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About Poverty and Inequality in Japan

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Abstract. As a result of the ageing of the population, shifts in the structure of households, changes in the labor market in the last two to three decades, in Japan, there is a gradual strengthening of the initial income disparity, as well as some increase in the relative poverty rate. However, through the mechanisms of redistribution of income embedded in the social security system and tax system, as well as through the provision of material support to the least protected segments of the population, the state has managed to restrain these processes. The measures taken to support families with children in recent years have been particularly important. They made it possible to reduce the rate of relative child poverty and keep income inequality among this group of families at a relatively low level.

Obviously, current income, by which the level of relative poverty and income inequality are measured, cannot clearly indicate that a family or a particular person live in poverty. In addition to the current income, the standard of living also depends on the amount of financial savings, the availability of real estate, the possession of securities, etc. For example, older citizens, who are among the least well-off in terms of current income, have the largest share of the country's accumulated financial assets. The results of opinion polls conducted annually by the Prime Minister's Cabinet Office show that the changes taking place in the country have not led to the transformation of the Japanese "middle-class society" into a "divided society".

For more than half a century, the absolute majority of the Japanese, about 90 percent, when asked how they would rate their families' standard of living,

chose the answer “middle level”. At the same time, in the composition of the middle class, there was a shift towards the increasing share of the more well-off (middle and higher) strata. In general, Japanese society remains healthy and prosperous. As for poverty, unlike Russia, where it is a consequence of blatant social injustice and extreme social contrasts, in Japan, in our opinion, it is not systemic and arises as a result of some particularly unfavorable, exceptional circumstances in which a family or a person find themselves.

***Keywords*:** poverty, inequality, income distribution, deprivation, population ageing, household structure, labor market, social security.

Poverty and inequality have been attracting more and more attention of Japan’s mass media, scientists, and politicians since the early 2000s. The emergence of this theme was quite unexpected for the general public. Back in the 1960s, the government stopped publishing statistics on poverty as the unparalleled economic growth dramatically increased the standard of living in all segments of the population, and the poverty issue came off the political agenda. Moreover, the conviction that successful economic growth had made Japan an egalitarian society where the middle-class life standard was ensured for the absolute majority of citizens fueled up the Japanese national pride for a long time and became a basic element of the national self-image.

Poverty Indicators

The problem of poverty entered the agenda again after the data on relative poverty in the country was published in 2009. Unlike the absolute poverty rate applied to assess the situation in the most backward countries of the world and related to families whose income does not reach the level ensuring elementary physical survival (i.e., receiving the amount of calories essential for life support), the relative poverty rate assesses the position of poor strata compared with the situation in

society as a whole. It is a major indicator for measuring poverty in the countries with the middle and high levels of development, reflecting the share of families the members of which have less than half of the median disposable equivalent income.[1]

The shortcoming of this indicator is that people's living standards and quality of life are defined not only by current incomes, they are influenced by a number of other factors, such as the amount of savings, possession of real estate, labor potential (education, capabilities, health status), social connections, etc. In other words, the phenomenon of poverty may not be directly connected to the level of current income. In addition, as the relative poverty rate depends on the standard of living in each particular country, international comparisons are representative in this case only in relation to countries with an approximately similar level of development. Nevertheless, along with other indicators that will be discussed below, the level of relative poverty permits one to judge the situation with poverty in a country and to keep an eye on the dynamics of this process as well.

The data published by the Ministry of Health, Labour and Welfare in 2009 presented quite an unexpected picture. It appeared that Japan, which had been considered a model of a middle-class society, had the relative poverty level that not only kept increasing but also exceeded the indices of most nations with high and medium levels of development. Thus, according to the OECD data, Japan occupied the twenty-seventh place among thirty most developed countries by the total rate of relative poverty and the nineteenth – by the child poverty rate (reflecting the share of children aged under 17 residing

[1] The equivalent income is calculated by dividing household disposable income (i.e., income after the deduction of taxes and contributions to the social security system) per square root of the number of its members. The median income divides all households into two equal parts: one half has income over median, and the other – below (See: OECD. Society at a Glance 2019, p. 76: https://www.oecd.org/social/society- at-a-glance-19991290.htm).

in families with incomes below 50 percent of the median equivalent disposable income).[2]

The data below indicate how these rates changed in 1985–2015 (%) [Abe 2018]:

	1985	1988	1991	1994	1997	2000	2003	2006	2009	2012	2015
I*	2.0	3.2	3.5	3.8	4.6	5.3	4.9	5.7	6.0	6.1	5.6
II*	0.9	2.9	2.8	2.2	3.4	4.4	3.7	4.2	5.7	6.3	3.9

I* — overall relative poverty rate,
II* — child poverty rate.

As these data show, the overall relative poverty rate and, what is more important, the child poverty rate had an upward trend. To figure out how serious the situation is, it would be expedient to compare Japan's data with those from other highly developed countries comparable to it by the scale of the economy and level of development, i.e., the G7 countries.

