

The Crisis of Social Cohesion in Japan under Globalization

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Abstract: The aim of this paper is to analyze the influence of neo-liberalism accelerating globalization on society, specially on social cohesion in Japan. The Japanese Government begins to feel that social cohesion is in damage or crisis. *The White Paper on National Lifestyle* issued by the Cabinet Office of Japanese Government in 2007 warned that the safety and security of Japanese society was threatened because social ties were weakening. Then, why is social cohesion now weakening in Japan? I conclude here that income differentials, and especially the fixation of them after the crisis of Fordism are the most serious factors related in breakdown of social cohesion. That is because the fixation of income differentials brings about the fixation of social strata in a society, shattering the hopes of the lower group to rise to upper strata in the future and producing feelings of isolation among groups.

And then what results in income differentials and the fixation of them? It is the dualism of labour market. It means that the non-regular workers are divided from regular workers clearly by wages, employment conditions and social benefits, and that non-regular workers are generally very difficult to move to the position of regular workers. Unfortunately, Japanese society is now polarizing through income inequality caused by employment differentials. Thus polarization of society that means hopeless society to economically- and socially-excluded people, in turn, is bringing a crisis of social ties or social cohesion. A new mode of regulation about employment has to be discovered in place of the neo-liberal mode of regulation based on market competition.

Keywords: Income differentials, employment differentials, the fixation of income differentials, the fixation of employment differentials, the polarizing society, neo-liberalism, social cohesion

1. Introduction

The process of globalization has led to a much greater integration of the world economy. It has been accelerated by the flow of trade, capital, labor, technology and information across national borders since 1980s. As is well known, popular writings often depicted that globalization is driven simply by technological innovation, or neutral market forces and other inescapable forces. This insistence, however, is not right. The contemporary phase of globalization is mainly an outcome emerged from the global consolidation and diffusion of the

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economic strategy paradigm called neo-liberalism, which emphasizes that the competitive adjustment in the market among economic actors makes the economic system the most efficient. This neo-liberalism has given a big impact on economic and social system in most countries. It, however, needs to be recognized that neo-liberalism has not encouraged to their convergence, but each country responds to it in a specific way and its impact on economic and social system is diverse. At the same time, we must recognize that each country shares a common experience of globalization on society.

The aim of this paper is to analyze the influence of neo-liberalism on society, specially, on social cohesion in Japan. It is now becoming the most serious problem in Japan. The Japanese Government begins to feel that social cohesion is in damage or crisis. *The White Paper of National Lifestyle* issued by Cabinet Office of Japanese Government in 2007 warns that safety and security of the Japanese society is threatened because social ties are weakening. It reports that cohesive networks among citizens in the community, cooperative relationships between employees and employer and among employees in the workplace and intimate parents-children relationships within the family are now changing and weakening. And it reports that social ties in society as a whole, so-called 'social cohesion' according to the perspective of the EU, are in danger. *The White Paper*, however, does not analyze the reason why social ties are now weakening and how such a weakness gives an impact on society. As far as the influence on society is concerned, it is easy to provide an image. For example, *World of Work report 2008* issued by ILO mentions that empirical research confirms the positive relationship between a weakness of social cohesion through income inequality and the crime rate. The low level of social ties can be generally acknowledged as a part of the causes of increasing crime. It is also seen as one of the reasons why chauvinist movements become gradually stronger in EU.

I am afraid the Japanese society will have the same situation in the near future. Broadly speaking, a strong degree of social cohesion secures the safety of society. It is well known that strong families which have intimate parent-child relationships are the core of a cohesive community and this cohesive community produces good and sound democracy, and that a cooperative workplace realizes the high level of firm's productivity, and that cooperative economic relations result in a good economic performance. Thus political and economic climates are also preconditions for strengthening social cohesion and making society safe. Then, why is social cohesion now weakening in Japan? Though the answer is not simple, R. Putnam's concept of social capital is highly suggestive for us when considering what social cohesion is and why social cohesion is weakening. I, however, claim a different conclusion from his one as the reason why social cohesion is weakening in Japan. By the way, I confirm to use the concept of social cohesion in similar meanings to social ties and social capital in advance because these concepts are based on trust and reciprocity in common.

