

## The Impacts of the Covid-19 Pandemic on Social Welfare Policies of Norway and Japan: A Comparative Study

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### Abstract

The impact of Covid-19 posed major challenges for governments, particularly in terms of welfare policies. This comparative analysis will mainly study the consequence of the pandemic on the social welfare policies of two nations, Norway and Japan, and define the similarities and differences in their policy responses in relation to the governments' interest. The study focuses on a comparative study of the history of welfare state development, welfare provision, welfare financing, and welfare systems by the two countries in response to the pandemic. Data collection is significantly utilized from secondary data, including the review of official documents, news articles, media reports, and academic literature.

The result of the study implies that both countries have made significant efforts to support individuals and businesses affected by the pandemic. Their policy responses differ in terms of scope, implementation, and outcome. Norway's policy response has been characterized by a significant expansion of its welfare state, including the provision of financial assistance to individuals, businesses, and local governments. In contrast, Japan's policy response has been more targeted and focused on supporting specific sectors and vulnerable groups, such as small and medium-sized enterprises and low-income households.

Furthermore, the study highlights the role of institutional factors in shaping policy responses to the pandemic. Norway's strong social democratic tradition and well-established welfare state has enabled it to respond more effectively to the crisis, while Japan's more conservative political culture and fragmented welfare system have hindered its ability to implement comprehensive policy measures.

Overall, the study contributes to our understanding of the impact of the pandemic on social welfare policies and the role of institutional factors in shaping policy responses. It provides insights for policymakers and scholars interested in understanding the challenges and opportunities for social welfare policies in the context of the ongoing pandemic.

**Keywords:** Welfare provision, Welfare financing, Welfare regime

### Introduction

The emergence of the COVID-19 pandemic created negative impacts on everyone in society, especially vulnerable groups. It has also had significant socioeconomic impacts. Many shocks, such as poverty, unemployment, food shortage, and health disparity, occurred during and after the pandemic. In recognition of these issues, governments around the world have introduced many measures and social policies to reduce the impacts of COVID-19 and minimize the consequence of the pandemic. The measures and social policies financed by the welfare state have played a significant role in supporting people needing assistance. Many social programs, for instance, have been expanding their budgets and coverage to more people. As a result, some welfare states have moved forward to achieve universal and inclusive welfare coverage, while others aim to target and select welfare coverage. This implies that COVID-19 has pushed many countries to transform their welfare system in relation to the current

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Received 13 March 2023 Revised 12 May 2023 Accepted 24 May 2023

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situation. Each state's welfare system might change according to each country's structure, capacity, and development (Alcock, P. & Craig, 2009). Therefore, this paper aims to analyze the differences in the welfare system of different countries, specifically Norway and Japan, before and during the pandemic. A brief history of welfare state development, welfare provision, welfare financing, and welfare regime will be discussed.

### **A Brief History of Welfare State Development**

The study of the history of welfare state development is very important to understand the direction, approach, and structure of the welfare system in each country. The emergence and development of a welfare state in Norway started after second World War II and was associated with the labor party's government. The purposes of the Norwegian welfare state are numerous, but one of its main goals is to ensure employment for everyone, as one of Norway's political aims is to secure job opportunities and settlement throughout the country. In addition to the provision of jobs, the Norwegian welfare system also aims to provide security for the unemployed, the vulnerable, and the elderly and aims to manage the country's economy in an effective and efficient way that is similar to other Nordic countries. The Norwegian welfare state consists of a comprehensive model in which welfare provision is based on universalistic principles. The benefits cover all Norwegian citizens regardless of their social status, working class, or income measurement. Child allowance, for example, is provided to every family irrespective of household income. Having Norwegian citizenship is necessary to be entitled to welfare benefits. Furthermore, the Norwegian welfare state under the control of the labor party expanded its coverage to many different groups. This includes providing a five-day workweek policy for workers in 1960, the 1967s people's pension, the 1990s welfare support for housing, and free university programs (Norwegian Ministry of Labour and Social Inclusion, 2022).

