

27 May 2025

Pension reform talks deliver policy and political wins for Ishiba

Key takeaways

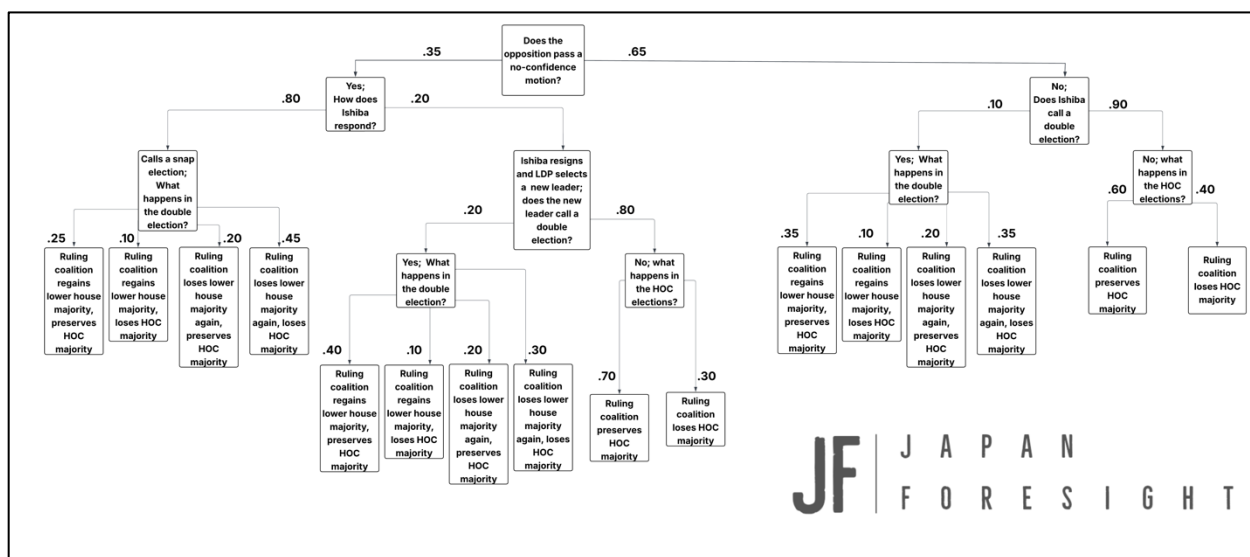
- The ruling coalition and the Constitutional Democratic Party (CDP) agreed to a revised pension reform bill, avoiding a legislative setback for the Ishiba government.
- Prime Minister Ishiba Shigeru not only secured a compromise including provisions that he had originally preferred, but the compromise with the CDP also increases friction among opposition parties, reducing the likelihood of a no-confidence motion and complicating their efforts to coordinate their upper house campaigns.

P rime Minister Ishiba Shigeru and Kōmeitō leader Saitō Tetsuo met with Constitutional Democratic Party (CDP) leader Noda Yoshihiko on Tuesday, 27 May to conclude an agreement revising the government's pension reform bill to include provisions desired by the CDP, sidestepping friction with the largest opposition party and ensuring that the bill will be able to pass the Diet during the current legislative session.

In negotiating with – and conceding key points to – the CDP, Ishiba may have improved his chances of surviving the Diet session without having to face a no-confidence motion. Noda had suggested that the government's handling of the negotiations could justify submitting a no-confidence motion; with the issue resolved swiftly, the CDP leader now has one less reason to pursue this course of action. To be sure, Noda has not ruled out submitting a no-confidence motion, saying this week that he would make a decision based not on the government's handling of a single issue but rather on a comprehensive assessment of its performance. He also added Tuesday that it is too early to decide one way or another. But in contrast to Democratic Party for the People

(DPFP) leader Tamaki Yūichirō and Ishin no Kai co-leader Maehara Seiji – who have suggested that a no-confidence motion is necessary and urged Noda to join them – Noda appears to be considerably more reluctant to take this step.

Accordingly, we have adjusted our [decision tree](#) to reflect the lower likelihood of a no-confidence motion. Reducing the probability of a no-confidence motion from 40% to 35% increases the probability of our base case scenario – **Ishiba leads the ruling coalition into upper house elections with no double election** – from 54% to 59%. It is plausible that the probability of a no-confidence motion will fall further. By [appointing](#) Koizumi Shinjirō as agriculture minister and empowering him to take bold new steps to reverse soaring rice prices, Ishiba has not only reversed some of the opposition’s momentum but, if Koizumi is successful, could deprive the opposition of one of its most potent arguments against the government.



The government’s pension reform compromise with the CDP helps Ishiba in other ways. The compromise agreed to with the CDP reintroduces a provision that mandates the government to decide by 2029 whether to use reserves from the employees’ pension system to increase the amount provided via the basic pension system, the system that covers workers in non-regular employment, in light of the aging population of workers from the “employment ice age generation” who are approaching retirement but lack sufficient retirement savings. While the Ishiba government initially wanted to include this reform in its legislation, Liberal Democratic Party (LDP) lawmakers demanded that it be removed for fear that the party would be accused of misappropriating funds during the upper house campaign. Now, by reintroducing the provision through negotiations with the CDP, the Ishiba government got a provision it wanted anyway, can show that it is flexible and open to compromise, and can now share responsibility (and blame) for this reform with the CDP.

At the same time, it also divides the opposition, which not only complicates the outlook for a no-confidence motion but could also frustrate efforts to coordinate their upper

house campaigns. Tamaki, for example, excoriated the LDP and CDP for their compromise bill on social media, accusing the CDP of doing the bidding of the government (and finance ministry) and saying that the bill is stealthily laying the groundwork for tax increases by calling for additional outlays without detailing how they will be financed. In an interview before the agreement was announced, he also suggested that the talks between the ruling parties and the CDP could be the foundation for a “tax-hiking grand coalition.” The more that the CDP and DPFP are at odds with each other, the better the outlook for Ishiba and the LDP, though friction between the LDP and the DPFP could be costly after the upper house elections, when the government could seek negotiations to bring new partners into the ruling coalition.