

Trends in Income Inequality: A Sociologist's Perspective

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1. Disparity and inequality

There have been many discussions recently about disparity. In these discussions, disparity and inequality are often not well distinguished. What is meant by inequality and disparity is not clear, and these concepts often overlap. Let us try to make a distinction between disparity and inequality. When considering disparities, we must first note that there are certain baselines and expectations to measure the degree of disparity (Sato 2005). When there is deviation from the baseline or expected value that has been set, the deviation is measured as the degree of inequality or injustice. This deviation refers to ranking, and it is the “difference in ranking” that can be described as “disparity”. The difference can be expressed by how far it is deviated from the standard value which is set to zero, and disparity indicates the gap between the actuality and the desirable state, such as the state of no differentiation. While it is most often considered that it is preferable that disparities be small, the problem is that how much differentiation we tolerate is ambiguous because the standard or expected value is not absolute. For example, we can ask whether what we are aiming for is a society in which there is no disparity and where everyone is the same. Of course, a situation that deviates greatly from the state of no disparity is not desirable. However, it is questionable whether a society with no differentiation exists in real life. It would be “unfair” if there were no wage differentials and those who performed better than others would receive the same reward as those who underperformed.

If each person is fairly assessed for his or her performance, the consequent gap in income can be regarded as fair. On the other hand, inequality based on unfair assessment and “unreasonable” factors unrelated to the person's ability should not be allowed. When income is not the result of fair assessment but of unreasonable factors, the gap in income is regarded as unfair and inequitable. This unfair evaluation plays an important part in the concept of inequality that goes beyond the concept of disparity. A certain benchmark is introduced into disparity, insofar as it is the “difference in ranking,” and a certain order is established based on social value. While disparity and inequality are very similar concepts, social norm and the concept of assessment are more strongly

reflected in inequality than in disparity. In other words, an absence of disparity may not always be desirable, and the degree to which income reflects the assessment of an individual's performance and ability determines how fair the income gap is.

Therefore, disparity is a concept with an emphasis on measurability, while inequality is a concept which is influenced by the social norm, and the issue of social justice is deeply involved in its definition. For the purpose of this study, let us define inequality as disparity with a stronger sense related to social norm. Inequality is about the demarcation of to what extent the "difference in ranking" is acceptable as social justice. It is a concept of distribution linked to social values.

2. Stratification structure as a background of inequality

Just as economists are concerned with wages and income, sociologists are concerned with occupation and the inequality issues have been discussed within the theoretical framework of stratification and class. This is because sociologists consider occupation as the most reliable proxy variable for expressing the quality of life, including lifestyles. This is based on the idea that the difference between a doctor and a road construction worker, for instance, is not only about the difference in income, but also about the difference in social prestige, employment security, and life chances.

Inequality is closely associated with the concepts of unreasonableness and inequality that goes beyond quantitative differences. Economic inequalities, as represented by income gaps, imply comprehensive differentiation in socio-economic advantage/disadvantage among individuals and households. Weber described "social class" as a broader concept of prestige and social status besides the possession of economic assets (Weber 1946). Inequality is comprehensive because it goes beyond the present possession of assets per se and includes the differences for future opportunities in life that people possess. It is a critical process that the amount of wealth includes the potential ability to cope with risks that people might face in the future. High educational attainment and high income have meaning in themselves, but what is more important is that they can potentially minimize uncertain risks that might occur in the future.

Another point that cannot be overlooked in considering stratification is that we should take into account not only individuals, but also households as a basic unit of consumption. In economics there exists the concept of

household economy; however, the central unit of analysis, based on economic reasoning, is the individual who is assumed as an economically rational actor. In sociology, we pay attention to families and communities which surround and interact with individuals. One of the unique features of sociology is that it considers not only the individual, but also the individual's relationship with others in the family, the household, the community, and the society. This is the reason why sociology has traditionally studied rural villages and families. With the advance of industrialization and urbanization, the function of rural villages to provide life security to family members no longer works well, and family size is becoming smaller. The declining family size partly derives from an increase in the number of people who choose not to marry or to marry late and in the number of divorces. At the same time, the functions of the family are also changing. An individual is not an abstract unit of analysis but perform particular roles in their life such as wife or husband, daughter or son, and mother or father. This understanding of the individual behavior placed within certain relational boundaries is called "roles", and certain expectations are attached to each role. Role expectation, for example, of "how a wife should behave" or "the duty of the eldest son," is derived from social norm that is applied to an individual's relation with others. Individuals make choices under the constraints of various role expectations in their life.