Although there are various arguments, I conclude here that income differentials, and especially the fixation of them which arise from flexibilization or diversification of employment are the most serious factors related in breakdown of social cohesion. That is because the fixation of income differentials brings about the fixation of social strata in a

society, shattering the hopes of the lower group to rise to upper strata in the future and producing feelings of isolation among groups. I call such a society as 'Polarizing Society'. In recent years, there is an argument that calls the Japanese society as 'the society of hope differentials', which is a society in which the lower group feels hopeless and thus society is not safe. I agree with this claim, because hope differentials lead to a sense of unfairness and fatalism. And a sense of unfairness can reduce people's trust, which Putnam recognized as a factor making up social capital, and therefore threatens the safety of a society.

This paper consists of three parts. Firstly I depict the reality of widening income differentials, and its fixation in Japan. Secondly I describe the diversification of employment leads to income inequality and its fixation, and explain the reasons why such diversification is emerging. Further, I explain that the introduction of a neo-liberal strategy since the 90s in Japan is an important factor. Thirdly, I conclude that the reality of 'Polarizing Society' and selfishness, which neo-liberalism produces break down social capital, or social cohesion consisting of trust and reciprocity, referring to Putnam's argument.

2. Unequal Society is Appearing

2-1 Income inequality

There are different measures of income inequality. All seek to assess the distribution of income among individuals or households. Here we use Gini coefficients and the poverty rate.

The number of literatures on the rising level of inequality is growing in Japan. OECD warned that income inequality and relative poverty in Japan was expanding to levels above the OECD average, in *OECD Economic Surveys of Japan* that was published in 2006 and 2008. Table 1 presents the Gini coefficients in the mid-80s, the mid-90s and 2000 for disposable income calculated on the basis of total households. The Gini coefficient is known generally as a standard measure of income differentials or income inequality. 0 represents perfect equality and 1 perfect inequality.

Although up till the mid-90s the Gini coefficient for Japan had been lower than the average level of OECD 23 countries, it stood at 0.314 in 2000 and it exceeded the OECD average. We find that the Gini coefficient for Japan became the highest level alongside the USA, when compared to European countries (except Italy and UK), specially when compared to North European countries. Japan can be now identified as one of countries characterized by a relatively high degree of inequality in income distribution. The Gini coefficient for Japan ranked ninth worst (tenth worst in 2005) and Japan was included in the group of the lowest level of income equality among the OECD 23 countries. This is a shocking fact for us, because this fact makes it clear that the public notion shared among people that Japan is an equal society has become a myth.

We focus on one of the indicators other than the Gini coefficient in order to argue about whether a society of inequality is appearing in Japan. How about the poverty rate in Japan? The relative poverty rate, which is defined as an income (disposable income) that less than 50% of the median, with income adjusted for differences in household size, is also an

Table 1. Gini coefficients in OECD countries (Disposable income)

A. Total population							
Level of Gini coefficient			Level of Gini coefficient				
	Mid-1980s	Mid-1990s	2000		Mid-1980s	Mid-1990s	2000
Australia	0.312	0.305	0.305	Japan	0.278	0.295	0.314
Austria	0.236	0.238	0.252	Luxembourg	0.247	0.259	0.261
Canada	0.29	0.283	0.301	Mexico	0.439	0.508	0.467
Czech Republic	0.232	0.258	0.26	Netherlands	0.234	0.255	0.251
Denmark	0.229	0.213	0.225	New Zealand	0.27	0.331	0.337
Finland	0.207	0.228	0.261	Norway	0.234	0.256	0.261
France	0.275	0.278	0.273	Portugal	0.329	0.359	0.356
Germany	0.263	0.277	0.275	Sweden	0.198	0.212	0.243
Greece	0.336	0.336	0.345	Turkey	0.435	0.491	0.439
Hungary	0.271	0.292	0.293	UK	0.287	0.312	0.326
Ireland	0.331	0.325	0.304	U.S.A	0.338	0.362	0.357
Italy	0.306	0.348	0.347	Average	0.286	0.305	0.307
B. Working-age population							
Australia	0.304	0.294	0.295	Japan	0.276	0.29	0.31
Canada	0.286	0.287	0.305	Netherlands	0.233	0.254	0.25
Denmark	0.22	0.214	0.226	New Zealand	0.263	0.324	0.33
Finland	0.205	0.234	0.26	Norway	0.222	0.249	0.26
France	0.267	0.277	0.272	Sweden	0.224	0.216	0.242
Germany	0.254	0.27	0.272	United Kingdom	0.277	0.304	0.319
Italy	0.305	0.349	0.345	United States	0.326	0.351	0.346
				Average	0.262	0.279	0.288

Source: OECD (2006)

important measure to analyze income inequality. *OECD Economic Survey of Japan* compared also the poverty rate in OECD countries.