Table 1

Relative Poverty Rate in the G7 Countries (%)*

	2004	2006	2008	2010	2012	2014	2015	2016	2017	2018
Canada	12.9 16.6	12.9 16.2	12.7 15.6	13.1 15.7	13.3 16.81	12.6 15.01	14.2 17.1	12.4 14.2	12.0 11.4	11.8 11.8
France	7.0 –	7.2 9.5	7.2 9.3	7.9 11.0	8.5 12.0	8.1 11.5	8.1 11.3	8.3 11.5	8.1 11.2	8.5 11.7
Germany	8.3 10.0	8.0 –	8.5 7.9	8.8 9.1	8.4 7.4	9.5 9.5	10.1 11.2	10.4 12.3	10.4 11.3	– –
Italy	12.2 15.7	12.3 15.5	11.9 16.1	13.4 18.0	13.0 17.7	13.7 19.3	14.4 18.3	13.7 17.3	13.9 18.7	–

[2] Ministry of Health, Labour and Welfare. Annual Health, Labor and Welfare Report 2009/2010. Chart 2-3-3. https://www.mhlw.go.jp/english/wp/wp-hw4/dl/honbun/2_2_3.pdf

Great Britain	11.6 13.1	12.6 14.4	12.3 117.3	11.0 10.5	10.5 10.4	10.5 11.0	10.9 11.2	11.1 11.8	11.9 12.9	11.7 12.4
USA	17.0 –	16.8 20.6	17.3 21.6	17.4 21.2	17.4 20.8	17.5 20.2	16.8 19.9	17.8 20.9	17.8 21.2	– –

Source: OECD. Income Distribution Database. http://www.oecd.org/social/income-distribution-database.htm.

* Upper line – general relative poverty rate, below line – child poverty rate.

As the data above prove, the Japanese society does not look very wealthy compared to the countries known for their strong welfare policies (such as France, Germany, and Great Britain), as Japan has considerably higher rates of overall and child poverty than the above-mentioned countries. Japan is second to the USA by the relative poverty rate and holds the intermediate position regarding child poverty (after the USA and Italy). The following should be emphasized when commenting on these results.

First, achievements in the fight against poverty waged in all advanced countries depend on government spending on these purposes, which, in turn, correlates with the share of the national income taken to the budget through the tax and social security systems. According to the data below, Japan is significantly ahead of the USA by this indicator and closely approaches Great Britain but is notably behind France and Germany.

Share of Taxes and Contributions to the Social Security in the National Income (%)*

	Taxes	Contributions to Social Security	Population's Burden
Japan	25.4	17.4	42.8
USA	24.7	8.4	33.1
Great Britain	36.6	0.5	46.9
Germany	31.2	22.2	53.4
France	40.8	26.5	67.2

Source: Japan Institute for Labour Policy and Training. Kokusai rōdō hikaku dētabukku 2019. P. 305.

https://www.jil.go.jp/english/estatis/databook/2019/09.html

*Data on Japan for 2019, on other countries – for 2016.

Second, the poverty situation in many highly developed countries is exacerbated by problems associated with the inflow of immigrants, racial and religious conflicts. Japan, with its virtually homogenous population and strictly controlled migration, is a rare exception in this respect.

In other words, accumulating quite a high share of the population's income in the budget and having no grave social problems that could thwart the fight against poverty, Japan, nevertheless, has very high relative poverty rates. Yet it should be noted that, firstly, it is one of the richest countries in the world, and, secondly, the population's standard of living has been on the rise during the last decades despite economic troubles. Thus, readjusted by the purchasing power parity (PPP), the gross national product per capita amounted to $19,620,000 in 1990, $27,220,000 – in 2000, $35,900,000 – in 2010, and $45,180,000 in 2019, i.e., grew 2.3 times during the period.[3] These two circumstances undoubtedly helped mitigate the social consequences of the spread of poverty.

Social statistics apply the so-called deprivation rate, suggested back in the 1970s by a British sociologist P. Townsend in addition to the relative poverty rate. This rate reflects the share of people (families) deprived of this or that good recognized as essential for normal life in this country. Note that these calculations include not only material goods but also access to various services (educational, medical, etc.), opportunities of participation in public life, etc. Understandably, international comparisons in this case are difficult as the notion of "normal life" in each country is influenced not only by material well-being achieved, but by existing norms and customs as well. It is also evident that the composition of these goods is significantly changing over time.

Since its emergence, the deprivation rate has gone through some changes: for example, significance of this or that good was included into its calculation. If simplified, the method of calculating the deprivation rate is as follows. The group of respondents (audiences differ depending

[3] The World Bank. World Development Indicators. https://data.worldbank.org/indicator/ NY.GNP.PCAP.PP.CD

on the purpose of the study) is asked whether they possess this or that good. The positive reply (as well as the reply "I do not need it") is scored 0, the negative – 1. To obtain a consolidated index, the replies received are weighed by the degree of significance of the relevant good defined by the share of those who possess it among the total number of the respondents. [Abe 2006, p. 2–8]

Yet, for the purpose of raising the representativeness of surveys, some "habitual" goods (foodstuffs, clothes, household appliances) are excluded from lists of goods recognized as essential for the "normal life" because the general growth of the life standards made them affordable virtually for all citizens of the country. Thus, for example, the survey conducted by Professor A. Abe in 2006 included only such material goods as microwave stoves, heating equipment and air conditioners. Most of the questions focused on household conditions (a toilet and bathroom available for one family, a separate bedroom – apart from a sitting-room and a dining-room, access to telephone connection) and financial opportunities for maintaining social contacts (attending various events, visiting relatives, and spending on transport and gifts).

Calculations also accounted for opportunities of saving funds for old age, making monthly savings as well as having access to social services (visit to a doctor or dentist when needed), etc. As Professor A. Abe's estimates indicated, 65 percent of Japanese families had all goods required for normal life, 35 percent were deprived of at least one of them, 14 percent lacked two, and 9 percent – three. When analyzed in relation to various social groups differing by income level, age and family type, the rate showed that the highest risk of deprivation lay with the people having an income of 50 percent below the median one as well as with those whose way of life deviated from the "standard". The risk of deprivation among unmarried men of 30–60 years, for example, proved to be higher than that among married ones. Yet there was no significant difference in the deprivation rate depending on the matrimonial status among young men of 20–29 years and men over 70 (in these age groups, it is not considered a deviation from the norm to not have a wife). Sharp contrasts in the deprivation rate were

observed among families with children. The rate turned out twice lower in "standard" two-parent families than in single-mother ones. It is known that the latter type of family is still regarded in Japan as a certain anomaly [Abe 2006, pp. 10–13].