3. Inequality between classes and inequality within the class

Society is not in a state of uniform vacuum. People are stratified based on income, occupation, property, and so forth. In fact, the majority of people think that society is unfair. Discussions about inequality were revived in the late 1990s, and interest in disparity continues unabated to this day (cf. Tachibanaki 1998; Sato 2000; Ohtake 2005). What is behind this active revival of the discussions on inequality? What mechanism is there that makes people actually feel the existence of disparity and inequality? To answer these questions, we will briefly examine the trends in the stratification structure and economic gaps using the Social Stratification and Social Mobility National Survey¹ (hereafter, SSM Survey) data, which has been conducted every 10 years since 1955. The class categories were constructed based on occupation, employment status

¹ The author is grateful to the committee of the 2005 Social Stratification and Social Mobility National Survey Project for the use of the data.

(employers, self-employed, family workers, etc.), firm size, and managerial status of male respondents² at the time of the survey (Erikson, Goldthorpe and Portocarero, 1982).³

There are two major points of discussions in this analysis. One is the inequality between classes and the other is the inequality within the class. For example, the economic conditions of the farming class relative to other classes in the entire stratification structure refers to the first question of inequality between classes, whereas the economic gap within the same farming group refers to the second question of intra-class inequality. I would like to show what has and what has not changed in terms of inter-class and intra-class inequality.

A major change in the distribution of the stratification structure is represented by a substantial decrease in the farming class and an increase in the professional and managerial class. Whereas the farming class accounted for about 40 percent of the total in 1955, the corresponding figure in 1995 has dropped to 6 percent. On the other hand, the professional and managerial class, who made up about 10 percent of the total in 1955, became the largest class with 37 percent of the total by 1995. Now let us examine the inter-class inequality against this background of change in the stratification structure.

Table 1 shows the ratio of the mean household income (logarithmic value) of a particular class to mean household income (logarithmic value) of the total sample. Positive values indicate comparatively advantageous economic conditions in relation to the whole, whereas negative values indicate comparatively disadvantageous conditions. In 1955 the white-collar classes, comprising the professional and managerial class and the clerical and sales class, clearly enjoyed the economically advantageous positions in the stratification structure, but by 1965 the economic advantage of the clerical and sales class had declined considerably. This may be due to the decline in the overall wage level of the class resulting from the increased participation of the youth and women in the workforce. The relative economic advantage of the professional and managerial class also declined from 1955 to 1965, but it has

² Since only male respondents were included in the SSM surveys from 1955 to 1975, the analysis was restricted to men.

³ The six class categories in our analysis are (1) professional and managerial, (2) clerical and sales, (3) urban self-employed, (4) farm, (5) skilled manual, and (6) semi- and un-skilled manual (hereafter, unskilled manual).

Table 1: Change in Economic Inequality between Classes*

	1955	1965	1975	1985	1995
Professional and managerial	0.492	0.311	0.260	0.221	0.219
Clerical and Sales	0.405	0.050	0.189	-0.043	-0.204
Urban self-employed	0.035	0.120	0.078	0.081	0.117
Farmers	-0.249	-0.265	-0.156	-0.313	-0.166
Skilled manual	0.088	0.105	-0.120	-0.148	-0.344
Unskilled manual	-0.098	0.154	-0.159	-0.195	-0.287

* Average household income of class i (logarithmic value) – average household income of the total sample (logarithmic value)

Source: 1955 to 1995 SSM Surveys

Shirahase, Sawako. "'Mieru Kakusa' to 'Mienai Kakusa'" ("Visible inequality" and "Invisible inequality"), *Keizai Seminar* (Economic Seminar) August 2005, p.34, table 1.

stabilized since 1975.