According to the Survey (Table 2), the relative poverty rate in working-age population increased from 11.9% of the total working age population in the mid-80s to 13.5% in 2000. These figures are higher than the OECD average of 7.8% in the mid-80s and of 8.46% in 2000 respectively. We have another current statistics by *OECD Society at a Glance 2009*. If the poverty rate is calculated on income of total population, it reaches 14.9% in 2005. It should be noted that 14.9% is the fourth highest figure, that is, Japan has the fourth highest poverty rate among the main OECD countries, ranking after Mexico, Turkey and USA. This result suggests that unfortunately the poor are increasing in Japan. In fact the number of people

receiving the Public Assistance (Seikatsu Hogo in Japanese, or generally called income support program) that means the last resort in term of poverty relief is rising. The number is now more than 1 million people although everybody who needs the support is not always covered by this income support program because of the tough means-test conducted by the Welfare Office.

The measures mentioned above show that income differentials in Japan are widening and inequality is growing larger in society. However, while some agree with these views, there are lots of critics of them. Most of them criticize these views as discussed above, concerning the high level of the Gini coefficient with the fact that Japan is a rapidly aging society. According to this criticism, the Gini coefficient for all age groups is affected largely by the Gini coefficient of the older group whose share among population is large and whose Gini coefficient is relatively high. They, therefore, emphasize that we shouldn't overestimate the fact that the Gini coefficient in Japan is high compared to other OECD because it is natural that aging of society pushes the Gini coefficient to a higher level.

These criticisms seem to be unrealistic because lots of people feel the degree of inequality is now rising. It should be also noted that even the Gini coefficient for the working-age population increased from 0.276 to 0.31 between the mid-80s and 2000. The rate of 0.31 wasn't so different from 0.314 for the total population but it is high in comparison to 0.288 of the OECD average. Similarly, the relative poverty rate for the working-age population was 13.5% that was not largely different from 15.3% for the total population, but was also higher compared to 8.4% of the OECD average in 2000. In this way, criticism that income inequality is inevitable because Japan is a country in which society is aging and thus it shouldn't be overestimated, lacks sufficient basis in research.

2-2 Fixation of inequality

We, Japanese people, live in an age of inequality where income and economic differentials are growing.

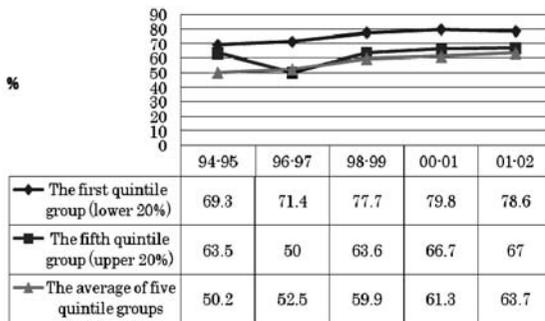
Also, the word, 'poverty', which had disappeared during the golden age, is reviving in

Table 2. Poverty rate (Disposable income, household income of working age population)

	Mid-1990s	2000
Czech Republic	3	3.8
Denmark	4.5	5
Sweden	4.2	5.1
Netherlands	6.2	5.9
France	6.8	6
Norway	6.7	6
Finland	5.4	6.4
Germany	7.2	8
Australia	7.5	8.6
United Kingdom	8	8.7
New Zealand	7	9.5
Portugal	10	9.6
Canada	9.4	10.3
Italy	12.7	11.5
Ireland	8.6	11.9
Japan	11.9	13.5
United States	13.5	13.7
Average	7.8	8.4

Source: OECD (2006)

Figure 1. Proportion of household remaining in the same income status (household income)



Source: Sakaguchi (2004)

