Welfare State Systems in Japan and China: Past Changes and Future Challenges

Christian Aspalter

This study shows the different developmental stages of welfare state development in Japan and Mainland China, and discusses current challenges of the welfare state systems in these two countries. It may serve as a source for comparison of social policy practices in both countries, since it reveals striking similarities in the attitude of governments of Japan and China (after 1978) towards dependency generating and potentially laziness producing social assistance programs. As White, Goodman and Kwon (1998) have correctly noticed, the Chinese welfare state system is becoming more and more similar to that of its neighboring countries. The study here may also serve for a closer look at the similarities between the ‘iron rice bowl system’ (tie fan wan) of Communist China and the occupational welfare system in Japan which both create exceptionally strong company-labour relationships and which both lack risk pooling and disrespect the needs of the labour market and a healthy economy because there is no firing of those workers and employees profiting from these systems. Moreover, both welfare systems cover only a very limited share of the workforce. Below, the author applied a historical case study approach. After giving a historical review of welfare state development in Japan and China, the chapter summarizes the major changes of the welfare state systems and goes on to describe the major challenges of the present and the near future.

The development of the welfare state system in Japan

By the end of World War Two, Japan had already established a residual welfare state system with generally meagre welfare benefits. Only a limited range of welfare services and benefits were offered on a statutory basis. The development of the welfare state system before 1945 is, for the most part, to be explained by a subsequent series of social and economic crises, natural disasters and wars. Important events that spurred the government’s welfare state initiatives were 1918 Rice Riots, the Great Kanto Earthquake, the Great Depression, the Second Sino-Japanese War and World War Two. In 1918, the governing élite of the Japanese Empire had been highly threatened by a country-wide rebellion, i.e. the Rice Riots which lasted for two months. A second major event that shook the Japanese nation was the Great Kanto Earthquake in 1923. Though the government came to see the consequences of major social problems caused by poverty and natural disasters, it did not launch new social welfare programmes that could have helped the poor and stabilised the country. The only important piece of legislation in the first ten years following World War One was the Health Insurance Law of 1922 that provided social security for employees. However, this new law was not implemented until 1927 due to the consequences of the Great Kanto Earthquake (Yanaga, 1956; Takahashi and Someya, 1985; Anderson, 1993; Gould, 1993). In 1929, the Japanese parliament, the Diet, passed the Relief and Protection Law.
which intended to solve the most stringent needs of the very poor. This law was the outcome of political forces in the Parliament and in district level administration that demanded new governmental social assistance schemes. The national government itself did not wish to upgrade the meagre benefits of the social assistance system which before the new law solely relied on the provisions of the Poor Salvation Law of 1874. As the government had refused to grant the necessary financial means, the new social assistance programme could not be implemented before the year 1932. Public assistance under the new scheme, however, covered only those who were unemployable, i.e. the handicapped, the very sick, the chronically sick and the very old. In 1935 the Japanese government introduced, partly in response to the new politics of the New Deal in America, a minimal unemployment assistance programme. Just before the outbreak of the Second Sino-Japanese War in 1937, the government decided to set up a new Ministry of Health and Social Affairs. The new ministry was set up because of the military's concern about health conditions of new draftees in the light of the approaching war. One year later, in 1938, government also enabled Japan's vast rural population to join the national health insurance (Garon, 1997; Maruo, 1986; Anderson, 1993; Takahashi and Someya, 1985). The Second World War led to increased efforts of the government to extend the welfare system. The Seamen Insurance Scheme of 1939 was a very comprehensive social security system covering the risks of sickness, unemployment, old age and accidents. In 1941, the new Workers' Pension Insurance Law had been enacted and three years later, in 1944, the Parliament also passed the Welfare Pension Insurance Law. The newly created pension system for workers included benefits for old age retirement, invalidity and death.

