The impact of social policy on the restructuring of central-local relations Focusing on public assistance and medical insurance

Takayuki Hirosawa*

Introduction

The 1980s was a period when countries sought to restructure their central-local relations. This led to the questioning of centralized governance, which had been considered efficient until the early 1970s, and to the search for reforms in the structure of governance, with an emphasis on local autonomy.

In the 1980s, however, Japan, unlike other countries, began to reorganize its central-local relations in a way that strengthened state control. How did this phenomenon emerge in Japan in the late 1970s and early 1980s, when the concentration of the population in the metropolitan areas of Tokyo and Osaka that had been seen during the period of high economic growth had ceased and the regions were said to be gaining economic strength? Furthermore, before the reorganization of administrative organizations under the banner of

*福岡大学法学部教授

decentralization in the late 1990s, why was there a move toward centralization at this time?

In order to answer this question, it is essential to consider the impact of the shift in social policy in 1980s Japan on central-local relations. The change in social policy, which was not a major political issue at the time, had major implications for the restructuring of central-regional relations. This paper examines this issue, focusing on the characteristics of Japan's social security system and its relationship to the longstanding LDP-dominated system. I would like to examine why social policy, which had not been emphasized under the LDP system of governance, became more important during this period, focusing mainly on public assistance and medical insurance issues.

1 Factors surrounding the reorganization of central regional relations in the 1980s

The 1980s were a period when centralized relations were revisited in various countries of the world, especially when decentralization was promoted. Two factors are generally emphasized. The first factor was that the global economic crisis of the 1970s has begun to undermine the economic growth path that has been based on strong centralized power. The financial crisis has made it difficult for the central government to actively invest in low-income areas to strengthen the foundation of the administration. This situation was not only seen in developed countries, but also led to the collapse of the dictatorial political system in South Korea and the Philippines among the rapidly growing Asian countries.

The second factor was the call for participatory democracy influenced by new social movements since the 1970s, symbolized by environmental pro-

tection movements and rising feminism. This move was also related to the attempt to make various policy-making situations within the government as close as possible in the context of globalization and regional integration symbolized by European integration. The direction was to deepen democracy by making actors other than conventional nation-states, such as regional communities such as the European Union and state governments constituting federal states, responsible for various policy-making processes.

The decentralization reform promoted by the French Mitterrand administration in the 1980s represented this trend. This decentralization reform, which took place in France, which was a typical centralized state, aimed to deepen democratic politics by greatly reviewing the guardianship of the state and increasing the autonomy of local governments. It is said that this decentralization reform in the 1980s in France could not significantly shake the structure of elite bureaucratic rule, despite the major reorganization of the governing administrative structure, and did not correct the regional disparities. However, the revival of regional languages and the consideration of ethnic minorities, which became prominent after this period, can be explained by these political developments. And there is no doubt that these reforms have made a significant contribution to the decentralization drive in many countries.

Against this, the review of Japan's central regional relations in the 1980s will be sought from a completely different perspective. It was not until the latter half of the 1990s that the governing administrative structure was reviewed in Japan from the perspective of decentralization. It was due to the collapse of the LDP control system after 1993 and the reorganization of the party system. In 1994, the LDP returned to power in partnership with the

JSP, but with coalition governments becoming the norm, the conventional structure of governance was severely disrupted and there were major calls for decentralization. The 1980s was a time when the LDP rule was reconstructed, and although decentralization was called for as a political slogan, the direction of centralization was actually planned. An important factor at that time was the strengthening of the authority of the central government to local governments by reviewing the institutional operation of social policy.

It first aimed to mitigate the national financial crisis by shifting the financial burden of increasing social security spending from the central government to local governments. Second, it aimed to contain and overthrow the social policies of local governments that were critical of the LDP administration by modifying the operation of the social security system rather than radically reforming it.

2 Political situation surrounding Japan's social policy from the late 1970s to the early 1980s

To explain the shift in social policy in the 1980s, it is necessary to first consider the political situation in Japan in the late 1970s and early 1980s.