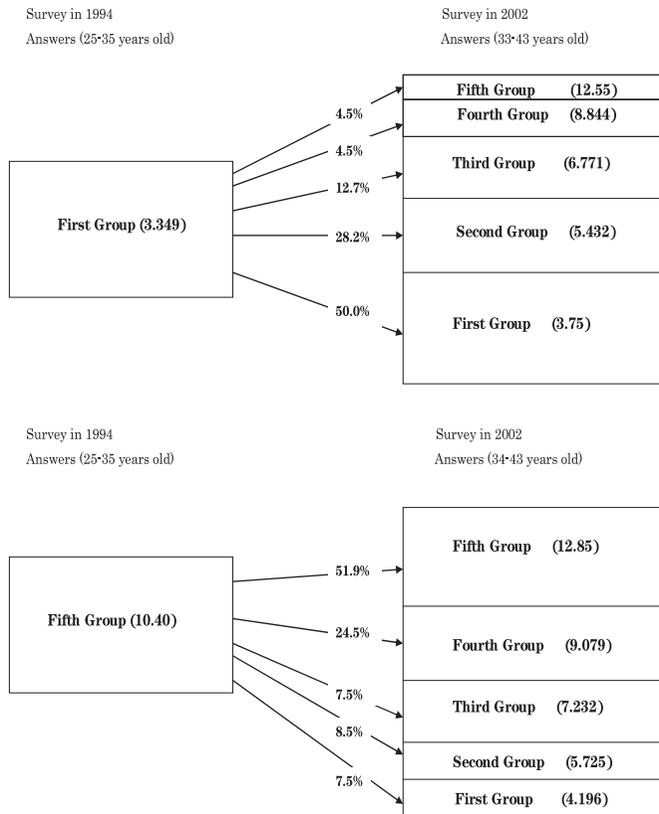
Figure 1 presents the proportion of households remaining in the same income status (household income) one year later, showing two groups selected among quintile groups. We see that this proportion has been increasing. In particular, we should note that the remaining ratio for the first quintile group (the lowest income group) increases from 69.3% in 1994–1995 to 78.6% in 2001–2002. It shows that it becomes difficult for members of the lowest income group to move to the upper groups. Although the remaining ratio for the fifth quintile group is a little lower than the first quintile one, the mobility of this group is becoming low. Another survey conducted by *The Institute for Research on Household Economics* in 2003 (Figure 2) makes it clear that the degree of mobility among social strata is not so high. According to this panel survey, on the one hand, 50% of households who belonged to the first quintile group and were 25–35 years old in 1994 remained in the same quintile in 2002, and on the other hand, 51.9% of households in the fifth group remained in the same quintile in 2002.

It is obvious that a trend of ‘fixation’ of income differentials, and thereby one of immobility or fixation among social strata is developing. Moreover, it is also obvious that this fixation is likely to be inherited from generation to generation. A high educational career is needed to get good jobs and high income in the current knowledge society. And a door to a high educational career is not always open to all young people. It is reported that more than 70% of parents of students who attend one of top-rank universities in Japan, belong to the fifth group. On the contrary, the possibility to get a high educational career is lower for young people whose parents belong to a lower group. A position in social strata tends to be transmitted through the generations.

Income differentials are expanding and the fixation of social strata is now going on in Japanese society. I name it a ‘polarizing society’. Then, we need to analyze why income differentials are widening and why they are fixed in Japan. I shall show that employment differentials result in income differentials and that the fixation of employment differentials result in the fixation of income differentials in next section.

newspapers, journals, TV programs and academic articles, and we no longer feel that the word is strange. But the problem is not only the fact that income differentials are expanding, but also that they have begun to be fixed. This fact of the fixation of income differentials, to which has not been paid enough attention yet, must be emphasized because a society that is unequal and has low levels of social mobility results in the weakening of social cohesion.

Figure 2. Changes of Annual Income in the Same Family Unit From 1993 to 2002 who belongs to the First and Fifth Group



Note 1: The above date is Average annual income (total 110 family units)

Note 2: million yen (unit)

Source: Japanese Panel Survey of Consumers (2003)

3. Change of labor market

3-1 Neo-liberal Response to the crisis of Fordism

There are some factors responsible for the rising level of disposable income differentials since the mid-80s. As some claimed above, it is sure that population aging is one of factors that contribute to higher inequality in disposable income. Nevertheless, it should be confirmed that income inequality among the working-age population is a key factor of the rise in income inequality as a whole. Labor flexibility has played a central role as the key factor to increase income differentials as well as the cut-down of welfare budget.