Given a special social resonance of child poverty, the studies analyzing deprivation among Japanese children and teenagers are of an utmost interest. Such is, for example, the picture presented by the results of the survey conducted by A. Abe and J. Takezawa within the UNICEF project "Child Well-Being in Rich Countries".

Share of Children (aged 1–12) deprived of the following goods (%)

Age-appropriate books excluding text-books	1.0
Items for out-of-house entertainment (bicycles, roller skates, etc.)	2.0
Home playthings (teaching toys, construction kits, table and computer games)	3.0
Money for participation in school events	1.0
Availability of a quiet light room (space) to perform homework	10.0
Connection to the Internet	11.0
New clothes (not second-hand)	7.0
Opportunities for celebrating birthdays, name days, etc.	2.0

Source: [Abe & Takezawa 2013, p. 35].

The figures above indicate that the absolute majority of Japanese children live in the conditions corresponding to the perceptions of what childhood should be like in the 21st century. Yet the situation looks different in the international context. Japan proved to be in the twentieth place among the thirty countries under study by the share of children deprived of at least two goods mentioned above – 7.8 percent. However, it was significantly behind highly developed countries with the average index of below 5.0 percent, thus being equal to the East European countries [Abe & Takezawa 2013, p. 9].

Evidently, the risk of deprivation is especially high among children from poor families, which is testified by the results of the survey conducted in 2016 among eight thousand families from Tokyo. Although only about 3 percent of children replied that their families from time to time faced difficulties in paying utilities, repaying loans, making rent payments, etc., the gap between families with different income cannot but surprise. While 30 percent of low-income and 5–6 percent of medium-income families experience difficulties in paying utilities, the problem is quite unknown to rich families. The same kind of differences is typical for making rent payments and loan disbursements: difficulties are experienced by 20 percent and 29 percent of poor families, respectively, and 4 percent and 9 percent of medium-income ones, while no problems at all are faced by rich families. The differences in the life standard affect opportunities for children to visit museums, theaters, sport clubs, theme parks, go to the country with their parents, etc. Thus, 30–35 percent of children from poor families, 6–10 percent of children from medium-income families, and below 1 percent of high-income families were deprived of these entertainments for financial reasons [Abe 2018].

Like in the case of deprivation rate among adults, it is much higher among children in the families deviating from the generally accepted perceptions of "normality". For example, according to the 2015 data, this rate amounted to 9.7 percent among two-parent families, 12.8 percent – among those consisting of three generations, and 43.6 percent – among single-parent families [Abe 2018].

Inequality Indicators

In addition to the relative poverty and deprivation rates applied to analyze the socio-economic situation, experts use a number of other indicators with the Gini coefficient being the main one. It shows to what extent the real income distribution in the population (reflected by the Lorenz curve) deviates from the theoretically estimated and absolutely

equal distribution thereof. This coefficient varies in the range from 0 to 1, where 0 implies the state of absolute equality, and 1 – the state when all income is received by one household. Thus, the higher the Gini coefficient is, the greater the social disparity by income [Mira d'Ercole 2006, p. 13].

Like other highly developed countries with market economy, Japan has quite high Gini coefficient by initial income – over 0.5, but it is much lower after income redistribution (Table 2).

The factors that made Gini coefficient by initial income grow will be discussed in the next section of the article. It would be expedient in this part to focus on the fact that, as disparity of the population by initial income intensified, the government strengthened its function of redistribution; this resulted in the Gini coefficient by post-redistribution income turning somewhat lower in the period under consideration.

Table 2

Gini Coefficient Dynamics (Household Income)

Years	Initial income (1)	Income (including social benefits) minus contributions to the social security (2)	Income (2) minus taxes	Income after redistribution (3)	Coefficient changes (%) (3)/(1)	Trough the social security (%)	Trough the tax system (%)
2005	0.526	0.406	0.393	0.387	26.4	24.0	3.2
2008	0.532	0.402	0.387	0.376	29.3	26.6	3.7
2011	0.554	0.407	0.389	0.379	31.5	28.3	4.5
2014	0.570	0.406	0.387	0.376	34.1	31.0	4.5
2017	0.559	0.402	0.382	0.372	33.5	30.1	4.8

Source: Ministry of Health, Labour and Welfare. *Shotoku saibumpai 2017 chyōsa hōkokusho* [Survey on Income Redistribution 2017]. P. 6. https://www.mhlw.go.jp/toukei/list/dl/96-1/h29hou.pdf

As households may have a different number of members, the standard of living may differ considerably even with the similar income. Experts calculate the Gini coefficient by equivalent income for the purpose of eliminating the effect of these differences (remember that it is calculated by dividing the family income by the square root of the number of family members).