The relative economic status of the skilled manual class is also on the decline. As with the clerical and sales class, the proportion of the youth in the skilled manual class increased, and this demographic change in the class membership structure causes a relative decrease in wages. In the unskilled manual class, the proportion of both youth and elderly aged 65 and over is high, and here two kinds of members at two different life stages coexist in the same class. From 1985 to 1995, the economic situation of the skilled manual, the unskilled manual, and the clerical and sales classes deteriorated relative to that of the professional and managerial class. It is probable that the economic gaps between the professional and managerial class on one hand and the clerical and sales and the two manual classes on the other widened as a result of the burst of the bubble economy and the stagnation in the labor market. The professional and managerial class remains the most economically advantaged class, even though the extent of their advantage changed.

What, then, happened regarding income inequality within the class? In Table 2, the household incomes of each class are divided into quintiles, and the ratios of the fourth quintile to the first quintile within each class from 1955 to 1995 are indicated. The greater the value, the wider the economic gap within the class. As for the professional and managerial class, the economic gap decreased until 1975, after which it widens. While the relative economic advantage of the professional and managerial class in terms of the mean household income has been relatively stable, the intra-class economic gap has been on the increase since 1975. This trend of a growing economic gap in

Table 2: Gap in the Household Income within the Class *

	1955	1965	1975	1985	1995
Professional and managerial	3.429	2.333	1.800	1.899	2.167
Clerical and Sales	3.429	2.564	2.667	2.400	2.250
Urban self-employed	3.200	3.175	2.368	3.000	2.600
Farmers	3.571	2.667	2.333	3.139	2.250
Skilled manual	3.200	2.793	2.200	2.000	2.667
Unskilled manual	2.000	2.429	2.000	2.400	2.222

* The fourth quantile/the first quantile. The value 1 indicates no disparity.

Source: 1955 to 1995 SSM Surveys

Shirahase, Sawako. "'Mieru Kakusa' to 'Mienai Kakusa'" ("Visible Inequality" and "Invisible"), *Keizai Seminar* (Economic Seminar) August 2005, p.34, table 2.

recent years suggests that not all those in the professional and managerial class can uniformly enjoy economic advantages.

As for the clerical and sales class, the intra-class gap has been narrowing consistently since 1955. For the skilled manual class, which also has a high proportion of the youth, as does the clerical and sales class, the intra-class gap declined from 1955 to 1985. On the other hand, the proportion of elderly is increasing among the self-employed and farming classes. In regards to the self-employed, the intra-class gap narrowed substantially between 1965 and 1975, after which it increased and decreased in a zigzag fashion. Among farmers, it grew considerably between 1975 and 1985, which was the period that coincided with the substantial increase in the proportion of the elderly farmers; however, the intra-class gap decreased in the following 10 years. As for the unskilled manual class, which has both the youth and the elderly in its workforce, the gap has been relatively stable, although small fluctuations in the extent of economic gap can be seen.

While the extents of income inequality within the class vary from class to class, there has been no major change in the pattern of the overall stratification structure since 1975. Inequality has always been a feature of Japanese society. There is no particular pattern in the change in the degree of economic inequality. Inequality did not suddenly emerge in Japanese society. In fact, Seiyama (2000) stated: "The emergence of the unequal society is only the retelling of the same old story." The pattern of change in economic inequality differs from class to class. In some the intra-class economic inequality consistently narrowed, but in others the changes are in a zigzag fashion and do not show

any particular pattern. There is also a complex association between inequality between classes and inequality within the class. This obscure and elusive pattern of change in economic inequality leads to confused perceptions about inequality among the public.

4. Economic Inequality within the Household

It is not easy to identify the causes of economic inequality. Aging of society is one of the important factors in explaining the recent expansion of income inequality. Ohtake (1994) was one of the researchers who pointed out the relation between demographic changes of aging and the increase in economic inequality using large-scale empirical data. Compared with other age groups, the extent of income inequality is greater among the households with elderly members (Genda 1994; Ohtake and Saito 1999; Shirahase 2002; Seike and Yamada 2003; Otake 2005), and for the elderly, the extent of economic inequality within the generation is greater than the one between generations (Iwamoto 2000; Otake 2005). The increase in the proportion of the elderly with a large extent of income inequality resulted in widening the overall economic gap of the whole society. However, aging is not the only one reason to explain the expansion of the extent of income inequality during recent years. In fact, more and more attention has recently been paid to economic disadvantage among the youth, and Genda (2002) claimed that the lifetime earnings young people is declining compared with that of the retired generation. It is obvious that the widening economic inequality among the youth is closely related to the increase in the number of the youth who are not in regular employment or who are unemployed (Ohta 2005; Higuchi 2004).