On the other hand, the welfare system in Japan began to develop in the 1920s under a military government to support public servants and formal employees. The first social insurance, also known as Employee Health Insurance (EHI), was established to secure welfare coverage solely for those who work in the governmental and industrial sectors, such as public workplaces and large firms (Alcock and Craig, 2009). In 1938, the Japanese government started to introduce a new concept of welfare in which the family of the welfare recipient is also protected by the system. Simultaneously, the Japanese welfare state was expanded when the Employees' Pension Insurance (EPI) was formed, ensuring passive income for the retired group. In addition, the family of public servants and employees working in formal industries/sectors are also protected by health and pension schemes, implying that the system was focused on the individual contribution to the labor workforce. The Japanese welfare system was built on Bismarckian social insurance, first adopted in Germany, where the workfare is used to determine the benefits of welfare. Under this system, the more someone contributes to the labor market, the more welfare benefits they are likely to receive. After World War II, the Japanese welfare system adapt universal welfare. In 1947, the Japanese government introduced a new constitution declaring the basic right for people to meet a minimum standard of living and quality of life. This constitution emphasized the obligation of the government to provide security and welfare services to all Japanese citizens. Consequently, many welfare acts and social insurance schemes were created, including the Unemployment Act of 1947, the 1954 EPI reform, the 1959 EHI revision, and the National Pension Insurance (NPI) in 1961 (Alcock and Craig, 2009). By 1961, all Japanese citizens were legally protected by healthcare and pension schemes. Nevertheless, most Japanese welfare programs were primarily focused on economic development or national policy, while welfare policy was secondarily prioritized. This welfare development concept can also be found in other East Asian countries, such as South Korea and Taiwan.

### **Welfare Provision**

## Before the COVID-19 Pandemic

International comparative welfare states and social programs have looked to the Norwegian welfare state as a model. Since the middle of the 20th century, numerous social and welfare programs have been developed based on universal principles in order to give all citizens and noncitizens access to high-quality welfare services, encourage the equitable distribution of wealth and accomplish the fundamental aims of a solidaristic and egalitarian society. Social security, social services, and the labor market are the three primary components of the Norwegian welfare system. The system also includes housing aid, healthcare, pensions, and programs that support families. The welfare system in Norway is extensive and provides a wide range of social and welfare services to all citizens living in the country. However, healthcare, pensions, and unemployment benefits are not included in the Norwegian social insurance scheme in social security programs. Instead, it concentrates on giving families, kids, individuals with disabilities, the elderly, and young people financial assistance and housing benefits. This contrasts Norwegian social insurance from social insurance in other welfare nations, as it does not cover health, pension, unemployment, and accidents and injuries at work. In Norway, labor market policies were put into place which reduced unemployment and promoted sustained economic growth (Kuhnle, S. & Hort, E., S, 2004).

Similarly, social insurance, social assistance, and the labor market are the three main programs that form the Japanese welfare system. It has a comprehensive, mandatory, and contributory social insurance system. All citizens are required to enroll in social insurance programs and schemes, including public servants, private sector employees, and self-employed individuals (Alcock and Craig, 2009; Komatsubara, 2012). However, employment status continues to play a significant role in Japanese social insurance policies. Most programs, with the exception of health, pension, and employment insurance, were developed for public servants and company employees. Only salaried workers, such as public servants and company workers, were eligible for employee health and pension insurance and employment programs. The self-employed were not eligible for such programs but were eligible for unemployment benefits and national health and pension insurance provided by the government. As a result, there are gaps and disparities in the number of benefits and provisions. Furthermore, social welfare bureaucrats and administrators closely examine and evaluate income and assets as part of conditional means-testing in Japanese social assistance programs. People must pass the means-testing to get social assistance benefits. Programs for the labor market were put in place to deal with demographic changes brought on by the aging of the population, which impacts the labor market as well as the stability and expansion of the economy (MoF, 2017).