Although disparity of the population by initial equivalent income is much lower than by household market income, the tendencies are, however, similar by both indicators: the Gini coefficient growth by initial income and its reduction by post-distribution income. In other words, social inequality measured by distribution of current income goes down significantly thanks to government policies (by one third and even more) while the social structure is averaged. Thus, according to the 2017 data, the structure of households changes in the following way: the share of families with the lowest incomes (below JPY 500,000 a year) reduces from 25.9 percent by initial income down to 1 percent by post-redistribution income; the share of the richest families (with income over JPY 10,000,000) reduces from 10.6 to 8.2 percent, respectively, while the share of the "medium" families (with the income from JPY 1,000,000 to JPY 8,000,000) increases from 50.5 to 80.0 percent.[4]

Table 3

Gini Coefficient Changes (by Equivalent Income)

Years	Initial income (1)	Income, (including social benefits) minus contributions to the social security (2)	Income (2) minus taxes	Income after redistribution (3)	Changes of the coefficient (%) (3)/(1)	Trough the social security (%)	Trough the tax system (%)
2005	0.435	0.336	0.322	0.322	25.9	22.5	4.1
2008	0.454	0.343	0.327	0.319	29.7	26.2	4.7

[4] Ministry of Health, Labour and Welfare. *Shotoku saibumpai 2017 chyōsa hōkokusho* [Survey on Income Redistribution 2017]. P. 3. https://www.mhlw.go.jp/toukei/list/dl/96-1/ h29hou.pdf

2011	0.470	0.342	0.322	0.316	32.8	28.6	5.8
2014	0.482	0.335	0.316	0.308	36.1	32.1	5.8
2017	0.480	0.340	0.319	0.312	35.0	30.8	6.0

Source: Ministry of Health, Labour and Welfare. *Shotoku saibumpai 2017 chyōsa hōkokusho* [Survey on Income Redistribution 2017]. P. 16. https://www.mhlw.go.jp/toukei/list/dl/96-1/h29hou.pdf

The surveys of income redistribution conducted by the Ministry of Health, Labour and Welfare experts every three years contain some other data showing changes of the Gini coefficient in relation to different groups of the population. These are, for example, calculation results based on the household head's age:[5]

Age of family heads

	under 29	30–34	35–39	55–59	60–64	65–69	70–74	over 75
Initial income	0.384	0.253	0.313	0.402	0.498	0.498	0.672	0.799
Post-redistribution income	0.379	0.240	0.274	0.372	0.399	0.382	0.355	0.400
Degree of the coefficient change (%)	1.0	5.5	12.6	7.6	19.9	35.2	47.2	49.9

As the above data indicate, income redistribution instruments applied by the government are aimed mainly at mitigating inequality in the groups where it is especially grave, i.e., among elderly citizens. The degree of social inequality goes down twice due to income redistribution among the families where the head is over seventy. On the contrary, these instruments are virtually neutral or applied to a lesser degree in respect of younger families.

[5] Ibid. Pp. 28–29.

The picture looks as follows when applied to different types of households:[6]

Household types

	Single Person	Spouses and kids	Spouses only	One parent and kids	Three generations	Others
Initial income	0.676	0.646	0.389	0.454	0.389	0.547
Post-redistribution income	0.378	0.311	0.265	0.345	0.295	0.403
Degree of coefficient change (%)	44.1	51.9	21.9	24.0	24.0	26.4

As the bulk of households consisting of a single person or married couples is represented by elderly citizens, it is these types of families that show the highest rates of disparity by initial income and dramatic (nearly two-fold) reduction thereof after redistribution.

We will return to the question of what income redistribution instruments are used by the government in the final part of the article. The next section will discuss factors influencing the growth of poverty and inequality in the country.

Factors of Poverty and Inequality Rise

One of the major factors resulting in inequality rise and relative poverty rate growth was rapid ageing of the population. The number of elderly citizens (65 and over) grew from 14,890,000 to 35,890,000,

[6] Ibid. Pp. 30–31.

or 2.4 times, over thirty years – from 1989 to 2019 – while the share thereof in the structure of the population increased from 12.1 to 28.4 percent.[7] Ageing of the population impacts the relative poverty and inequality growth as follows: first, the current income of elderly citizens is, as a rule, lower than that of working generations (pensions in Japan make 40–50 percent of the average wage), the growth of their share, therefore, results in the increased gap in income between generations.

Table 4

Changes in the Structure of Japanese Households by Family Type and Level of Income

Families consisting of:	Number of relevant type families (thousands)		Their share in the total number of families (%)		Annual family income (JPY thousands)
	1990	2019	1990	2019	2017
1	2	3	4	5	6
Single person	8446	14907	21.0	28.8	280.9
Single parent and unmarried children	2006	3616	5.1	7.0	408.7
Childless spouses	6695	12639	16.6	24.4	529.1
Spouses with children	15398	14718	38.2	28.4	774.6
Three generations	5428	2627	13.5	5.1	873.4
Others*	2245	3276	5.6	5.3	573.3
Total	40273	51785	1000.0	100.0	560.2 (average)

Source: Ministry of Health, Labour and Welfare. Handbook of Health and Welfare Statistics 2019. Table 1-56. https://www.mhlw.go.jp/english/database/

[7] Statistics Bureau of Japan. Japan Statistical Yearbook 2021. Table 2-6. http://www.stat. go.jp/english/data/nenkan/70nenkan/1431-02.html

db-hh/1-3.html; Ministry of Health, Labour and Welfare. Kōsei rōdō hakusho 2020 zenpan [White Paper on Health, Labour and Welfare 2020 Full Text]. P. 13. https://www.mhlw.go.jp/wp/hakusyo/kousei/19-2/dl/01.pdf

* Other types include families consisting of a married couple and one or two parents.

Second, as the above data indicate, the gap in initial income is especially high in the groups of over 65 (mainly due to the difference between those who continue working and those who are retired), which also promotes the general inequality rate rise. The changes in the structure of Japanese households make an impact in the same direction.