The focus on the different extents of income inequality among the youth and the elderly can help our examination of the detailed mechanism generating economic inequality. This study focuses on the household structure in order to explore complicated mechanism of income inequality. Inequality in our society is not formed on the basis of the neutral and abstract individuals. The household is the basic unit of people's consumption, and it is within the household where the dynamism among members who perform different family roles is found. In this study, I will examine the extent of income inequality, by taking into account multidimensional interactions among individuals, households and families, communities, and society. I attempt to identify where the extent of income inequality was expanded the most and which

aspect of society contributed the most to the recent increase in income inequality.

There have been active discussions about the validity of the household as a unit of the social security system and the stratification structure (Acker 1973 and 1980; Goldthorpe 1983 and 1984; Hara and Seiyama 1999; Mari Osawa 2002; Shakai Hoken Kenkyujo 2002; Shirahase 2004). In response to the increased entry of women into the labor market and the change in their lifestyles, there was a question about whether the conventional practice of treating the household as a unit of class analysis is appropriate. The position of married women used to be determined by the male head of the household under the assumption of uniformity of class position among household members. As long as the household is supported by a single earner (usually the husband) or it is run by a family business, there is not much of a problem. More importantly, it is implicitly assumed that all members of the household share the same social and economic status. However, when a wife gets a job and begins to work outside the home, and the kind of job the wife has differs from that of her husband, it casts doubt on the assumption of the uniformity of class position within the household. Of course, single-person household constitutes one kind of the household type, and I do not ignore its existence. In fact, one of the important changes in the household structure in recent years is the increase in single-person households.

In this study, household structure, such as the couple-only household and the nuclear-family household, is constructed based on the composition of the members in the household. The household is the place where individuals spend most of their time and around which their lives revolve. The core question of this study is how the change in the household structure is associated with the change in the extent of income inequality.

Moreover, household structures are not static but dynamic over the life course. For instance, a person may leave his or her parental home after graduating from college (a single-person household); may get married and live with a spouse (a couple-only household); and later the couple may have children (a nuclear-family household). This person will experience three different household types. Thus, changes in the household changes depend on the life course and the family stage. We cannot observe the change in the household type over the life course for the same individual using cross-sectional data, since the data captures the household type at one point of time in the life course. However, it is possible to investigate the effect of the household type

by taking into account the age of the household head as a proxy of the family stage.

The dataset used in this study is the Basic Survey of People's Living (Kokumin Seikatsu Kiso Chosa) conducted by the Ministry of Health, Labour and Welfare in 1986, 1995, and 2001.⁴ These data are one of the most accurate national surveys on income and are also valuable because of considerable sample size. It should be noted that the interval between three surveys are not even, but I would like to examine the changes from 1980s to the 21st century. Household income is the main variable analyzed in this study. Another important variable is the household structure, and it is divided into six categories: (1) single-person household, (2) couple-only household, (3) nuclear-family household (parents and unmarried child(ren)), (4) one-parent household (one parent and unmarried child(ren)), (5) three-generation household, and (6) other types of household (all types of households not included in (1) to (5)). In some analyses reported below, the one-parent household is included either in the nuclear-family household or three-generation household.

Figure 1 shows the changes in the distribution of the household structure since 1960, as well as the proportion of the elderly aged 65 and over, and the total fertility rate. Aging and the decline in the fertility rate accelerated from the latter half of the 1980s. In particular, the proportion of the elderly aged 65 and over rose sharply in the 1990s. These trends are accompanied by changes in the household structure. It is clear that from the 1980s, the proportion of single-person households and couple-only households increased, while that of nuclear-family households and other households including three-generation households decreased. Within the single-person household, however, the economic situation may vary depending on whether the head of the household is young in their 20s or elderly in their 70s.