### Norwegian Welfare Benefits

Social Security	Social Services	Labor Market
<ul style="list-style-type: none"> <li>• Social assistance (Means-tested)</li> <li>• Health Insurance</li> <li>• Employment Insurance</li> <li>• Financial grants: <ul style="list-style-type: none"> <li>- Family and children</li> <li>- Disability</li> <li>- The Elderly</li> <li>- Housing benefits for people with vulnerability</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Healthcare for children and the elderly</li> <li>• Disability care</li> <li>• Free education, transportation, and lunch (7 to 16 years old)</li> <li>• Psychiatry care and service</li> <li>• Youth psychanalysis</li> <li>• Family psychanalysis</li> </ul>	<ul style="list-style-type: none"> <li>• Unemployment insurance</li> <li>• Funds to start a business</li> <li>• Labor market training</li> <li>• Vocational training benefits for the labor market, job-seeking, and rehabilitation</li> <li>• Support for youth placement</li> </ul>

The table shows the three welfare benefits included in the Norwegian welfare system

(Source: Alcock and Craig, 2019)

### Japanese Welfare Benefits

Social insurance (Mandatory and contribution)	Social assistance (Means-tested)	Labor Market
<ul style="list-style-type: none"> <li>• Health insurance (workers' health insurance and national health insurance)</li> <li>• Pension insurance (workers' pension insurance and national pension insurance)</li> <li>• Employment Coverage</li> <li>• Employees' accident compensation coverage</li> <li>• Long-term care benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Financial assistance for poor families</li> <li>• Social facilities and assistance to vulnerable groups (the elderly, children, disabled, and single-mother households)</li> </ul>	<ul style="list-style-type: none"> <li>• Unemployment benefits</li> <li>• Monthly allowance for the elderly</li> <li>• Employment program for people with disability</li> <li>• Job-training program for single mothers</li> <li>• Funding program for employment</li> <li>• Assistance's development and training (public vocational training) for all the workers</li> </ul>

The table shows the three welfare benefits included the Japanese welfare system

(Source: Komatsubara, 2018)

### During and After the COVID-19 pandemic

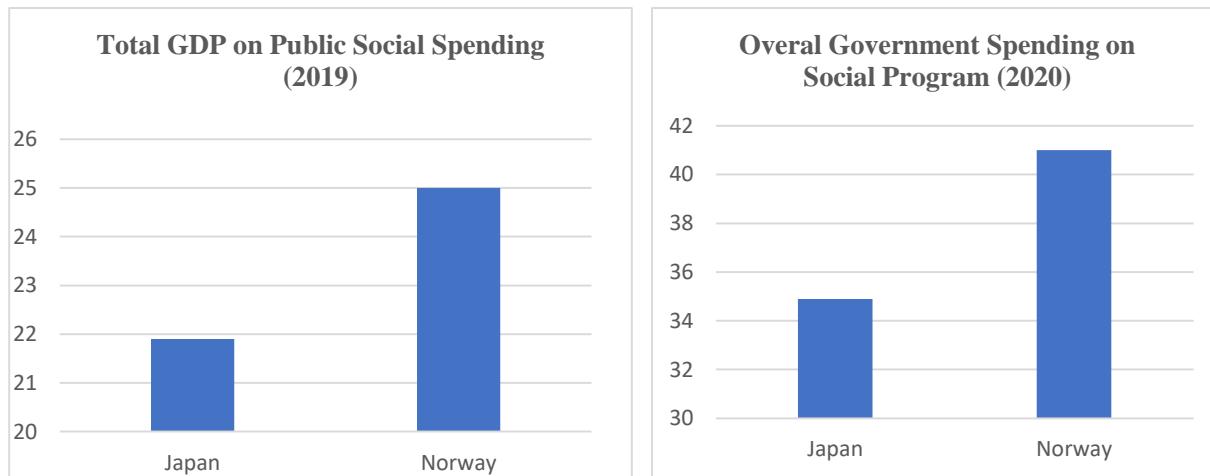
Like its neighboring Nordic countries affected by the COVID-19 pandemic, Norway made changes to its existing welfare system to assist people in need, secure jobs, lessen the financial burden on firms and enterprises, and maintain economic stability. In recognition of COVID-19 impacts on the labor market, Norway implemented a short-term layoff plan that allows employees to reduce work hours by up to 60%. At the same time, employees can still receive 90% of their monthly salary, with the remaining 75% of their salary funded by the government. (Greve et al., 2020). The budget for the government's public unemployment program was also increased to support essential skill development initiatives to improve employee workplace adaptability and flexibility throughout the pandemic. This illustrates that the short-term layoff program provided by the government not only protects against wage losses for workers but also helps them to develop their skills during the pandemic. The government also created a crisis package that included tax breaks, loan guarantees, rent subsidies, and temporary social security payment reductions for small and medium-sized businesses (SMEs). This was done in an effort to protect small businesses' capacity, allowing them to continue their businesses while also lowering unemployment rates resulting from the lockdown, and bringing the Norwegian economy back to pre-pandemic levels. The government and involved ministries also increased social transfer benefits for infected and uninfected people as a type of sick pay insurance. Beneficiaries were no longer required to have a formal medical certification in order to be eligible. Patients who were in hospitals and those who posed a significant risk of infection were automatically eligible for sick pay transfers. In addition, the government of Norway extended parental insurance to give monetary support to parents whose children were at home when schools were closed during the outbreak. 80 percent of wages were given to parents (Greve et al., 2020). Simultaneously, the government loosened the requirements for receiving unemployment benefits to twelve months of full-time work. This meant that for the first 300 days of employment, all employees, regardless of status, can get 80% of their earnings. Therefore, these initiatives and responses by the Norwegian government to the pandemic improved access to social insurance and labor market programs and boosted benefits from the existing programs. This proved that recent policy reforms intended to safeguard economic expansion and boost the welfare system were aligned with Norwegian social policies and labor market initiatives (the Nordic Co-operation, 2022).