Before World War Two, the Japanese welfare state system was modelled after the German model of social security, since Germany represented a politically and economically powerful industrialised country. After the defeat of the Japanese and Germans in 1945, America served as the prime model for governmental policies. However, with regard to the Japanese welfare state, other determinants than foreign influences determined the path of welfare state development in the post-war period. Under the leadership of the Supreme Commander of Allied Powers after the War, the Japanese government implemented a series of new social legislation, i.e. the National Assistance Law of 1946 that widened the scope of social assistance; and the Accident Compensation Law and the Unemployment Insurance Law of 1947 which enlarged significantly the social security of workers. In the early 1950s, the government continued to extend the social welfare system. First, it upgraded the level of social assistance with the Livelihood Protection Law of 1950. Then, in 1953, the government introduced a new health insurance scheme for day labourers. In 1954, the employee pension system had been extended to companies with five and more employees. The next giant step towards a more developed welfare state system was brought by the New Health Insurance Act of 1958 which established a mandatory universal health insurance system which was finally implemented in April 1961. Only three years later, virtually all of the population was benefiting from the protection of national medical insurance. The new health insurance system was administrated at municipal level. In 1959, the National Pension Law set up a new pension insurance scheme for all those who could not participate in the employee pension scheme, these were farmers, workers in small companies and the self-employed. Furthermore, the new pension law also provided non-
contributionary pensions for those who could not benefit from the existing pension system because they were aged 70 and over, because they were handicapped and because their breadwinner had died, i.e. widows with children (Gould, 1993; Anderson, 1993; JMHW, 2000; Takahashi and Someya, 1985; Ichien, 1995). These far-reaching extensions of Japan’s health and pension insurance systems in the late 1950s were motivated by the Socialists appeal for new pensions, increased labour conflicts and the ruling Liberal Democratic party’s need to ensure the support of workers in small firms and farmers.

Though the Japanese social security system had been constructed a great deal in the 1940s and 1950s, the level of State expenditures stayed very low throughout the first three decades after the war; especially during time of Prime Minister Sato from 1964 to 1972. The reason for this was that, first, the Japanese economy started to boom in the 1960s and, thus, the post-war emergency period had come to an end; and second, after the occupation of the Allied Powers was over, the conservative government of Japan resorted to the politics of avoiding and cutting down welfare expenditures. The extent of State-financed social assistance benefits were kept at very low levels. The vast majority of welfare state expenditures, hence, concentrated in the field of health care and pensions. As a consequence, large enterprises created their own type of occupational welfare that has become so famous throughout the world. These large corporations promoted a core workforce within their companies (often counting for only 30 percent of total employees) that profited from relative guarantees of employment until the age of 55, systematic promotions and wage increases, a series of bonuses and subsidies related to family size, need, and company profitability, as well as free health care and recreational services (Watanuki, 1986; Goodman and Peng, 1996; Aspalter, forthcoming a; Vogel, 1979; Pempel, 1989).

In the early 1970s, the Liberal Democratic Party lost more and more of its electoral support in the working and middle classes. Therefore, it was compelled to seek support from minority parties in securing a sound parliamentary majority. The Liberal Democratic Party had to cut the ground from under the left-wing parties’ feet by launching popular social policies that had formerly been promoted by socialists and communists. Socialist and Communist local governments had already implemented free health care services for the elderly. The government allured members of the middle classes with universal social welfare benefits, i.e. child allowances. The Child Allowance Law was enacted in 1971 and the scheme went into operation in January the next year. In 1973, the government also introduced free health care services for those aged 70 and over. However, the new plans of Prime Minister Tanaka Kakuei of extending the Japanese welfare state system in 1973 were buried in the same year as they came into being. The government's intention to raise overall social welfare provision of the State had to been taken back owing to the economic crisis of 1973 that had been caused by the sudden upsurge of world-wide oil prices. Since the Liberal Democratic Party regained control of the majority of seats in the Diet, the welfare state ambitions of purely conservative Japanese government in the 1970s and for the most part of the 1980s came to a stop. In 1984, the government conducted a reform of the earlier introduced nation-wide free medical care system for the elderly, i.e. those aged 70 and over (65 in Tokyo), so that from then on the elderly had pay, in the beginning, ten percent of the costs for medical services. Whereas in the 1970s the share of social security expenditures of GDP doubled, this share remained at the same
level in the 1980s, i.e. around 14 percent (Gould, 1993; Aspalter, forthcoming a; Takahashi, 1997; Chow, 1984; Anderson, 1993; Maruo, 1986; Hashimoto, 1992).

