc.) and the contribution side (such as tax relief for child-rearing households as well as low-income households). However, such policies are insufficient in Japan to make the disposable income of the working-age population as evenly distributed as their market income. As symbolized by the existence of the working poor and hardships of single mothers, the Japanese income redistribution policy through taxes and social security systems for the working-age population does not function well.

In many European countries, the relative poverty rate of the 0-17 population is higher than that of the total population, although households with children are usually treated favorably on both the contribution side and the benefit side. This fact implies that employment policy concerning young unemployed and single mother households is important. In Japan, family benefits as a percentage of GDP (including tax benefits) are less than half compared to that in France, the UK, and Sweden. Nevertheless, the relative poverty rate of the 0-17 population is lower than that of the total population in Japan. However, the relative poverty rate for those children who live in a single-parent household is quite high in Japan (51%), the worst among developed countries.

In view of resources not catching up with benefits in Japan, Fukawa (2016) analyzed various measures to support low-income families using the micro-data of the Basic Household Survey 2010, and found the following points:

- The policy of first increasing social security contributions across-the-board, then reducing social security

contributions of low-income households was positive for social insurance finance, and still contributed to reducing income inequality.

- The policy of first increasing income tax across-the-board, then providing a refundable tax credit reduced the Gini coefficient of the total households remarkably.

- A combination of these two policies was quite attractive, showing remarkable improvement in the Gini coefficient with a small policy cost.

Effective measures to support low-income families are quite important to mitigate income inequality and to overcome low fertility in Japan.

The Japanese redistribution policy used to put emphasis on employment security and social insurance through employers, and poor relief remained in a marginal position (Moriguchi, 2017). Income inequality in Japan has been rising continuously through the 1980s and 1990s due to a proceeding of malfunction within existing systems with a steady expansion of those who are unable to receive benefits from them. In the 2000s, Japanese income distribution has shifted downwards (Oshio and Urakawa, 2008). Benefits on healthcare, pension and long-term care have increased inevitably in accordance with population aging, but improvement of the safety net has been left behind until today. Consequently, Japanese social expenditure per GDP is small against the high aging rate, and social infrastructure to secure healthy and safe living of the population is not enough. The impact of social spending on inequality and poverty is weak compared to other OECD countries and inadequate to offset the deterioration in the market income in Japan (Jones, 2007). In fact, Japanese social expenditure (public + private), 25% of GDP, is far smaller than that of Germany (29%), Sweden (30%), and the USA (31%). Moreover, income inequality increases as the safety net decreases as seen in Figure 4, and Japan belongs to such a country group where the safety net is small and income inequality is high. Income inequality in Japan has already reached to an unacceptable level, and the first step towards correction of income inequality is certainly expansion of social expenditure towards low-income households.

Social assistance is regarded as the last resort in developed countries. The percentage of those who actually receive social assistance is 1.6% of the total population in Japan, and this is quite low among developed countries. The low take-up rate of Japanese social assistance is a typical example of the Japanese unreliable safety net. Neubourg C. et al. (2007) summarized features of the European social assistance systems as follows:

-The percentage of the population actually receiving social assistance is low in most countries;

-The average duration of social assistance benefits is long;

-Many ex-beneficiaries of social assistance programs re-enter the programs after some time; and

-Many countries are pressed to reform the social assistance systems due to changes in the political discourse, demographic changes and changes in economic factors.

Although access to assistance is important for low-income families, the amount of assistance received is also crucial. With limited budgets, we face decisions about whether to provide larger benefit amounts to fewer people or smaller benefit amounts to more people.

As seen in Table 4, the US public social expenditure is less generous, and we saw sharp differences in approaching the collapse in business activity through the COVID-19 pandemic: in Europe, wage support programs have been triggered to keep millions on the job; in the US, more than 33.5 million people have applied for jobless benefits and the unemployment rate has soared to 14.7% (LA Times, 2020). People generally agree that income inequality is too high in Britain, and the perception that the poorest have been hit hardest by the COVID-19 crisis has relatively universal support (King's College, 2021). The need for solutions or a desire for fundamental change has not been triggered by the COVID-19 in the UK.