Similarly, a fiscal stimulus program was also introduced in Japan, giving each citizen a one-time cash payment of 100,000 yen to help them during the pandemic. The Japanese government also started subsidy programs for small and medium-sized businesses (SMEs) and self-owned business whose revenues fell by 50% from the same month of the previous year because of the COVID-19 pandemic (Suppasri et al., 2021). For instance, small and medium-sized enterprises (SMEs) would get

two million yen (USD 19,200) through this subsidy program, while each self-employed business owner would receive one million yen (USD 9,600). This program was subject to strict conditional means testing, which included application screening procedures and supporting documentation. Additionally, the government offered funding support and allowances to non-regular employees and workers for SMEs. 80 percent of their daily earnings, or 11,000 yen, were paid to employees who took voluntary leave because of government measures to combat the pandemic (Soon et al., 2021). Additional childcare allowance subsidies were also given. Families with children, for example, received an additional stipend of USD 96.18 for each child. Regarding social insurance, namely the national health insurance program, insurance payments were given to self-employed individuals whose annual income decreased by at least 30% from the previous year (Mainichi Japan, 2021). In response to the pandemic's rise in homelessness, the Japanese government and the Ministry of Health, Labor, and Welfare also took supplementary action to help low-income families with housing needs. This included reducing rent fees, waiving fees, and providing temporary accommodation for up to nine months. By the end of 2020, more than 125,874 households had received one or more housing support benefits (Mainichi Japan, 2021).

## Welfare Financing

Financing resource is a critical component for increasing the scope and quality of the welfare system and social protection programs. There are a variety of ways that governments can fund social programs, including through taxes and social contributions. Norway and Japan generated different levels of funding for welfare programs and services: In 2019, Japan spent 21.9 percent of its total GDP on public social spending, compared to Norway's 25 percent of its total GDP (European Commission, 2020). In terms of government spending, Norway allocated roughly 41% (OECD, 2020) of its overall government budget for social programs and services, compared to 34.9 percent for Japan (MOF, 2020). Although both Norway and Japan experienced economic growth contractions resulting from the COVID-19 pandemic, the amount of welfare spending tended to increase significantly.