The rising concerns about the needs of the fast-ageing society and the increasingly competitive political system caused the implementation of improvements in the sector of welfare services for the elderly. In the early 1980s, the Liberal Democratic Party started to believe that the existing social insurance and social welfare provision is highly inadequate for the elderly and that there is an urgent need for governmental action. In the year 1985, the government started to pay particular interest to the problem of the ageing of society and the lack of social welfare provision for the elderly. The newly created basic pension scheme included provisions for the disabled, the elderly and surviving dependants. Both major national pension schemes, the Employment Pension Insurance and the National Pension Scheme, incorporated this new basis pension programme. This new reform, in essence, can be regarded as a partial unification of the pension insurance system. In the meanwhile, i.e. since the beginning of the 1980s, the social system had been gradually transformed from a cash-based to a care-based system. After the introduction of the Gold Plan in 1989, new care services for the elderly have been set up and the level of the existing ones had been upgraded. Six years later, the New Gold Plan raised the level of benefits anew. In addition, while facing the worsening social conditions of the fast growing elderly population, the government felt obliged to install a new Chronic Care Insurance in December 1997 covering all residents aged 40 and over. The Chronic Care Insurance system, however, only was fully installed in April 2000, after a two-year preparation period (Gould, 1993; Peng, 1998, forthcoming; Yamazaki, 2000).

Having lost a parliamentary majority for the first time, the long-term ruling Liberal of Democratic Party together with its junior partners in recent government coalitions have been forced to make concessions to the mounting share of senior citizens of the Japanese electorate since party competition in national elections is higher than ever before. In the 1990s, the welfare rights of women have become the second major concern of the government. The problem of caring for the elderly, the sick and the children had been considered as women’s problems before. As a consequence, the conservative government did not accept any responsibility for providing social welfare in these fields.

Though the Left could not manage to come into power on national level, the Liberal Democratic Party had to react to reform proposals of the Left and to compete with them by proposing new social policies. Other pressures stemming from officials of local and national social welfare authorities as well as non-governmental pressure groups, such as the women’s movement also contributed to the pressure the government faced in the field of social welfare. The Liberal Democratic Party, then, had to alter its basically anti-welfare stand and to extend the long-term existing social welfare and social security schemes. However, until the 1980s, the government was successful in passing the responsibility of providing social security and welfare on to the companies. Today, the Japanese welfare state system is still characterised by its dualism between the separately administered social security schemes of employees and that of the rest of the population.

The development of the welfare state system in Mainland China
The Communist Party of China began as early as in the late 1940s, i.e. still during the Civil War with the Nationalists, to implement a comprehensive social security system in Manchuria. The long experience in participating in policy-making in China (since 1921) together with the pro-welfare communist ideology (cf CPRC) enabled the CPC to set up an extensive social security system in a comparatively short period of time. In 1948, the Communist Party of China established the first labour insurance programme in Manchuria which at that time was under the control of the Communist forces.

After the retreat of the Kuomintang to Taiwan, the Communist government announced the Labour Insurance Regulations in October 1950 that implemented the labour insurance programme nation-wide. The labour insurance provided benefits for e.g. the sick, the disabled, pensioners, as well as expecting and nursing mothers. The labour insurance scheme covered those employees who worked in State-operated, joint State-private, co-operative and private factories and mines with more than 100 workers and staff. The coverage of the labour insurance had been extended significantly only after two years of operation, then including also units of factories, mines and transport enterprises, communication services, and State-run construction enterprises. Labour insurance in State-owned enterprises were administered by the All China Federation of Labour Unions and its local branches. All the contributions of the labour insurance came from the employers, who had to pay three percent of the payroll into the labour insurance fund. This fund was operated by both the company and the labour unions. 30 percent of the fund was given to companies that got into serious financial difficulties. Amendments of the Labour Insurance Regulations in the years 1956 and 1957 extended the coverage of labour insurance anew, so that in 1958 the membership of the programme rose to 45 million.

From then on, the development of social insurance in China experienced a slight setback in terms of coverage. As a consequence of the political turmoil of the Great Leap Forward and the Cultural Revolution, government, party and labour union organisations had been significantly weakened. In 1969, the administration of the pension system, therefore, had been given into the hands of enterprises on an ad hoc basis. Hence, the understanding of the development of the Chinese welfare state is tied to the understanding of State institutions and its structures (cf Lee, 1993; Aspalter, forthcoming b; Chen, 1996).

Only in the early 1980s, the State began to relocate the management of pension system and other social security systems to higher administrative levels. Nonetheless, the Chinese welfare system continued to develop during the 1960s and 1970s. During this time the government focused on the provision of public housing, medical care services and special homes for the elderly, the disabled and orphans.