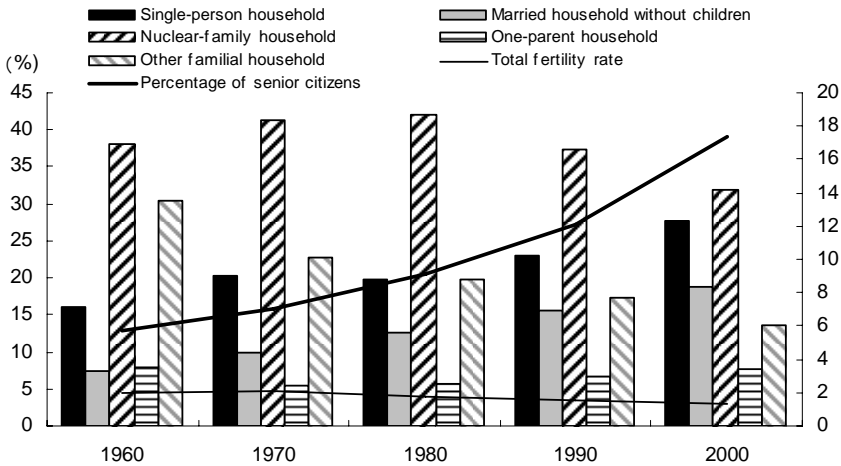
Figure 2 shows the distribution of the age of the household head and the Gini coefficient⁵ by year. From 1986 to 2001, the extent of income inequality

⁴ The analysis is part of the project, "International Comparative Study on Socio-economic Inequalities in an Aging Society with a Declining Fertility Rate" (2004-2005), funded by the Ministry of Health, Labour and Welfare's scientific research grants.

⁵
$$Gini = \left(\frac{2}{\mu n^2} \cdot \sum_k k W_k \right) - \frac{n+1}{n} = \frac{2 \operatorname{cov} \left(W_k, \frac{k}{n} \right)}{\mu} = \frac{\frac{2}{n} \sum_{k=1}^n (W_k - \mu) \cdot \left(\frac{k}{n} - \frac{1}{n^2} \sum_{k=1}^n k \right)}{\mu}$$

where W_k is the equivalent disposable income per person of household k and can be

Figure 1: Changes in the Distribution of Household Structures, the Proportion of the Aged and the Fertility Rate



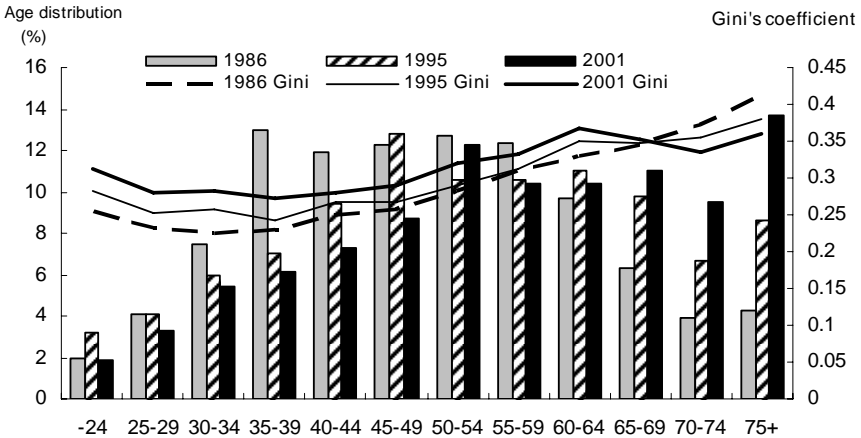
Source: Population Census

Shirahase, Sawako. "Fubyodo-ka Nippon no Nakami" (The Contents of the Increasing Extent of Income Inequality in Japan), Shirahase, Sawako (ed.) *Henkasuru Shakai no Fubyodo* (Inequality in a Changing Society), University of Tokyo Press, p.55, figure 1.

has expanded mostly in the age groups of 20s and 30s, while it has declined in the age groups of 65 and over. In examining the extent of income inequality, I focus on disposable income which is calculated by subtracting tax and social insurance payments from the total gross income. I use disposable income with the equivalent scale of elasticity 0.5. I assume that there is no difference in equivalence of elasticity between working adults and children or retired elderly. It is supposed that all household members share the economic well-being of the household almost equally. Since the basic unit of consumption is the household, I believe that this assumption is a reasonable one in contemporary capitalist society.

expressed as $W_k = D_k/S_k^\varepsilon$ (where D_k is the disposable income of household k , S_k is the number of persons in household k , while ε is called the equivalent elasticity and takes the value of 0.5 in this study); n is the total number of households; and μ is the mean disposable income.