Evidently, the rise of families with income below average (consisting of a single person, single parent with children, as well as one of the spouses) intensified disparity by initial income as well as the relative poverty rate growth. It should also be noted that heads of many households consisting of a single person or of spouses only are elderly people too. The total number of elderly families (that also includes households made up of elderly citizens and minor children residing together) grew from 3,113,000 in 1990 to 14,878,000 in 2019, and their share – from 7.7 to 28.7 percent, respectively. Note that their income is significantly lower than that of households the heads of which belong to younger cohorts:[8]

Family head age	up to 29	30–39	40–49	50–59	above 65	over 70
Family income (JPY thousands)	362.6	614.8	694.8	756.0	425.4	394.8

The deepening of the gap in income between Japanese families is intensified by the growing share of households formed by the young

[8] Ministry of Health, Labour and Welfare. (2020). *Kōsei rōdō hakusho 2020 zenpan* [White Paper on Health, Labour and Welfare 2020 Full Text]. P. 14. https://www.mhlw.go.jp/wp/ hakusyo/kousei/19-2/dl/01.pdf

unmarried Japanese of both genders. As it is known, the share of the latter greatly increased for the last decades; the 2019 data indicate that 35 percent of men at the age 35–39 were not married while the share of unmarried women at the same age was 23.9 percent (19.1 and 7.5 percent, respectively, in 1989).[9] The figures in younger cohorts are even higher. These households have income much below the average because young people's earnings are low at the beginning of their career due to the age-dependent labor remuneration still applied in Japanese companies.

As for families of spouses with children – although their share reduced significantly and they are no longer a dominating form of households – the processes within this group make a noticeable influence on the general situation with poverty and inequality. It is associated with the growing share of families where both spouses are working and, consequently, with the reduced share of families with *sengyō shufu* (professional housewives). Thus, the number of families with two working spouses grew from 7,830,000 to 12,450,000 during 1989–2019, while the number of families with a housewife reduced from 9,300,000 to 5,820,000. If families of the first type made up a little more than 40 percent in 1989, their number amounted to two thirds in 2019.[10]

Although women make a decision to find a job and become the second breadwinner in the family under various circumstances, material considerations play quite an important role. Thus, according to the 2016 data, nearly 70 percent of women worked in the families where the husband's income was JPY 2–5 million, about two thirds of women – when the husband's income was JPY 5–10 million, and 55 percent if the husband's income amounted to over JPY 10 million. Yet only 55 percent

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9 Ministry of Health, Labour and Welfare. *Kōsei rōdō hakusho 2020 gaiyō* [White Paper on Health, Labour and Welfare 2020 Overview]. P. 2. https:// www.mhlw.go.jp/ content/000684406.pdf

10 Ministry of Health, Labour and Welfare. *Kōsei rōdō hakusho 2020 gaiyō* [White Paper on Health, Labour and Welfare 2020 Overview]. P. 7. https:// www.mhlw.go.jp/ content/000684406.pdf

of women worked in the families where the husband's income did not exceed JPY 2 million.[11]

Since the relative poverty level for a family of four is an income of JPY 2,440,000 per year, it is evident that families where the husband's income does not exceed JPY 2,000,000 live in quite difficult circumstances. Yet 45 percent (about half a million) women from such families do not work. Moreover, according to sociologist Yanfei Zhou, only 20 percent of them intend to find a job in the near future, two thirds plan to do it "sometime in the future," while 11 percent do not want to work at all [Yanfei Zhou 2018, p. 7]. Yanfei Zhou, who studied the phenomenon of poverty among Japanese mothers, provided a major reason for this situation – women's adherence to traditional perceptions of what a family and their duties should be. In particular, they are sure that they are to rear children themselves, rather than send them to kindergartens. Yanfei Zhou calls their behavior irrational as surveys prove that children that have grown in such families are less healthy and successful in their studies than those who went to kindergartens. The lower the educational level and qualification of these women, the higher their readiness to bear poverty and lack of intent to overcome it. As they are able to find only a low-paying job in the labor market, house chores seem much more valuable to them [Yanfei Zhou 2019, p. 6–7].

It may be added that, judging by their husbands' earnings, the latter are not likely to have a high level of education either and hold jobs that do not require high qualification. In other words, the insufficient social capital of such families proves to be a factor of their stagnant poverty. It is evident that the existence of this group of families, on the one hand, and the entry of women from rich families (where the husband's annual income is over JPY 10 million) to the labor market, on the other, widen the income gap between Japanese households.

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[11] Ministry of Health, Labour and Welfare. *Heisei 29 nenpan rōdō keizai hakusho* [White Paper on Labor Economy 2017]. Pp. 129, 132. https://www.mhlw.go.jp/wp/hakusyo/ roudou/17/17-1.html

Finally, one more factor of growing poverty and inequality by initial income is the changes taking place in the labor market. We mean first of all a dramatic rise of the share taken by non-permanent workers in the employment structure. Their number grew 2.7 times (from 8,170,000 to 2l,650,000) in 30 years – from 1989 to 2019 – and their share in the structure of the employed – from 19.1 to 38.3 percent.[12] We will not analyze the differences in the position of permanent and non-permanent workers and relevant reasons, [Lebedeva 2019, pp. 36–66] but we will just note the aspects related to the income of these two categories of the employed, i.e., labor remuneration.