The outstanding feature of the Chinese welfare state system was and still is the great dualism of welfare rights of people living in the cities and welfare rights of people living in the countryside. For about 81 percent of the population were residing in the countryside in the 1970s, the welfare state system was particularly designed for workers and employees in the cities who might have represented an acute danger for the Communist regime in times of social discontent. State intervention that was aimed to improve the welfare of city dwellers helped to sustain the legitimacy of the State and the power of enterprises over the work force (Wong and Mok, 1995). The powerful increase in legitimacy, thus, decreased very much the likelihood of social uprisings and increased the
support of the long-term ruling Communist government of China. By the late
1970s, the Chinese welfare state catered to about four fifths of the urban
population. The percentage of people living in the cities at that time was only 19
percent. This means the Chinese welfare state was only existent in the cities, and
not in the countryside.

The communist welfare state from the early 1950s to the late 1970s
became to be known as 'the iron rice bowl system'; i.e. a Chinese version of 'the
cradle to the grave welfare system' in Sweden. The Chinese welfare state system
was designed for urban workers who were employed by the government, State-
run companies and collective enterprises, i.e. the vast majority of the urban
workforce. It is for the reason of the government's need, in the past, to ensure
social peace in the cities that the Chinese welfare state was particularly designed
for city dwellers. Nonetheless, the argument that people living in the countryside,
most of whom had been farmers, were not in such a need for social insurance
benefits, because they are living in an archaic society, is also valid. The dualism
between the urban and the rural China in terms of social development is highly
linked to the different stages of economic development of the respective areas.
Since China was, at that time, still a Third World country, it would have been
impossible to set up a social insurance financed by the national budget that would
have incorporated the vast majority of the population living in non-developed
parts of China.

The Chinese government had to tackle other, much more urgent tasks first;
e.g. safeguarding the minimal standards of living in the cities, where people
cannot rely on vegetables the plant themselves and livestock they raise themselves
and where people cannot rely on the support of family members, relatives and
neighbours as much as people in the countryside. As a result, the Chinese
government focused on the development of social care service institutions and
other welfare sectors, such as public housing. Another important task the
government began to concentrate on was the demographic development of the
population, since it wanted to make an end to the miserable conditions of its
people and to enhance economic and social development at the same time. For
these reasons, the government heavily promoted a new birth control policy which
aimed at reducing the number of children a couple has to only one. The one-child
policy included a great number of incentives and disincentives in order to ensure
the obedience of it. In the cities, the new birth control measures were much more
effective than in the countryside (Dixon, 1981; Selden and You, 1997; Lee, 1993;
Ma, 1999; Chow, 1999).

The year 1978 marks a watershed not only in Chinese politics as a whole,
but also in social politics. Before, the State ran a sort of cradle to the grave
welfare system for most of the city dwellers that was tied up to the workplace
providing pension and sick leave benefits, health care benefits, public housing,
various social assistance programmes and a great number of community and
cultural facilities. Thereafter, the government began to introduce major reforms of
the health care system, especially a new responsibility system for medical and
health care institutions, diversification of health care system allowing medical
professionals to run their private practices, and the introduction of medical co-
operatives that reduced inefficiencies by allowing the joint usage of technical
equipment and human resources of formerly strictly separated medical institutions
(Hu, 1997; Sun, 1993).
The State also upgraded pension system from company level to provincial government level. In 1985, the Chinese government acknowledged the urging need for setting up new social insurance programmes for workers and employees of government institutions as well as State-owned, collective-owned, and other enterprises in the Seventh Five-Year Plan for National Economic and Social Development. However, the government emphasised the limits it has set for its responsibilities for social security and pointed out the need to focus on the welfare functions provided by families and communities. The principle 'each according to his work' guided the implementation of new social policies. The government intended to wipe out the phenomenon of 'eating from the same rice pot' and increasingly promoted the idea that welfare dependency is 'potentially parasitic and feckless' (Chow, 1995b; White et al., 1998). After 1994, the government speeded up the pooling of pension funds, extended health care services a great deal and started also to unify maternity benefit schemes. The new reforms also led to the sharing of the financial burden of social security provision. Now, the premiums of employers and employees help the government to reduce the heavy load of financing the social security system. As a response to new mass unemployment caused by the economic restructuring in the State-owned enterprises, the government created a new unemployment insurance system in 1986.