Figure 2: Changes in the Distribution of the Age of the Household Head and Gini Coefficient



Source: Basic Survey of People's Living (each year)
 Shirahase, Sawako. "Fubyodo-ka Nippon no Nakami" (The Contents of the Increasing Extent of Income Inequality in Japan), Shirahase, Sawako (ed.) *Henkasuru Shakai no Fubyodo* (Inequalities in a Changing Society), University of Tokyo Press, p.59, figure 2.

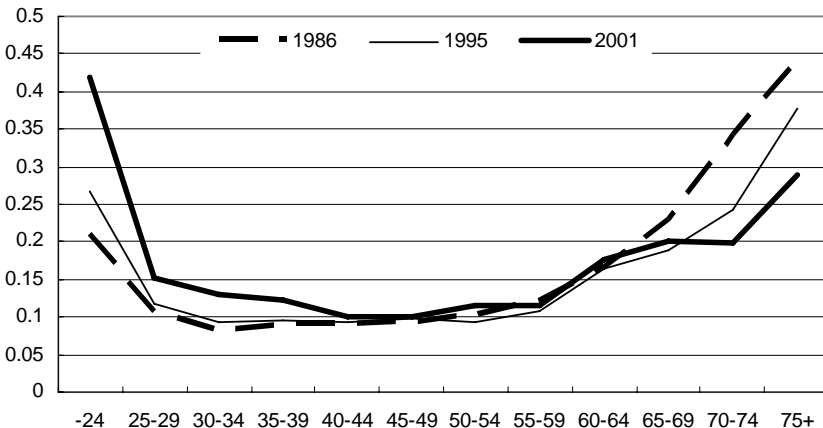
To broadly summarize the main findings in Figure 2, we can see that in recent years the economic gap is increasing among young households whose size is decreasing. However, as the number of the households with a young head is shrinking, associated with the declining fertility rate, their effect on the overall economic inequality is not as large as the effect of elderly households. On the other hand, the degree of inequality is declining among households with elderly heads, whose number is increasing. The economic gap widened among those of young heads, whose number is dropping, and declined among those with an elderly head whose number is on the increase. Changing number of the households by the age of the head and changing degree of income inequality, thus, are not consistent, and such inconsistency between the quantitative change (the number of the household) and qualitative change (the extent of income inequality) might have caused confusion in people's perception toward inequality. The tendency for young people to feel strongly that there is inequality and to anticipate further increase in the degree of economic inequality in the future (Ohtake 2005; Shirahase 2005a) is the

reflection of the reality in which the extent of income inequality is expanding among young people. Nevertheless, the rising pattern of Gini coefficient with age up to early 60s is still observed in 2001.

The decline of the extent of economic inequality from 1986 to 2001 among the elderly, however, does not simply imply that the economic status of the elderly as a whole has improved. If most elderly are in the low-income group, then, the extent of income inequality is small, but they are in a high economic risk group. In this study, those whose income is less than 50 percent of the median household income of the whole sample are considered as low-income households, which may be at high economic risk.

Figure 3 shows the proportion of low-income households by the age of the household head. From 1986 to 2001, the proportion of low-income households increased sharply among those aged 20s, while it decreased significantly among those aged 65 and over. Overall, the proportion of low income households by the age of the household head is U-shaped, and it is clear that low-income households are mainly found among young and elderly households. However, after the turn of the 21st century there has been a growing tendency

Figure 3: Proportion of Low-Income Households by the Age of the Household Head



Source: Basic Survey of People's Living (each year)
 Shirahase, Sawako. "Fubyodo-ka Nippon no Nakami" (The Contents of the Increasing Extent of Income Inequality in Japan), Shirahase, Sawako. (ed.) *Henkasuru Shakai no Fubyodo* (Inequality in a Changing Society), University of Tokyo Press, p.61, figure 3.

for the proportion of low-income households to increase among young households: among households with the head aged 24 and younger rose from 21 percent in 1986 to 42 percent in 2001. On the other hand, although the highest proportion of low-income households in 1986 was found among households whose head was aged 75 and over, its proportion fell substantially from 44 percent in 1986 to 29 percent in 2001. This decline in the proportion of low-income households among the elderly households is attributable in most part to improvement in the social security system including public pension. As already mentioned by many researchers (Genda 2002; Higuchi 2004; Kosugi 2005), the rise in the proportion of low-income households among young households is related to the increase in the number of the youths who are not in regular employment or who are unemployed.