Back in 2007, Japan passed a law obligating business owners to provide an equal pay for equal labor – regardless of whether an employee was recruited as a permanent worker or under a temporary contract. The 2018 set of measures on changing the working style specified and toughened these requirements. Yet even after that the gap in labor remuneration between permanent and non-permanent workers persists, although it somewhat reduced in comparison with prior years. For example in 2019, an hourly pay of *pāto* women (partially employed, i.e., working less than 35 hours a week) amounted to two thirds of permanent workers' wages in manufacturing, while it made up 73.5 percent in healthcare and social services (which suffer from staff shortage more than other industries).[13]

Although about two thirds of all non-permanent workers are women, the notable growth of the number of young men in this category has become a specific feature of the last 10–15 years. Thus, if the number of non-permanent male workers aged 25–34 was 470,000 in 2006 and their share in the total number of male workers of this age was 6.0 percent, the figures in 2019 were 830,000 and

[12] Ministry of Health, Labour and Welfare. *Kōsei rōdō hakusho 2020 gaiyō* [White Paper on Health, Labour and Welfare 2020 Overview]. P. 2. https://www.mhlw.go.jp/ content/000684406.pdf

[13] Statistics Bureau of Japan. Japan Statistical Yearbook 2021. Table 19-8, 19-11. http:// www.stat.go.jp/english/data/nenkan/70nenkan/1431-02.html

14.5 percent, respectively.[14] This does not only increase the income gap among young people and between generations but also reduces the number of marriages because these young men's earnings are far from satisfying Japanese women's expectations.

A particular group – the so-called working poor (*wākingu pua*) – is notable among non-permanent workers. Although many non-permanent workers' earnings fail to reach the minimum income level, not many of them fall into this category. By professor K. Goka's definition, *wākingu pua* are non-permanent workers who work the same number of hours as permanent ones (40 hours a week and more) but earn below JPY 2,000,000 per annum. The 2016 data indicate that 5,420,000 non-permanent workers worked over 40 hours a week, with 2,450,000 of them, or 45 percent, belonging to the *wākingu pua* category. The composition of this group is presented in Table 5.

Table 5

Composition of *wākingu pua (*working poor), 2016

Annual income	Aged 15–64 (thousand people)			Aged 65 and older (thousand people)		
	Total: including	men	women	Total: including	men	women
Up to JPY 2,000,000, including:	2170	730	1440	280	160	120
Up to JPY 1,000,000	340	150	190	50	20	30
From JPY 1,000,000 to JPY 1,990,000	1830	580	1250	230	140	90

Source: [Goka 2017, p. 34].

[14] Statistics Bureau of Japan. Japan Statistical Yearbook 2006. Table 4. Japan Statistical Yearbook 2009. Table 1-4. http://www.stat.go.jp/english/data/nenkan/70nenkan/1431-02.html

Evidently, people having such low income are engaged in unskilled labor. Nevertheless, considering the mode of their labor, such income seems to be unjustifiably low and testifies to the significant difference between permanent and non-permanent employment in Japan. The *wākingu pua* existence does not only enhance poverty and inequality but presents a serious challenge for the Japanese society, which considers itself egalitarian.

Thus, a whole number of factors determined the widening of the gap by initial income and pushed up the relative poverty rates. As was mentioned above, the negative social consequences of this process are mitigated by the fact that it is taking place in the country with a high standard of life. In addition, the government's welfare policies are aimed at reducing social inequality and combating poverty.

Measures to Close the Income Gap and Support the Poor

As the data from Table 3 show, the social security system plays a major role in the redistribution of people's initial income, with the tax system making a certain contribution as well. The main instruments of income levelling through taxation are progressive personal income tax as well as differentiated rates of inheritance taxes. In 2007, personal income tax rates – amounting to 10 percent for lowest income persons and 37 percent for highest income ones – drifted even more apart. Currently they are 5 percent for those who earn below JPY 1,950,000 per annum, and 40 percent – for those whose income exceeds JPY 18,000,000 per annum. Various discounts and deductions from the tax base (for dependents, persons with disabilities, etc.) are also widely used in tax calculations. As to the inheritance tax, it is differentiated by the size of the inheritance. For example, if the inheritance is small (up to JPY 10,000,000), the tax is 10 percent; if the amount inherited is from JPY 10,000,000 to 30,000,000, it is 15 percent; and if it amounts to JPY 30,000,000–50,000,000, it is 20 percent, etc. Heirs of large

fortunes (over JPY 300,000,000) pay up to 50 percent of the inherited property cost to the government.[15]

The social security system has two major channels of income redistribution: the pension system and the health insurance scheme.

There are three schemes of pension insurance in Japan: for private employees (welfare pension, *kōsei nenkin*), for public servants as well as private school and university employees (mutual aid association pensions, *kyōsai kumiai*), and for other citizens not falling under the first two schemes (national pension, *kokumin nenkin*). They differ much in insurance terms, pension size and correlation in the subscribers' and recipients' numbers. Redistribution of funds in favor of the worst-off citizens takes place in the following way.

First, if pensions are fully covered by contributions of the insured in the *kōsei nenkin* and *kyōsai kumiai* schemes (half is paid by employees themselves, and the other half – by employers), half of the expenses on *kokumin nenkin* is undertaken by the government. The social significance of this mechanism is that *kokumin nenkin* pension is the main source of income in old age for the worst-off layers of the population (who make up the bulk of its subscribers). Second, some categories of *kokumin nenkin* subscribers have an opportunity to be fully or partially exempt from tax payments yet they retain the right to receive their pension.

The medical insurance system consists of several elements, but it may be divided into two groups by the insurance method:

Employment-based or profession-related insurance;

Place of residence-based insurance through municipalities.

The first scheme entails all persons employed as well as their family members, and the second – all other categories of citizens (farmers, self-employed, pensioners, students, etc.). The following mechanisms provide for redistribution of the financial load in favor of the worst-off citizens.