Until the early 1970s, the LDP control system was supported by the solid ground built in rural areas. It was formed by investing the abundant financial resources generated by the high economic growth into rural areas in various ways. These policies, also described as spatial Keynesian policies(1), have helped to reduce the widening of income disparities between regions and have contributed to an overall increase in national income. During this period, population migration from rural areas to metropolitan areas occurred, but the constituencies of members of the House of Representatives did not

change, and there were many members in rural areas in proportion to the population. This was a major factor in LDP's continued rural-focused policy.

However, such a policy that emphasizes rural areas has led to a decline in the approval rating of LDP in metropolitan areas, and from the end of the 1960s to the 1970s, many leaders supported by opposition parties such as JSP and JCP were born one after another in metropolitan areas. These areas are called innovative local governments, and have come to dominate about half of Japan's population, especially in metropolitan areas. Among the policies set by the innovative local government, the major difference from the LDP policy was social policy. The LDP control system established in 1955 did not aim to build a welfare state like European countries, but tried to promote economic growth by the competitiveness of companies. Therefore, under the LDP system, the tax burden on companies was reduced and the area of social policy was minimized. Many innovative local governments have gained widespread public support, criticizing the lack of such social policies in the LDP regime and insisting on active social policies in the region.

The LDP, which felt a sense of crisis about the expansion of innovative local governments, changed its policy and announced a policy of actively working on social policy. The Tanaka government, which came to power in 1972, built up significant political power by means of aggressive public investment in rural areas declared the following year 1973, as the "first year of welfare," and pledged to improve the pension system and expand the medical system for the elderly. However, this 1973 was just the year when the growth of the world economy began to slow down due to the oil crisis, and Japan's high economic growth will come to an end, making it difficult to secure financial resources for welfare expansion. Moreover, the LDP administration,

which had been hit by a decline in approval ratings in the latter half of the 1970s, rebuilt its support base through public works projects by issuing a large amount of deficit-financing bonds, which exacerbated the budget deficit problem.

A tax increase was indispensable for fiscal consolidation. However, tax increases have been avoided within the LDP, which believed that mentioning the possibility of tax increases was the cause of the ruling party's defeat in the 1979 House of Representatives elections. If it was difficult to raise taxes and raise social insurance premiums, the policy goal of expanding social policy would have changed, but the slogan of emphasizing welfare was not easily changed. The "Japanese-style welfare society theory" was conceived within the LDP as a policy system that realizes the importance of welfare policy in a situation where social expenditure cannot be expanded.

This "Japanese-style welfare society theory" will utilize the Japanese workplace order that fully includes workers in the company and realize long-term employment and the high rate of living with elderly children's households in social policy. Of course, many questions were raised about the feasibility of the acrobatic policy proposal of providing a full range of welfare services while reducing such social spending. However, despite many criticisms from the area in charge of social policy, this "Japanese-style welfare society theory" gained a certain amount of support as a political slogan and contributed to the recovery of the approval rating of LDP. The "Japanese-style welfare society theory" by the LDP, which was presented in 1979, simply reconstructed the "male breadwinner-centered model" and intended a conservative reorganization of social policy.

These social policies tried in Japan in the 1980s differed not only from

the non-commodification model in the welfare state of Scandinavia, but also from the social service market model promoted in the United States and the United Kingdom in the 1980s. It was a policy based on a conservative idealism that tried to entrust all the handling of social problems to the private space of the family. Based on these policies, various policies such as tax deductions for full-time housewives were implemented one after another in the 1980s. The conservative reorganization of social policy, in the context of the recovery of LDP approval ratings, proceeded without much political resistance, which led to the reorganization of central and regional relations over social policy. The reason why this restructuring of the "male breadwinner-centered model" has proceeded without significant political resistance is the pride that Japanese corporate management styles and employment practices were among the first to succeed in overcoming the economic crisis in the global recession following the oil crisis.

3 Transformation of social policy and reorganization of central and regional relations, focusing on public assistance issues

A typical example of the relationship between the reorganization of central regional relations and social policy in Japan in the 1980s was the issue of reducing the national burden ratio of public assistance. In order to understand why the issue of the national burden ratio of public assistance becomes a big political issue, the institutional framework of public assistance in Japan must be explained.