Shirahase (2005b) attempted to analyze the change in inequality among the elderly aged 65 and over, by decomposing the overall inequality into the one within the household and the one between household types. According to the results, the extent of contribution of inequality between household types increased from 20.5 percent in 1986 to 23.3 percent in 1989, but it remained stable over the 1990s. The extent of contribution to the overall extent of income inequality of inequality within the household type is larger than that between household types. In addition, Shirahase (2002) showed that the degree of income inequality among households with elderly members declined from the mid-1980s to the late 1990s, and that the extent of income inequality by household type among those with elderly members were on the whole narrowing and converging. Therefore, because the changing patterns in the extent of income inequality and its magnitudes themselves are different by the household type, it is important to take into account other household types, such as single-person households and three-generation households, when examining income inequality.

By taking into account the age of the household head as an indicator of its family stage, Table 3 shows the changes in the degree of income inequality by the age of the household head and the household type.⁶ Among those heads

⁶ The degree of income inequality is high among “other types of households” in all age groups. The category of “other types of households,” which includes all households other than single-person households, couple-only households, nuclear-family households, and three-generation households, is the most heterogeneous category. Therefore,

Table 3: Changes in the Degree of Income Inequality by the Age of the Household Head and by Household Type

	20s			30s			40s		
	1986	1995	2001	1986	1995	2001	1986	1995	2001
Single-person hshld.	0.2148	0.2410	0.3054	0.2764	0.2600	0.2702	0.3461	0.3288	0.3512
Married hshld. w/o child	0.2109	0.2595	0.2637	0.2317	0.2301	0.2537	0.2744	0.3075	0.3100
Nuclear-family hshld.	0.2190	0.2157	0.2530	0.2188	0.2346	0.2647	0.2387	0.2652	0.2780
Three-generation hshld.	0.2104	0.2467	0.1912	0.2312	0.2376	0.2515	0.2870	0.2562	0.2817
Others	0.2443	0.3036	0.3744	0.3165	0.2941	0.3027	0.3042	0.3092	0.3439
	50s			60s			70s		
	1986	1995	2001	1986	1995	2001	1986	1995	2001
Single-person hshld.	0.4143	0.3984	0.4052	0.4215	0.4119	0.4309	0.3920	0.3826	0.3660
Married hshld. w/o child	0.3360	0.3243	0.3597	0.3847	0.3775	0.3711	0.4303	0.3549	0.3200
Nuclear-family hshld.	0.2882	0.2939	0.3215	0.3319	0.3462	0.3621	0.3714	0.3834	0.3269
Three-generation hshld.	0.2822	0.2878	0.2911	0.2877	0.2949	0.3161	0.2935	0.2930	0.3053
Others	0.3012	0.3308	0.3513	0.3279	0.3456	0.3490	0.4193	0.3490	0.3713

Note: The degree of inequality is indicated by Gini coefficient

Source: Basic Survey of People's Living (each year)

Shirahase, Sawako. *"Fubyodo-ka Nippon no Nakami"* (The Contents of Increasing extent of Income Inequality in Japan), Shirahase, Sawako. (ed.) *Henkasuru Shakai no Fubyodo* (Inequality in a Changing Society), University of Tokyo Press, p.63, table 2

aged in their 20s, the extent of income inequality is widening in all types of households except for the three-generation households. The high extent of income inequality among single-person households is particularly apparent. The change commonly found among the household heads in their 30s to 50s is the increase in the extent of income inequality among the nuclear-family households, and it is noteworthy that the extent of economic inequality has increased among the households with child(ren). It is part of the reason why the government started to build the social support to family with child(ren). Among the household heads in their 30s, the extent of income inequality increased among the couple-only households as well as among three-generation households. For those in their 40s, the extent of income inequality has been more or less stable over time, while the increase in the extent of income inequality among nuclear-family households cannot be overlooked.