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[15] *Kokuzeichyō tōkei nempōsho 2014 nendohan* [Yearbook of the National Tax Agency 2014 Fiscal Year]. The National Tax Agency. Tokyo, 2016. Pp. 52, 246.

First, the consideration of the income and material status of the insured when defining the amount of insurance contributions. For example, contributions depend on the income level in the employment-based or profession-related insurance schemes. Place of residence-based health insurance schemes, where the least well-off citizens are insured, include contributions consisting of two parts – a fixed one, equal for all households, and the part calculated by municipalities with regard to the income level, amount of assets, family composition, i.e., different for each household.

Second, the redistribution of financial resources among different insurance schemes. Funds are transferred from more successful systems (pegged to employment-based or profession-related insurance) to less successful (place of residence-based insurance) since 1983.

Third, support of the most vulnerable layers of the population. Although the same share of insurance payments was established to cover citizens' expenses on medical services (70 percent), it goes up for particular categories (people over 70, children under 15, persons with disabilities, etc.). In addition, high income citizens regardless of their age cover services according to the regular scheme, while low-income citizens are, on the contrary, provided with various discounts up to exemption from contributions with the right to medical services reserved.[16]

While the mechanisms of income redistribution in favor of the least protected citizens embedded into social security and medical insurance schemes make an indirect impact on the poverty and inequality situation, the government material assistance provided to some categories of citizens has a direct effect.

The material support of the population is one of the oldest welfare programs in Japan. It is executed pursuant to the Law on Government Support, adopted back in 1950; it relies on four principles:

[16] Ministry of Health, Labour and Welfare. Annual Health, Labor and Welfare Report 2017. P. 28. https://www.mhlw.go.jp/english/wp/wp-hw11/dl/10e.pdf

– Assistance to citizens who are below the poverty line is the government's duty.

– All citizens matching particular criteria are entitled to receive this assistance on the equal non-discriminative basis.

– The government guarantees to all citizens the minimal income level required for the healthy and civilized life subsistence.

– Government support is based on the requirement that a person living in poverty would use their own savings, capabilities, and all other available resources to keep up minimal life standards.[17]

While the government support in the first post-war years was aimed at ensuring people's physical survival, its goal in today's society is to provide citizens with the minimal level of income required for healthy and civilized life or, as Professor A. Abe phrased it, "life without feeling shame" [Abe 2010, p. 32].

The government support includes eight types of benefits: for food, housing, education, medical services, maternity allowances, long-term care, professional activities, and funeral expenses. The benefit calculation accounts for differences in requirements between people of different age groups, households of various composition, as well as between regions. The entire assistance is provided in the form of money transfers (except for medical and long-term care services).

As has been stated above, one of the principles of government support is the requirement for the applicant to use their own resources for earning income of the higher than subsistence level. Specifically, if a person is recognized as capable of working but cannot find a job, he is not eligible for government support. Apart from labor remuneration, these resources imply the use of financial savings, sale of extra real estate, as well as assistance from relatives, who are to support needy family members according to civil law.

The focus on the necessity of using one's own resources – a job predominantly (if age and health allow) – resulted in people up to

[17] Ministry of Health, Labour and Welfare. Population and Social Security in Japan 2019. P. 51. http://www.ipss.go.jp/s-info/e/pssj/pssj2019.pdf

65 being refused assistance or granted short-term aid that was provided under strict control over their search for a job [Sekine 2008, p. 59]. Striving to improve the situation, the Ministry of Health, Labor and Welfare issued instructions obligating local authorities to provide assistance to such people "on the way to obtaining independence" (i.e., getting a job). The year of 2014 saw enactment of the Law to Assist those Experiencing Hardship that provides for creation in the entire country of complex integrated "one-window" centers where people who find themselves in a difficult situation could apply for a consultation and receive aid.[18]

Of special note is the Law on Measures to Combat Child Poverty adopted in 2014 after it had become evident that the situation in this sensitive sphere looked worse in Japan than in many developed countries. The goal of this law was the "creation of the society where a child's future will not be affected by the circumstances under which they were born".[19]

The amount of funds channeled to provision of material assistance has begun growing very rapidly since the mid-1990s (as the number of persons entitled to this assistance grew and amounts of benefits increased). Thus, expenses on these purposes increased from JPY 11.3 trillion to JPY 27.2 trillion during the period of 1990–2019, while their share in government's total social expenses grew from 10.6 to 22.0 percent.[20] Major beneficiaries of this aid are families of elderly citizens, families with people with disabilities and sick people, as well as single mothers. The 2016 data indicate that their shares among government aid household recipients amount to over 50, 26,

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18 Ministry of Health, Labour and Welfare. Population and Social Security in Japan 2019.P. 55. http://www.ipss.go.jp/s-info/e/pssj/pssj2019.pdf

19 Ibid. On measures to support families with children, see: [Lebedeva I. P. 2021].

20 Ministry of Health, Labour and Welfare. *Kōsei rōdō hakusho 2020 zenpan* [White Paper on Health, Labour and Welfare 2020 Full Text]. P. 20. https://www.mhlw.go.jp/wp/hakusyo/ kousei/19-2/dl/01.pdf

and 6 percent, respectively; it testifies to the government's direct commitment to wage a war on poverty. In all, 1.6 million households, or 2.3 million citizens, receive material aid.[21]

Conclusion
"Middle-Class Society" or "Gap Society"?