The COVID-19 pandemic has exacerbated existing inequalities and brought to the fore other

inequalities that were perhaps less of a concern prior to the pandemic, and without a well-thought-out policy response, the post-COVID world could see inequalities worsening further (Blundell et al., 2020). There are opportunities too though, with more people having experienced state support, more people working at home, more men engaged in childcare and more focus on ethnic and educational inequalities, there could alter the political economy which, in the end, underlies all policymaking, perhaps fostering a desire to establish a more resilient economy that generates a fairer system of rewards (Blundell et al., 2020). The COVID-19 pandemic has exposed deep-seated inequalities and significant gaps in social protection coverage, comprehensiveness and adequacy across all countries, and although many countries face significant fiscal constraints nearly all countries, irrespective of their level of development, have a choice: whether to pursue a “high-road” strategy of investing in reinforcing their social protection systems or a “low-road” strategy of minimalist provision, succumbing to fiscal or political pressures (ILO, 2021).

Reversing the upward trend in inequality and poverty requires reforms to reduce labour market dualism and better target social spending on low-income households, particularly single parents in Japan (Jones, 2007). In order to reduce income inequality, social expenditure needs to be expanded and the safety net needs to be repaired in Japan. Apparently, Japan is coping with aging in its own way, but in reality, issues are simply not clarified due to the lack of such a force which points out issues and urges solutions. Waiting lists of children for nursery school, increasing income inequality, job-quitting due to parent care, the chain of poverty from parent to child, concern about the sustainability of social security, all these issues are there unsolved for many years. Difficulties of children living in single-parent households and hardships of low-income households remain unsolved for many years. Japan belongs to such a country group where per capita GDP and the safety net are the smallest among 14 countries, because Japan does not solve problems existing there.

As already discussed, Japan is inferior to most developed countries in coping with income inequality, and such issues as poverty of children in single-parent households and the unreliable safety net are especially serious requiring immediate policy response. Reducing income inequality is a common policy issue for every country. Although labor earnings used to be the main source of growth in top incomes, with the labor share falling and the continuing accumulation of wealth at the very top of the distribution, recent research has suggested that non-labor income has been playing an increasingly important role in inequality growth at the top (Hoffmann, Lee, and Lemieux, 2020). Oxfam (2020) claimed that economic inequality (the world’s billionaires, only 2,153 people, had more wealth than 4.6 billion people in 2019) is out of control, and the present economic system, which allows an endless pursuit of profit and wealth by the privileged few at the sacrifice of essential daily tasks for the wellbeing of societies, has to be changed.

5 Conclusions

Japan realized a middle-class society through high economic growth after World War II. However, Japan has unintentionally transformed into an unequal society, leaving low-income households left behind for a long time. The relative poverty rate of children in single-parent households is greater than 50%, which has been the worst among developed countries for many years. Today, the Japanese safety net is quite unreliable, and a more equal society should be pursued with a clear intention in order to increase the well-being of the Japanese people.

(Note 1) The take-up rate is the percentage of those who are actually receiving the benefit among those who are eligible to receive the benefit.

(Note 2) The share ratio (S80/S20) measures the share of equalised disposable income of the top quintile

relative to that of the bottom quintile.

(Note 3) The relative poverty rate is the percentage of those whose equalised disposable income is less than 50 % of the medium (poverty line).

(Note 4) According to OECD Social Expenditure Database, social expenditure is composed of 7 policy areas: benefits for the elderly (pension, LTC, etc.), benefits for survivors, benefits for the disabled, benefits for health (mainly medical expenditure), family benefits, active labor policy benefits, unemployment benefits, housing benefits for low-income households, and the other welfare benefits including public assistance.

(Note 5) Unemployment benefit is a typical safety net benefit. However, we eliminate it from our safety net expenditure in order to avoid ambiguity in interpreting the results.

(Note 6) The relative poverty rate of the total population based on equalised disposable income was 16.1% in 2012, 15.7% in 2015, and 15.4% in 2018, according to the Basic Household Survey of the Ministry of Health, Labour and Welfare.

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Tetsuo Fukawa (Institution for Future Welfare, Tokyo; Visiting Prof. of Hitotsubashi University)