Public assistance in Japan was reorganized under the direction of its executive GHQ when it was under the occupation of the Allied Powers, centered on the United States, after World War II. Prior to World War II, Japan's

public assistance was a beneficial measure taken by local governments, the purpose of which was to contribute to security and public health. GHQ considered that the center of social policy reform in Japan was the modification of this public assistance system, and even before the promulgation of the new constitution, it envisioned a public assistance system based on the right to life stipulated in the constitution. In the new public assistance system after World War II, minimum livelihood security was not a beneficial system with local governments as the bearers, but a national responsibility to make the right to life provision effective.

However, with the purpose of restraining the local government, which is actually responsible for the operation of the public assistance system, from expanding the scope of assistance, the burden of assistance costs was stipulated to be 80% for the national government and 20% for the local government. In practice, however, the post-war tax reforms covered almost all of the local financial burden of public assistance by the state, based on a mechanism introduced to close the gap in financial capacity between regions. Therefore, the local burden of public assistance was not a major political issue, except for some local governments, which are considered to have high financial capacity and are not covered by the state.

Moreover, during the period of rapid economic growth, as employment conditions improved and national incomes generally increased, the rate of receipt of public assistance steadily declined, and the issue of public assistance became less central to social security.

In the 1980s the LDP administration proposed a reform plan to reduce the national burden of public assistance to 70% and raise local governments to 30%. These reforms were aimed directly at shifting the social security bur-

den of a state in financial crisis to local governments, but they also had the following two aims.

The first was to financially damage the innovative local governments that existed in many metropolitan areas. As already explained, local governments in large urban areas were not adequately compensated by the state through the interregional financial adjustment mechanism, and the increase in the share of public assistance borne by local governments caused quite serious financial problems. In addition, the LDP government succeeded in creating a succession of LDP-recommended provincial governors with bureaucratic backgrounds, arguing that local governments in financial crisis as well as the state needed strong links with the central government, rather than innovative local governments with a proactive social policy orientation.

The second aim was to create competition between local governments to reduce public assistance costs, and through this to create a structure in which the central government controlled local governments. The local governments in charge of the practicalities of reducing the cost of public assistance came up with various measures, but as public assistance is essentially a state institution, the details of its operation were within the discretion of the state and subject to its approval. Making full use of this mechanism, from this period onwards, detailed manuals prepared by the central government dominated practice in the operation of public assistance, and the central government exercised authoritarian control over the regions. And the LDP government effectively deprived local governments of discretionary power by making the state's strong supervisory powers over local governments extend to all social policies, not just public assistance.

The question of the share of public assistance between the center and

the regions was subsequently reviewed in the face of strong objections from the regions, and a compromise was reached in the form of 75% for the center and 25% for the regions. However, the structure whereby the central authority, through detailed operational manuals, effectively controlled local government beyond the scope of the institutional arrangements has continued ever since. The slowdown in economic growth, which led to a contraction in areas such as industrial policy, and the substantial strengthening of the central government's powers in the area of social policy, inevitably expanded by the ageing of the population, had a major impact on overall central-local relations during this period.

The problem of public assistance in Japan became increasingly significant in the context of the rapid ageing of the population and changes in the economic structure after this period. This is because, although Japan's social security system is based on social insurance, as discussed below, the pension system for self-employed non-workers and peasants has a low level of benefits, and there is a very high level of public assistance receipt at pensionable age. In particular, since the 1990s, with the removal of restrictions on large commercial facilities and the decline of self-employment, which had supported the local economy, the number of people on low incomes below the public assistance threshold has increased. As public assistance was the only means of addressing the low-income population, the question of how to control the conditions under which the growing number of people applying for public assistance could receive it became a major focus of central-local relations in social policy.

4 Reorganization of the welfare state and central-local relations, focusing on medical insurance issues

Another important aspect of the restructuring of the welfare state and central-local relations in the 1980s was the issue of the medical insurance system. In order to understand the close relationship between the medical insurance system and the restructuring of central-local relations, it is necessary to explain a little about the historical origins of the social security system in Japan.