In the 1980s and 1990s, over one hundred million farmers have left their home villages and poured into the cities, especially those situated in the East. These new development aggravated the social conditions in China's coastal cities and larger inland cities. It is for these reasons that the Chinese government has been working very keen on the extension of the existing pension and unemployment systems. Recently, the government pursues a new plan of extending the coverage of the health insurance to 70 percent of the urban population. The Ninth Five Year Plan, covering the period from 1996 to the year 2000, set out to incorporate 50 million new members into the health insurance system. Today, the Chinese health care system is only marginally established on the countryside, since 80 percent of all hospitals and doctors are concentrated in urban areas. The reform of the Chinese economic system brought along also an enormous change of the education system. From the year 1998 to 2000, the enrolment of universities and colleges - though still lagging behind other developing countries - doubled reaching two million. (Chow, 1995a, 2000; Niu, 2000; Zhao, 2000; Zhu, 2000; Guo, 2000).

The traditional economic and societal system of the backward areas are going to change in the years ahead. This inevitable trend will cause the necessity of implementing a welfare system in the countryside. The Communist Party of China is very aware of this and is, therefore, undertaking a great deal of efforts to fulfil this strenuous task. The growing middle class in the countryside, especially in developing small and medium-sized towns, will undoubtedly demand the beneficial protection of social insurance schemes and social assistance programmes.

In the last two decades, the Chinese welfare state system developed into a more universal social security system, i.e. the social insurance system in China is not divided occupationally. However, there are differences among provinces and especially between the cities and the countryside. Up to now, the function of the Chinese welfare state system has been to address the social welfare needs of the urban population. With the ongoing industrialisation of the Chinese hinterland,
the Chinese welfare state system will certainly be extended to include more and more of China's vast rural population.

**Conclusion**

A comparison of the history of social policy in Japan and China (see Table 1) reveals the dramatic changes of development of these welfare state systems as well as their major determinants. Prior to 1945, the development of the Japanese welfare state system hinged on the occurrence of economic and natural disasters as well as the involvement in wars. After World War Two, the new Constitution stipulated that 'the State shall use its endeavours for the promotion and extension of social welfare and security, and of public health' (CJAP, Art. 25/2). However, not the Constitution determined post-war social politics, but certain political circumstances directly leading to welfare state extensions. Only in the late 1940s and early 1950s, new social policy legislation can be directly ascribed to the impact of the Constitution and the political circumstances of the years under foreign occupation. In the decades following the War, both working class and middle class members were highly attracted to political parties of the Left. Since the left-wing parties heavily promoted new social policies, the Liberal Democrats had to climb on the band-wagon in order to secure its single-party rule.

The economic crises of the 1970s, however, led to a major re-evaluation of the government’s role in providing social welfare. Beginning in the mid-1980s, the Japanese government introduced of new social policy designed for the aged, especially on social care services. In the early 1990s, the long-term ruling Liberal Democratic Party not only lost its majority of seats, but also were excluded from government formation twice. The New Gold Plan of 1995 and the Chronic Care Insurance of 1997 were the first major steps of the government in addressing the problems of the fast ageing society in a more competitive political environment.

**Table 1: Summary of major historical changes**

<table>
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<tr>
<th>Japan</th>
<th>Mainland China</th>
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<tbody>
<tr>
<td>1. Late 1930s and early 1940s: massive involvement in wars made governmental social welfare (especially social insurance systems) necessary</td>
<td>1. Late 1940s to the late 1950s: victory of communism and establishment of labour insurance system following the Russian model of social insurance at factory level (thus covering only workers and employees in industry and government institutions, known as the 'iron rice bowl system')</td>
</tr>
<tr>
<td>2. Late 1940s and early 1950s: impact of foreign occupation and the Japanese Constitution</td>
<td>2. Late 1950s until late 1960s: weakening of State institutions lamed the development of the labour insurance system</td>
</tr>
<tr>
<td>3. Late 1950s: new social policies promoted of strengthened left-wing parties on local level force the LDP to implement major changes in the fields of pension and health insurance</td>
<td>3. In the 1970s and early 1980s: a stronger focus on public housing and social care services</td>
</tr>
<tr>
<td>4. In the early 1970s: electoral losses</td>
<td>4. From the mid-1980s to the late 1990s:</td>
</tr>
</tbody>
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compel the LDP to short-term commitment to social welfare policies; and subsequent economic recessions of the 1970s caused the abolishment of those plans

5. From the mid-1980s to the present: a rising concern about the fast ageing of society, the vast gap between future needs and existing social insurance provisions has become visible, politicians start addressing the problem