Source: European Commission, 2020

Source: OECD, 2020

Generally, the welfare states of Norway and Japan are funded by taxes and contributions from the workforce. The majority of Norway's welfare services are paid for by income tax in the form of employer and employee payments, albeit these two groups do not contribute equally. Employers contributed 31.42 percent, and employees contributed 7% of their income to the social security system in 2020. (OECD, 2021b). Self-employed people paid 28.97% of their earnings. As was already indicated, SMEs temporarily reduced or postponed their social security contributions in order to maintain economic activity throughout the pandemic. Due to the need for greater funding for the system and the absence of social contributions from SMEs, the public finance deficit would increase. Japan, in contrast, finances social security programs, particularly social insurance, through social contributions from both employees and employers. Employees must contribute between 14.35 and 15.69 percent of

their income, while employers or businesses contribute between 14.68 and 16.63 percent (Burgess, 2020). Self-employed people, as was already noted, are not covered by social insurance, with the exception of national pension and health insurance. However, they still had to pay income tax, which ranges from 5 to 45 percent, depending on the taxable income bracket.

### **Welfare Financing**

	<b>Norway</b>	<b>Japan</b>
Income Tax	High	Moderate
Social Contribution	Low	High

### **Welfare Regimes**

With a high level of state intervention, Norway is categorized in Esping-welfare Andersen's typology as a social democratic welfare, or a Scandinavian welfare model. The public sector finances and manages the majority of welfare programs using a decentralized system that distributes responsibility from the federal government to local governments and country councils. The level of decommmodification from public funding and provision is high in Norway. However, since the 1990s, the private sector has also offered social services in the fields of education, health, and disability care, while the voluntary sector has worked with municipalities to organize, deliver, and evaluate welfare services (Chenu et al., 2015). The Norwegian welfare system is based on universalist and social rights ideas, offering cash benefits and welfare services to all citizens in order to foster a peaceful, cooperative, and egalitarian society (People's Home). As a result, there is low social stratification and low-class inequality. Additionally, because welfare services are provided by the state, families with vulnerable members—such as the elderly, kids, and women—can receive welfare support without relying on the head of their family or breadwinners for sole support. In addition, over the past decades, female employment in Norway has grown steadily in the labor market. This has a significant defamiliarization effect, leading to a high level of defamiliarization (low familism/familism).

Esping-welfare Andersen's typology, nevertheless, does not categorize Japan under any specific welfare system. However, in the late 1990s and early 2000s, researchers and academics viewed it as an East Asian welfare model (EAWM), or productive welfare system (Shizume et al., 2020). Welfare programs, especially social insurance, were primarily designed for workers in public sectors, businesses, or industries, with benefit amounts based on occupational groups. This is because the government placed a strong emphasis on economic growth (Alcock and Craig, 2009). This causes a cross-status disparity and moderate to high levels of social stratification. Additionally, the primary suppliers of welfare services and care in Japanese society are markets and families. Despite the fact that substantial familial obligations to give welfare were eliminated by post-World War II constitutional change, families are nonetheless legally obligated to care for and assist members who are unable to obtain the basic needs in society (Peng, 2000). This shows that the Japanese welfare system values a strong familism in providing welfare support. Furthermore, the government encourages private funding and sources for welfare services, especially in social insurance programs, leading to a moderate to a high degree of services that are delivered by the private sector. Instead of acting as a distributor, the state or government functions as a regulator, mainly offering minimal benefits to people who are not eligible for social insurance programs. This results in modest to moderate state intervention in the welfare system in Japan.

### **Welfare Typology**

	Norway	Japan
Welfare Region	Social democratic	Productive/East Asian
State Intervention	High	Low to moderate
Decommodification	High	Moderate to high
Social Stratification	Low	Moderate to high
Defamiliarization	High	Low

## Conclusion

In conclusion, there were both similarities and contrasts found in this comparative analysis of the COVID-19 pandemic's effects on the social provision in Norway and Japan. By implementing various stimulus plans and strengthening social security, both nations tried to safeguard individual livelihood and lessen the effects on the economy. Despite general differences in the historical development of the welfare state and welfare regime, both countries implemented extensive (value judgement) programs and stimulus packages in reaction to the pandemic. Despite the fact that social security and welfare spending in these two countries are at different levels, both Norway and Japan have consistently increased spending for these programs. Throughout the pre-pandemic and pandemic periods, both welfare states had issues that necessitated ongoing assessment and analysis. Both countries currently face significant financial deficits in their welfare systems as a result of the pandemic. Future welfare policies in these two welfare states will also emphasize the labor market as a key priority, employing work- and economy-oriented strategies.

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