Labor flexibility is not a neutral term but a slogan of neo-liberalism which is pushing globalization. We know that Fordism, which led societies after World War II to economic

booms, fell into a crisis in the 70s. In response to this crisis, many countries started on the road towards neo-liberalism in the 80s, because globalization or global competition forced them to adopt this neo-liberal strategy. Japan was not also an exception. The Japanese government's response to this crisis was to pursue mainly a Keynesian policy of aggressive public investment. Although this policy was successful, it resulted in an economic bubble. And after the economic bubble of the late 1980s burst, the Japanese economy experienced such a serious and deep recession that was called the 'lost decade', as other countries had already done in the 80s after the crisis of Fordism. The government launched fully into the road towards neo-liberalism in 1995 in response to this recession. While this strategy was chosen voluntarily under the serious economic recession and global competition by Japanese government and economic actors in Japan, it was promoted under the pressure put by American economic actors who pushed them to take this strategy. This strategy consisted of a set of structural reforms, deregulations, privatizations, tax reductions, cut-off of the welfare budget, establishment of minimum state and promotion of labor flexibility. Neo-liberalism came to Japan 10-15 years later than the other countries.

Arguments on labor flexibility, however, had started already in the mid-80s. The Japanese style of the Fordist mode of regulation between capital and labor is not characterized by a compromise about wages, but one about employment, differently from the Atlantic-Fordism. While stability of employment was a more serious concern for labor rather than a high level of wage, long-term employment was also needed for capital to train up and keep high-skilled workers. On the one hand, labor compromised on a moderate level of wage and the same level of wage in the same age and career group, which is called seniority-based wage system. On the other hand, labor wanted strongly to compromise on long-term employment which means workers work long as regular workers in the same company. These types of compromises between labor and capital are called the Japanese type of industrial relations, and they drove Japan into 'golden age' and reduced the damages of the crisis of Fordism on economic performance, together with other modes of regulation specific to Japan such as intimate and long inter-firm relationships and so forth.

Globalization, which neo-liberalism pushed, however, hits this Japanese style of Fordism, especially the employment system. Capital was forced by global competition to break compromises between capital and labor in order to cut the labor cost, claiming labor flexibility. This means that wage and employment should not be regulated by institutionalized compromises, but by the free competition of markets which is a belief of neo-liberalism. Various types of employment, so-called diversification of employment are emerging, and was recognized as a key policy response to neo-liberalism, a trend accelerated from the mid-90s. However, it had started practically in the mid-80s when the Japan Federation of Employer's Associations decided unilaterally, without an agreement with the unions, to move to a new employment system characterized by the diversification of employment as stated in its report named '*Japanese Style of Management in a New Age*' in 1995. In this report the form of employment is categorized into 3 types, which are core workers (regular workers based on the traditional type of employment, professionals (under individual contract), and peripheral

workers (non-regular workers). This report declared formally that the diversification of employment should be promoted in companies and government should support this policy, departing from traditional compromises on employment between capital and labor. After this report, the number of non-regular workers has been expanding, being excluded from social security and a reasonable level of wage.

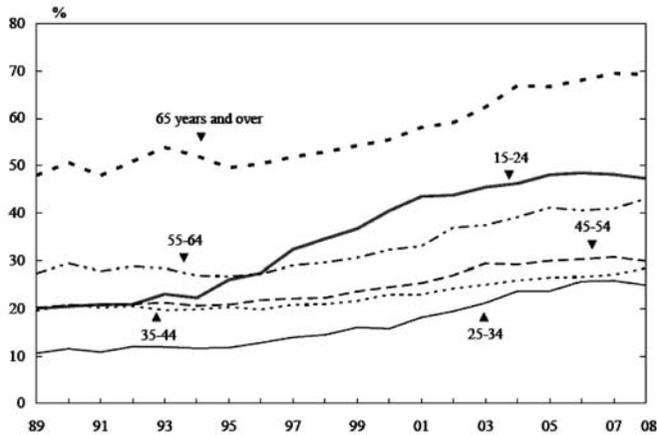
In this way, the age of neo-liberalism has started fully in the mid-90s as a response to the crisis of Fordism, and it came to Japan 10 years later compared to other countries that had experienced it in the 70s. It is the diversification of employment that is a key factor causing income differentials or inequality in income. Up till the mid-80s, Japan had experienced an equal society, being based on the Japanese type of wage and employment system, which means compromises between capital and labor specific to the Japanese style of Fordism. People had felt themselves to belong to the middle-income class or middle class. After the mid-90, however, it is becoming a myth.