6. From the early 1990s to the present: increasing electoral competition, use of election promises in order to win elections becomes more popular

The Chinese welfare state system (see Table 1), on the contrary, started to develop only after 1945. The Communist Party introduced a nation-wide labour insurance programme from the very beginning of its rule. In the late 1950s, China had already developed a welfare state system at a comparatively high level when compared to other countries that found themselves in the same developmental stage. Although the late 1960s represented a major setback for the development of the Chinese welfare state system, the Communist Party began to introduce new social policies in the 1970s, especially with regard to pensions, health care and housing. Between 1978 and 1984, the government prepared for a major reform of the social insurance system and, thus, launched a series of studies, discussions and dialogues. Major reforms of the social security system, however, only took place after 1984. The efficiency of the health care system has been largely improved by structural reforms and opening of the health sector. The pension insurance scheme was upgraded from enterprise to local and provincial government level solving the problem of absent risk pooling of former pension funds that were implemented on factory level only. In July 1986, the government installed an unemployment insurance for State-owned enterprises in response to the massive layoffs in the State sector. From the late 1990s onward, the government began to focus on the reform of the health insurance system and extension of membership into the countryside.

Table 2: Summary of major challenges in the future

<table>
<thead>
<tr>
<th>Japan</th>
<th>Mainland China</th>
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<tr>
<td>1. The ageing of society and the diminishing capacity of the family to take care of the elderly</td>
<td>1. Economic development and the resulting transformation of society (i.e. farmers become city dwellers who cannot rely on traditional, forms of social security, such as the family, friends, neighbours and the village)</td>
</tr>
<tr>
<td>2. The rising share of women participating in the labour market and increased demand for social welfare services</td>
<td>2. The ageing of society, the diminishing capacity of the family to take care of the elderly, and the effect of the one-child-policy on age-structures, especially</td>
</tr>
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</table>
In 1989, the Japanese government took up more responsibility for the elderly population. In the year 2000, Hiromu Nonaka, the Secretary General of the Liberal Democratic Party, expressed the government's deep concern about the rapidly ageing society by stating that in the 21st century Japan's “population will be the oldest of any in the world” (JIMIN, 2000).

The imbalance between the shares of the working young and the elderly is going to put a great strain on the Japanese social security system (Table 2). By 2020, approximately every two workers will be supporting one pensioner. In 1992, the ratio of workers to pensioners was five to one. The Japanese government also acknowledges the increased need for social workers and care specialists and started to promote these two professions. Another major challenge of the future is the decreasing capacity of the family to take care of the elderly in combination with high female labour force participation rates. The existing social security system discourages women from participating in the workforce since the government presumed that women would continue to exercise welfare functions according to traditional care role models of the patriarchal Japanese society. However, in recent years a great share of women have chosen to work instead of staying at home to be a housewife and a nurse for the young, the sick and the old. This new development causes a major challenge for the Japanese welfare state system (Hane, 1996; Nishio, 1994; Osawa, 1995; Peng, forthcoming).

China today faces the two major problems: first, changing social institutions along with rapid economic development (especially in the rural areas) and, second, the ageing of society in combination of the outcomes of the one-child policy (especially in the cities). Widespread, dire poverty in the countryside calls for a massive extension of the social security system. The governmental poverty alleviation strategy is exclusively focused on a limited number of very poor rural counties and social security provision by collectives is no longer significant. Nonetheless, dire poverty can be found across all regions and in almost all counties. Economic development of the Chinese hinterland will cause social instability. Modern life-styles demand the implementation of modern social security institutions. When the traditional extended families are replaced by nuclear families and when the young migrate to the cities, the elderly are left behind without subsistence support. The fact that more than 100 million peasants have left their farms - serving as a cheap workforce for the booming economy - has added to the pressure for developing a more inclusive welfare state system. Moreover, the fast-ageing society, especially in the cities where the implementation of the one-child policy has been much more successful, increases not only the need to upgrade social insurance provisions, but also social care services for the elderly. This leaves the government no choice but to rethink its current welfare policies and extend the existing welfare state institutions as early as possible. However, the emphasis in the reform of the social security system will be on social insurance, leaving the task of providing social assistance and social care services to the informal and private sector (Riskin, 2000; Chang, 1999; Chow, 1995a; Guo and Zhou, 1997; Gao, 1999).
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