

# Japan's political establishment rocked by pension scandal

Joe Lopez  
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Over the past month, a scandal over the non-payment of mandatory pension scheme contributions has forced the resignations of senior government and political figures. The speed and scope of the crisis has revealed once again a deep divide between the country's political establishment and a majority of the population, particularly younger layers.

The first major figure to go was Chief Cabinet Secretary Yasuo Fukuda, a key political strongman in the Liberal Democratic Party (LDP) government of Prime Minister Junichiro Koizumi. Fukuda quit on May 7 to head off demands for the resignation of six other government ministers who had also been exposed for their non-payment into the pension scheme.

Fukuda is the son of a former prime minister and one of the main right-wing ideologues behind Koizumi. He is widely regarded as the architect of the government's close relations with the Bush administration, the highly unpopular dispatch of Japanese troops to Iraq and its drive to amend the country's constitution and remilitarise Japan.

When the scandal first erupted in April, Fukuda dodged questions about his own payments by insisting that it was a personal matter. He later acknowledged that he had failed to make payments over a three-year period. According to several political commentators, Fukuda resigned to take the heat off the government and has been privately guaranteed a top ministry following upper house elections, which are due in July.

The opposition had seized on the scandal as a means of making political mileage prior to the poll. In a speech on April 24, leader of the Democratic Party of Japan (DPJ) Naoto Kan demagogically declared of the three cabinet ministers initially implicated: "They themselves haven't paid into the system, so [they are] asking people to pay higher premiums into the national

plan—that's a joke. They are three non-payment brothers. There might be a fourth or fifth non-payment brother."

As it turned out, Kan himself had failed to pay into the scheme for 10 months in 1996, while he was in charge of the health and welfare ministry that oversees the pension program. For several days after Fukuda resigned, Kan insisted that he would not follow suit, even as newspaper headlines declared that he would. On May 10, however, he stepped aside leaving the DPJ in disarray.

The top-level resignations are an indication of the depth of public hostility over the issue. In the midst of the scandal, the Koizumi government was attempting to push through new legislation to finance the seriously under-funded scheme. It has argued that because of the country's aging population and shrinking workforce, pension premiums had to be raised and benefits reduced if the scheme were to survive.

Currently 13.58 percent of a person's income is paid into the scheme but, under the legislation, the proportion will rise in steps to 18.3 percent by 2017. Similarly benefits will be cut over the same period from the present 59.3 percent of average annual earnings to 50.2 percent.

The changes are highly unpopular, particularly among young people who doubt that they will receive proper benefits when they reach retirement age. The sentiment is compounded by a climate of fear and uncertainty over the economy and continuing high levels of unemployment.

To sell the legislation and encourage payment into the pension scheme, the Koizumi government organised a national television and poster advertising campaign costing \$6.5 million. It employed a popular Japanese actress Makika Esumi who appeared on television

screens saying: “If you pay now you’ll be paid later. Do you want to end up crying in the future?”

The campaign collapsed when it was revealed that Esumi had failed to make pension contributions. Public anger grew as it became apparent that many politicians were also non-payers. The disparity between the pensions paid to ordinary workers and those of politicians only added to the bitterness.

Currently people are required to pay pension premiums for at least 25 years to become eligible for an annual pension of just 797,000 yen. However, politicians receive 4,120,000 yen a year, more than five times the benefits for a retired worker, after serving in parliament for 10 years.

To capitalise on the hostility, the DPJ proposed its own alternative. Rather than raised pension premiums and cut benefits, the opposition called for a rise in the country’s consumption tax, first introduced in 1989, from 3 to 5 percent to fund the pension scheme shortfalls.

The consumption tax, however, is just as hated as the pension payments. Either way it means increasing the hardship on working class families, students, the unemployed and the poor in Japan whose living standards have been decimated after a decade of economic decline, corporate restructuring and job destruction.

A recent poll by the *Kyodo News* showed that 67.7 percent of people were opposed to the pension reform bills following the revelations of non-payment by many politicians. Some 78.9 percent of respondents said they want all parliamentarians to disclose details of their payment of mandatory pension dues.

The amendments were finally passed in the lower house of the parliament on May 11 and are expected to be presented to the upper house in early June. But the scandal could claim further political scalps. The *Yomiuri Shimbun* newspaper alleges that as many as 118 lawmakers have failed to make pension contributions.

Prime Minister Koizumi has revealed that he had not paid into the pension scheme for a total of six years and 11 months, although this was prior to the pension scheme being made mandatory in 1986. According to a nationwide survey in the *Asahi Shimbun* in mid-May, support for the government slipped by 5 percent over the previous month to 45 percent.

The opposition is also under pressure. Ichiro Ozawa, who initially agreed to take over the DPJ leadership, was compelled to decline the offer after it was discovered that he was also a non-payer. The top DPJ job was eventually taken over by Katsuya Okada, the party’s general secretary. His main qualification appears to be that he has religiously made all of his payments into the pension scheme.

Commenting on the sensitive character of the issue, Naohiro Yashiro, president of the Japan Centre for Economic Research, told the *Guardian* that the scheme was a dinosaur. “[W]e can’t afford it now; we can’t feed the dinosaur any more. Younger generations will sooner or later launch a coup d’etat because they cannot bear the increasing burden. We don’t know when that will happen, but this is a time-bomb that is sure to explode.”

The scandal is a symptom of broader dissatisfaction being fueled not only by economic uncertainty, but also by hostility to reemerging Japanese militarism. A series of polls have registered the opposition of a majority to the dispatch of Japanese troops to Iraq. This hostility to the government, however, has not translated into support for opposition parties and politicians whose policies are not fundamentally different.

The latest national elections last November continued the trend of falling voter participation and support for independents. Voter turnout dropped by nearly 3 percent from the 2000 election to 60 percent last year. While the DPJ made some gains at the expense of the ruling LDP and its allies, the current scandal has undermined its support. The Social Democratic Party and Communist Party both lost seats.

A similar result is likely in the forthcoming upper house election. With no other alternative, many people will simply not bother to vote at all.



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