When the elderly in their 60s are the head of the households, the extent of income inequality is increasing among the nuclear-family households and the three-generation households. Among the nuclear-family households headed

high degree of economic gaps within this category can be partly derived from high degree of heterogeneity within the category.

by the elderly in their 60s, unmarried adult children are often living with their parents, and they are the ones who are called “parasite singles.” The increase in the extent of income inequality among the households with “parasite single” suggests that not all of these households are necessarily rich. Some are rich, but others are not rich enough to provide support to adult children. On the other hand, an increase in the extent of income inequality can also be seen among three-generation households, in which the elderly used to be guaranteed a livelihood by living together with the younger generation. The three-generation household, which used to be a typical way of living for the elderly, decrease in number, while the extent of income inequality within the three-generation household has expanded. It appears that living in a three-generation household is no longer a safeguard against various risks in later life. As people reach the age of mandatory retirement in their 60s, some will choose to find another job while others choose to retire and become a pensioner. As a result, the differences in economic well-being grow larger depending on the working status. Therefore, at a time when the differences in working styles and lifestyles become most marked among those in their 60s, the degree of economic inequality becomes the highest among all age groups.

For those in their 70s and over, the the extent of income inequality is declining in almost all types of households. The Gini coefficient among the single-person households went from 0.3920 to 0.3660 and for the couple-only households decreased considerably from 0.4303 to 0.3200. The extent of income inequality among the nuclear-family households is also declining. The households with elderly members in their 70s and over used to be characterized as by high degree of inequality but the extent of inequality has clearly declined. In contrast, the extent of income inequality among the household headed by those in their early 60s has expanded. The improvement in income inequality among those aged 70 and over is largely derived from the maturity of the social security system.

5. Economic risk and household structure

The results of my analyses on income inequality taking into account the household structure revealed that the extent of income inequality declined and the share of the low-income households decreased among the households with elderly members. Despite the decline, the rate of low-income households remains higher than that of the young and middle-aged, and the number of the

elderly who face high economic risk is still high. However, it is obvious that the government can no longer maintain the same amount of social welfare services across-the-board toward the elderly as it used to do in the past. The increase in the extent of income inequality and the share of low-income households among the youth, particularly among young single-person households, became apparent. It is time to reconsider the current social security system which has been favoring the elderly in Japan. While it does not mean that the services aimed at the elderly should be automatically reduced, I would like to stress the need for the social security system corresponding to our coming society to be re-structured on the basis of a comprehensive design that takes into account the life paths of various individuals at different life stages.

The social security system in Japan developed mainly for the purpose of providing social services for the elderly. In addition to the elderly, it is necessary to offer support services to the younger generation with or without small children. From a demographic point of view, this implies a turnabout in the principle in allocating social capital focusing on the shrinking young population. The size of the elderly population will continue to increase. If we follow the majority rule, it would not be surprising if priority is given to the interests of the elderly. However, it is not realistic to keep expecting that the young working population, whose number is declining, will continue to support the elderly retired population, that are expanding in number. Therefore, how to build the consensus on the social support toward the shrinking population is an important issue, and greater efforts are thus required to obtain national consensus on public security.

It should be noticed that the validity of the “standard-type household model”, that was a cornerstone of the foundation of various social systems, is now declining. In fact, the standard type of households, such as the nuclear-family households and the three-generation households, decreased in number. Despite the change, the infrastructure to support those people who deviated from the standard model of living is not sufficient. Meanwhile, households other than the standard-type, such as single-person households, couple-only households, and one-parent households are increasing. At the same time, one-parent households and single-person households are at an economic disadvantage. The issue is further compounded by the gender gap. Women, particularly older women who live alone, and mothers in one-parent

households, face high economic risk (Shirahase 2006).

Although much has been said about the diversification of people's lifestyles, support for those who have taken a different path from the "standard" is still insufficient. In an aging society with the declining fertility rate, the question of how to support those who are outside the standard model and those who have made different choices from the majority will become increasingly important. The rule of majority decision is no longer suited to the principle of distribution in the aging society with the declining fertility rate. A new principle of distribution is needed to fully take into consideration the interests of the minorities. A major challenge in the design of this society is the breakup of the vested interests given to specific "standard models" and the redistribution of support to where it is really needed. In an aging society with a declining birthrate, diversified life security needs to be designed to make diverse lifestyles possible.

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