Most of Japan's social security systems, with the exception of the public assistance system mentioned above, have their origins in the period after 1937, when Japan entered the full-scale war with China and set up a so-called total war system. The situation at this time is typified by the establishment of the Ministry of Health and Welfare in 1938 at the urging of the Army, which felt threatened by the declining physical strength of the soldiers who needed to be mobilized in large numbers. Although a system of medical insurance for urban workers already existed, in order to speed up the establishment of a broader system of medical insurance for the rural areas, which accounted for a large proportion of the population, it was decided to create a national health insurance system, which would be organized on the basis of municipal divisions.

In view of the principles of the public health insurance system, it goes without saying that it is desirable for insurance to organize as many insured persons as possible in a wide area. However, the framework of the medical insurance system based on municipalities, which was hastily formed under the wartime regime, was basically maintained in the post-World War II system reform. The reason for this was the belief that the main part of the medical

insurance system was the occupational health insurance system and that the municipal national health insurance system was only a residual system. Moreover, the main purpose of the municipal national health insurance system was to prevent, as far as possible, the situation in which long-term treatment for tuberculosis could lead to receipt of public assistance at the municipal level.

The general increase in national income and the sharp decline in the number of tuberculosis cases due to high economic growth have prevented the structural problems of the national health insurance system from becoming apparent. However, the slowdown in the growth of national income and the ageing of the population since the late 1970s have made the financial situation of the national health insurance system very serious. The transfer of financial resources from the health insurance system to the national health insurance system was necessary to address the structural problem of high medical expenditure by retirees who were transferred from the occupational insurance system to the municipal-based national health insurance system.

A health insurance system that excludes workers with high incomes in stable employment should be fundamentally a tax-financed system, like the NHS in the UK. However, Japan's national health insurance system operates under a complex funding structure of premiums from members, inputs from taxation and transfers from occupational insurance, and has been placed under strong state supervision, despite being a municipal system. Japan's universal health insurance system, which provided medical insurance for the whole population by means of a dual system of occupational and regional insurance, was a major institutional contradiction.

In the 1980s, the LDP government tried to use these structural problems

of the national health insurance system for central control of local governments. In other words, the LDP attacked the well-developed system of health care for the elderly promoted by many innovative municipalities in the 1970s as the main cause of the national health insurance deficit, and argued that local financial reconstruction required a chief executive linked to the LDP rather than to the innovative municipalities.

However, the financial crisis of the national health insurance system was not caused by the efforts of the innovative municipalities, as criticized by the LDP, but by the fact that what should have been a broad-based social insurance system was made up of municipalities with vast disparities in financial capacity. Therefore, in order to cope with the full-scale aging of the population and the economic and social situation after the end of high economic growth, it was essential to change the framework of the medical insurance system, which was created during the war on the basis of a basically rural society. However, the measures taken in Japan in the 1980s to restructure the welfare state did not make any major changes to the institutional framework that had its origins in the war years, but sought to control its operation and reduce its growing costs by strengthening the central government's supervisory powers over the regions.

The reform of the health insurance system in the 1980s, which strengthened central control over the regions, had a major impact on the restructuring of the welfare state in general, but two points in particular should be noted here.

The first is that the issue of reforming the social security system has been separated from the political debate and reduced to a question of administrative procedures. Despite the fact that the systems established during the

Second World War were in need of fundamental reform, little reform of the institutional framework was carried out in order to avoid upsetting the LDP-dominated system, and the emergence of problems was postponed by reviewing the operation of the existing systems and making financial adjustments. The most neglected area of the LDP dominated system established during the period of rapid economic growth was the social security system, which was therefore avoided as much as possible becoming a political issue.

The second is the problem of the inability of central control to function rationally in the various areas of the social security system. For example, there is currently a serious shortage of doctors in depopulated areas of Japan, while in Tokyo and other large urban areas, university hospitals and other large hospitals are in serious financial difficulty. Because social insurance medical remuneration is standardized throughout the country, doctors in depopulated areas with a large number of convalescent patients tend to have low incomes, while hospitals in large cities need to have highly paid doctors and nurses with the same incomes as those in rural areas. In order to address these challenges, it is necessary to develop a framework for a healthcare system that is inherently tailored to local conditions, but reform will be difficult if the current strong central supervisory authority is retained(2).

