

Do Central Grants Affect Welfare Caseloads? Evidence from Public Assistance in Japan*

Masayoshi Hayashi

The Faculty of Economics, The University of Tokyo

Hongo 7-3-1, Bunkyo-ku, Tokyo 113-0033, Japan

E-mail: hayashim<at>e.u-tokyo.ac.jp

Phone: +81-3-5841-5513 (DI)

Fax: +81-3-5841-5521

Abstract: Levels of central-government grants could be an important determinant of welfare caseloads, particularly in countries where localities administer and implement welfare programs. Few studies have examined the effect of central grants, because it is often difficult to isolate and examine their effects discretely; that is, the rates of matching subsidies are often nationally uniform, and the amount of general-purpose grants is frequently endogenous. This study overcomes these difficulties by taking advantage of an institutional change in the system of central grants in Japan. The results show that increased central grants lead to increased welfare caseloads, even though the procedures for eligibility assessment in Japan are nominally uniform across localities.

Keywords: *welfare caseloads, social assistance, fiscal transfers, Japan*

JEL codes: *H73, H75, H77*

* I am grateful for the comments made by Shun-ichiro Bessho, Daiji Kawaguchi, Chul-In Lee, Akihiko Matsui, Haruko Noguchi, Fumio Ohtake, Heinrich W. Ursprung, the participants at various seminars, and other commentators. The usual caveat applies. I also appreciate the help in obtaining municipal data for Public Assistance caseloads from the Ministry of Health, Labour and Welfare and from the Coordinating Division of the Local Public Finance Bureau at the Ministry of Internal Affairs and Communications. This study was financially supported by the Grant-in-Aid for Scientific Research (B) 20330064 and (A) 1507000033.