There has been an increasing number of voices since the early 2000s in Japan about the Japanese "middle-class society" turning into "gap society" *(kakusa shakai)*. Reality, as we think, does not provide ample grounds for this conclusion. As shown above, under the influence of population ageing, shifts in the household structure, and changes in the labor market, the disparity of Japan's population by initial incomes deepens, and relative poverty rates go up. Yet the government manages to curb these processes through redistribution of income. Thus, the Gini coefficient maintains the level of 0.37–0.38 by household post-redistribution income. The same coefficient calculated by equivalent income (i.e., adjusted for the number of family members) is 0.31–0.32, which is regarded as a very moderate level. As to the relative poverty rate, Japanese indicators are not very good: Japan is second to the USA by overall poverty rate among all the G7 countries and third after the USA and Italy by the child poverty indicator. With regard to overall poverty, it's quite high rate is accounted for, predominantly, by the fact that Japanese society is not only the oldest among developed countries, but it also ages most rapidly. This results in the continuous increase of the share of elderly people in the population structure, whose current income is significantly lower than the working generations' income. The child poverty rate had already reduced significantly by 2015 according to the latest available data. There is every ground to believe that it is even lower now, as Abe Shinzō's government recently undertook several measures

[21] Ministry of Health, Labour and Welfare. Population and Social Security in Japan 2019. P. 52. http://www.ipss.go.jp/s-info/e/pssj/pssj2019.pdf

aimed at supporting families with children in order to eliminate the impact of the family's material situation on the child's future. According to the 2017 data, the Gini coefficient by equivalent income in relation to child age was 0.245 in the group aged 0–4, 0.310 – in the group aged 5–9, 0.272 – in the group aged 10–14, and 0.310 – in the group aged 15–19, which testifies to a very insignificant gap in post-distribution income between families with children.[22] Indicators of deprivation among Japanese children also prove that the absolute majority thereof live in very favorable conditions in keeping with standards of highly developed countries.

Speaking about poverty, one should bear in mind that low current income used to measure relative poverty rate and degree of disparity by income may not clearly indicate that this or that family – or this or that person – live in poverty. The standard of life, apart from the current income, depends on the amounts of financial savings, real estate, securities, etc. Thus, elderly citizens, who belong to the least well-off layers of the population, possess the largest share of financial savings in the country. According to the 2014 data, financial assets were distributed among households consisting of two or more persons in the following way: the share of households with family heads over 70 made 30.9 percent, aged 60–69 – 33.6 percent, between 50 and 59 – 18.9 percent, 40–49 years – 11.7 percent, 30–39 – 5.4 percent, below 30 – 0.5 percent.[23]. The fact that poverty among elderly Japanese is a quite rare phenomenon is proven by a very tiny share of government's material assistance recipients among them. This share is below 3 percent among citizens over 65 (2.9 percent in 2015).[24]

Finally, an important indicator that does not confirm the thesis of the

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[22] Ministry of Health, Labour and Welfare. *Shotoku saibumpai (2017) chyōsa hōkokusho* [Survey on Income Redistribution 2017]. Pp. 40–41. https://www.mhlw.go.jp/toukei/list/dl/96-1/ h29hou.pdf

[23] Cabinet Office (2019). *Kokumin seikatsu ni kansuru seron chyosa 2019* [Public Opinion Survey on the Life of the People 2019], from https://survey.gov-online.go.jp/r01/r01-life/ gairyaku.pdf

[24] Ministry of Health, Labour and Welfare. Population and Social Security in Japan 2019. P. 10. http://www.ipss.go.jp/s-info/e/pssj/pssj2019.pdf

Japanese "middle-class society" turning into a "gap society" is the results of public opinion surveys annually conducted by the Prime Minister's Office. These results are quite indicative, as surveys have been conducted since the mid-1960s, i.e., they cover the period (1960s–1980s) when the Japanese society was considered nearly an example of the "middle-class society". The results of these surveys cannot but amaze. The absolute majority of the Japanese – some 90 percent – for over half a century have chosen the reply "average" answering the question of how they would assess the life standard of their families. Moreover, the share of people referring to themselves as middle class proved to be even somewhat higher in the recent years than in the 1960s – 1970s. Thus, if it amounted to 87.1 percent in 1964 and 89.5 percent in 1976, it grew to 92.1 percent in 2015 and 92.8 percent in 2019. At the same time, the share of those who referred to themselves as the middle layer of the middle class grew from 50.2 percent in 1964 to 57.5 percent in 2019, the share of citizens considering themselves to be in the lower layer of the middle class reduced from 30.3 to 22.3 percent, while the share of those who considered themselves belonging to the highest level of the middle class increased from 6.6 to 12.8 percent. As to the social structure poles, the share of the poor went down from 8.5 to 4.2 percent, while the share of the rich went up from 0.5 to 1.3 percent.[25]

Thus, judging by the way the Japanese themselves, Japanese society has not only not polarized, but has become more prosperous and stable. The middle class is not only its foundation – it even strengthened its positions over time. Moreover, there has been a shift towards an increased share of wealthier layers (middle and high) in its composition.

Clearly, the above-mentioned does not imply that there are no people in Japan living in poverty. They definitely exist, especially among single mothers, pensioners, families with people with disabilities or sick people.

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[25] Cabinet Office. *Kōrei shyakai hakushyo reiwa ninen* [White Paper on Ageing Society 2020]. P. 17. https://www8.cao.go.jp/kourei/whitepaper/w-2020/zenbun/pdf/1s2s_01.pdf

Yet, unlike Russia, where poverty is evidence of outrageous social injustice and inordinate social contrasts, in Japan this is more likely a consequence of some exceptional unfavorable conditions in which this or that family or person found themselves. As a whole, the Japanese society remains to be healthy and well-off, which is in many respects promoted by the government's social policies aimed at combating poverty and curbing disparity of the population by income.

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