These problems can also be seen in the long-term care insurance system instituted at the beginning of the 21st century. In an insurance system set up on the basis of municipalities with widely varying levels of ageing and income, there are large disparities in the premiums collected and the services provided. In response to this, the Ministry of Health and Welfare has drawn up a large number of practical manuals in an attempt to standardize services and reduce user dissatisfaction, but these are of course not adapted to the actual

situation(3).

Conclusion

The shift in social policy in Japan in the 1980s was accompanied by a shift towards greater central control over the regions, which was different from that in other countries. The main aim was to shift the burden of increasing social security expenditure to the regions in order to restore the national finances, which were in a state of financial crisis. At the same time, however, it aimed to prevent the rise of innovative municipalities, which had shaken the LDP-dominated system in the 1970s, and to isolate the question of the social security system from political issues and confine it to the realm of administrative control. Unlike the innovative municipalities of the 1970s, which tried to undermine the rural-backed LDP government by promoting reforms in the metropolitan areas, especially in social policy, the LDP government of the 1980s sought to rebuild its base by strengthening its control over social policy.

It was based on the conservative ideology that a prosperous welfare society with low social expenditure could be achieved if the sphere of welfare policy was kept as narrow as possible and most welfare services were provided within the family, as typified by the "Japanese-style welfare society theory". These policies were therefore also aimed at reconstructing the "male breadwinner-centered model" based on the prosperity of corporate dominated society in Japan.

However, the prosperity of corporate dominated society and traditional family forms, which were assumed by this "Japanese-style welfare society theory", have radically changed since the 1990s, and the dysfunction of Ja-

pan's social security system has become clear. Nevertheless, the approach that began in the 1980s, which avoided major systemic reform of social security and repeatedly employed stopgap measures to avoid systemic failure within the framework of existing systems, has basically continued to the present day. This is because such a radical shift in social policy would shake the LDP-dominated system of governance, which has been stabilized by avoiding the emergence of social problems and by keeping social security issues out of the political arena.

In particular, the problems of public assistance and medical insurance, which are the focus of this paper, have emerged in the face of the contradiction that a system which should be operated on a national scale has been left at the municipal level. The spatial Keynesian approach used by the LDP government during the period of rapid economic growth did not work well in this area of social security, and the strengthening of central control has been a major factor in the failure of the system. These reforms in the 1980s led to a loss of policy flexibility and confidence in institutional principles, and are the main cause of the difficulties in social policy reform in Japan that persist to the present day.

Notes

(1) The concept of spatial Keynesianism referred to here is a metaphorical expression. The policy of increasing or decreasing government public spending across regions to prevent regional disparities from widening is analogous to Keynesianism, which essentially seeks to reduce business cycle fluctuations by increasing or decreasing fiscal spending over time.

This policy, as already mentioned, was due to the over-representation of

rural areas in proportion to their population, but also because rural areas were not only a source of labour, as the 'labour pool' was called, but also had the function of absorbing surplus labour in times of economic downturn. This policy was made possible by the fact that Japan did not experience a demand for foreign and immigrant labour during its period of rapid economic growth.

(2)The health care system is a complex system, which is difficult to control from a policy perspective. In some cases, supply creates demand, for example, areas with a large number of medical institutions, such as the location of university hospitals, spend a higher proportion of the local economy on healthcare. In Japan, which was one of the first countries to advocate the provision of healthcare under a universal health insurance system with no significant regional disparities, it is difficult to establish a healthcare system that takes account of regional conditions.

The health care system should be placed within the overall social security system, and should take into account the relationship with public assistance and housing policies, as well as nursing care, but these policies have been developed separately in Japan, and the construction of the regional health care system proposed by the government faces a major obstacle. How to limit the increase in healthcare costs in an ageing population is a problem that cannot be solved by healthcare reform alone.

(3) These systemic dysfunctions in the long-term care insurance system have been a problem since the system's inception, and now prefectural federations have been formed to finance the system.

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Postscript

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