3-2. Labor market dualism

Figure 3 shows the fact that the number of non-regular workers is increasing steadily. The proportion of non-regular workers rose from 16.4% in 1985 to 33.7% in 2007, two-thirds of which are women. Consequently, more than half of female employees are non-regular workers. Non-regular workers, and their situations, are characterized as follows; firstly, they are in unstable employment because non-regular workers, who consist of part-time workers who work less than 35 hours a week, dispatched workers who are employed by temporary workers agencies and temporary and short-time contract employees, are not secured by long-term employment; secondly, there is a major difference in social insurance coverage. Less than half of non-regular workers are covered by employee's pension and health insurance. Even employment insurance covers just two-thirds of them. These facts means that their health is threatened and that the probability which they could enjoy the average level of life in the future is low if the support by social security is inadequate; thirdly, non-regular workers are given no chance of occupational training or skills training. They, therefore, lose opportunities for a career path in their work places or to make other careers; fourthly, the number of non-regular workers is increasing even in the young generation between 15-34 years. This is a big problem for the future of the Japanese society; fifthly, it should be noted that the wage differentials between regular workers and non-regular workers are not as small as figures show. There is an approximately 60% gap between the average hourly wages of regular and non-regular workers. Such wage differentials in 35-44 years old group are a serious problem because educational costs for their children grow higher in this age-group; sixthly, in addition, it is reported that non-regular workers tend to be less married and it, therefore, is one of the main reasons for a downward trend in the birthrate.

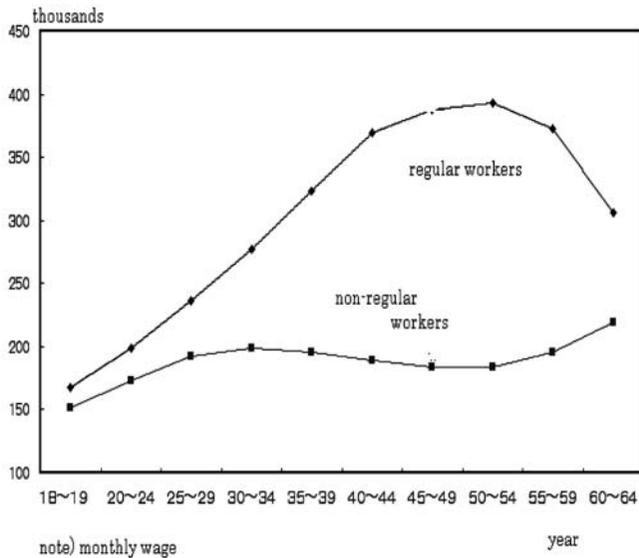
The growing proportion of non-regular workers and their lower level of wage compared with regular workers are key explanations of increasing income inequality. Namely, Japan has become one of the countries where neo-liberalism is most successful in achieving employment flexibility called numerical one in general. As a result, income inequality is

Figure 3. Percentage of Non-Regular workers by age group¹⁾



1) February figures for the respective years are used for data prior to 2002. The average of January-March figures are used for data from 2002 onward.
Source: Statistics Bureau, MIC.

Figure 4. Differences of wage curve by the form of employment

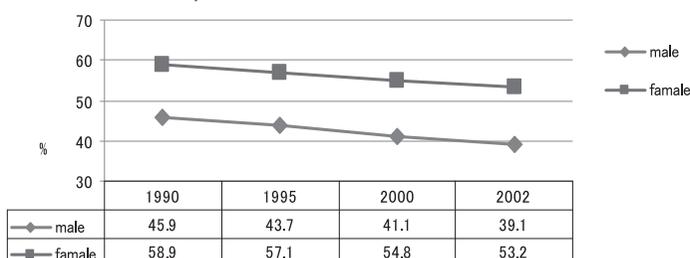


note) monthly wage
Source: ibid

widening (cf., Figure 3, 4, 5).

At the same time, it should be pointed out that wage flexibility that is emerging among regular workers has also contributed to the widening of income differentials. Although the wage system in Japan is more flexible than in other countries because of bonuses, that make up to 20-30% of the total annual wage, suggesting a certain proportion of profit is distributed to their employees, now they are becoming still more flexible due to the introduction of the

Figure 5. Wage differentials between regular workers and non-regular workers (as percentage of wage of regular workers)



Source: ibid

performance-related wage system. The level of wages is determined by individual performance, reflecting the company's performance. And the wage setting system is also changing towards decentralization and individualization due to the introduction of the performance-related wage system. Unions no longer know how much each person is paid in wages. Some surveys report that the difference of wages based on performance appraisal is not small. While this wage system is now criticized because it is difficult to evaluate and compare performance of employees, it has been introduced in various ways into most companies. Thus wage flexibility is also one of the reasons for widening income differentials. In addition, the performance-related wage system causes stress of employees because it strengthens competition and reduces cooperative feelings among employees.

We can confirm that a new type of labor market dualism is now going on in Japan, and diversification of employment causes income differentials. To be sure, 'labor market dualism' is not new, because Japan has experienced a dualistic labor market that was segmented between large companies and medium-small companies. The current labor market dualism, however, differs from the traditional one, because it is promoted by a strategy of neo-liberalism that aims to widen wage differentials themselves.

Finally, it should be emphasized that the fixation of employment differentials, or a new labor market dualism, is occurring. Currently, it becomes very difficult for non-regular workers to become regular workers no matter how much they hope to get such a regular job position. In particular, once a high school graduate starts to work as a non-regular worker after graduation, then it is unlikely that he or she will move to a regular job position afterwards. According to a 2006 survey by the government, 55.4% of non-regular workers (they are called 'freeter' in Japan) between the age of 15 and 34 who changed jobs were forced to remain in the same job status. In this way, a dualistic labor market accompanies now the limited mobility between the segments of the labor market.

We would like to call this situation 'the fixation of employment differentials'. In recent years, it should be recognized that labor market dualism does not only mean the diversification of employment, but it also includes the fixation of employment differentials. Moreover it should be pointed out that employment differentials cause income differentials

and their fixation, namely the fixation of social strata. It is known that market income differentials in OECD countries are not so low when compared to Japan. Notwithstanding, as to disposable income differentials, those countries keep in a lower level than Japan. Its reason is clear because they are implementing effective tax and social spending policies in order to reduce disparities in the distribution of market income (initial income), and active educational and labor market policies in order to promote mobility in labor market. Although such policies play a significant role in reducing disparities in the distribution of market income, conversely the Japanese government is cutting the welfare budget, claiming minimum state, privatization of welfare and the principle of self-responsibility or family-responsibility.

4. Crisis of Social Cohesion in the Polarizing Society

4-1 Social cohesion and 'hope'

We have provided a picture of the inequalities in employment and income in the above section. Unfortunately, Japanese society is now polarizing through income inequality caused by employment differentials. Thus polarization of society, in turn, is bringing a crisis of social ties or social cohesion. Needless to say, there are some factors that bring the crisis of social cohesion in addition to income inequality. The individualization of society is also one of other factors. Moreover, the norm of selfishness that is inherent in neo-liberalism has a serious influence on the breakdown of social cohesion, as well as growing ethnic troubles due to the increase in the number of immigrants. Yet, we claim that income inequality and its fixation, which cause the polarizing society, are the most important factors. Thus, in Japan social cohesion is weakening.

Then, what is the problem as to the crisis of social cohesion, and why does the polarizing society lead to a crisis of social cohesion? These questions need to be answered here. In sum, it could be pointed out that the crisis of social cohesion does not make society safe. Moreover, some arguments note rightly that it damages a good economic performance as well as sound democracy. And other arguments assert that it results in the increase in crime and political terrorism. I agree with these arguments. In addition to them, we must take notice that polarizing society produces chauvinists who inflame hostility and conflict towards immigrants. Fascism is not a monster that has for ever faded into history.

The answer to the second question is as follows. Polarizing society means hopeless society to economically- and socially-excluded people. I consider 'hope' as a background or precondition to maintain social cohesion. Although it doesn't produce social cohesion directly, at least it is requirements for developing and maintaining social cohesion based on the generalized trust in others as related below. Then how is 'hope' defined, and what conditions are needed to realize it?

We define such positive mental state that people might feel when 'possibility of choice' is ensured equally to them all, as 'hope'. People are existences who have the ability to choose what people can be and can do. And they will be likely to feel happy, if their 'capability' is realized, or the possibility for realizing it is provided. On the contrary, people will feel

disappointed when doors toward such a possibility are shut. Speaking briefly, possibility of choice is largely different from freedom of choice that is a key principle of neo-liberalism. Neo-liberalism ignores that there are people who can't stand on the same start line of life in the first place as others do, in other words who are excluded even from the state of 'freedom of choice'. Therefore, the concept of 'hope' connects strongly with possibility of choice. Polarizing society excludes people who are vulnerable economically out of society and derive possibility of choice from them. Thereby 'hope' are also derived from them. One researcher, correctly, names the current society as a society of 'hope' differentials.

4-2 Income inequality and social cohesion

— from the perspective of social capital —

As mentioned above, the society with 'hope' is a key precondition to maintain social cohesion. 'Hope', however, doesn't produce social cohesion. It is merely a precondition of social cohesion. Then what produces and develops it? Although it is not an issue here to answer the question in detail, we can point out the following, referring to a vast amount of literature about social capital, because the concept of social cohesion can be argued from the perspective of social capital. Some commentators put a focus on the realm of civil society as a source of social capital. They asserted that the more people are engaged in voluntary civil associations, the more trusting toward other people they will become. Certainly, this is correct. Other commentators, on the other hand, claim that impartiality and fairness of welfare state foster the high level of generalized trust, criticizing arguments above and emphasizing that political institutions are also able to have a strong impact on the building of trust as well as a mature civil society does. Though both arguments seem to be conflicting, both should be recognized to be important determinants of social capital together.

If social cohesion is able to be defined as ties among people based on trust and reciprocity like social capital, social cohesion is also build by both mature civil society and welfare state which pursues impartiality and fairness. I agree that both strongly relates to high level of generalized trust and reciprocity. We, however, watch at the reality that social cohesion is now in crisis under the current welfare state. In actuality, unless the welfare state reduces income inequality and resolves poverty issues, it might be difficult to maintain trust.

Our point here is that income equality doesn't produce trust, but it is an absolutely necessary precondition to maintain trust because it expands the possibility of choice and provides the feelings of 'hope' to people. In this meaning, it serves as an important foundation for avoiding the crisis of social cohesion.

5. Conclusion

We have mentioned that the Japanese society is now polarizing due to the influences of globalization that is promoted under neo-liberalism. Neo-liberalism believes in market freedom as the only principle to regulate interests among economic-social actors. It, however, operates against income equality and employment protection, and thereby it drives the

polarization of society. Moreover, this polarization of society leads social ties or social cohesion to the crisis. Unfortunately, the myth that Japanese society is equal and safe is collapsing.

Then, what should be done to respond to this crisis of social cohesion? In sum, above all, it is important that employment differentials should be resolved. Some commentators assert that the diversification of employment in the age of post-Fordism is inevitable, and that 'flexculty' is worth considering as a concrete solution. I agree with these arguments. The Japanese government should learn 'flexculty' policies.

A researcher mentions that the state can create trust by redistributing income and thereby realizing income equality, because economic equality is a decisive factor of trust. This argument seems to emphasize economic equality too much as a factor of trust and to overestimate the role of state to foster trust. As we have confirmed, it is a precondition for maintaining trust. The current problem, however, is that this precondition is now off. Therefore, the state has to play a positive role to make the precondition, because the state can set up policies for redistributing income and those for resolving employment differentials.

We know that we are in the society where it is difficult to realize full employment. There are people who are excluded from the labor market in the first place, and thereby belong to the lowest group. It is also important for the state to support them.

At any rate, a new mode of regulation about employment has to be discovered in place of the neo-liberal mode of regulation based on market competition. Fortunately, we have now a big chance to change neo-liberal strategy, because neo-liberalism is facing criticism and because people feel fear for the damage on social cohesion that a 'polarizing society' makes.

What kind of globalization should we pursue, and what kind of society should we build? This is the question that we now face.

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