

Minister's Summary by Minister Ota**28th Meeting (December 7, 2006)**

- (1) Intensive deliberation (6)
 - 1. Regulatory reform
 - 2. Civil servant system reform
- (2) On new medium-term policy (draft items)

Hiroko Ota here. Today, the Council on Economic and Fiscal Policy (CEFP) held its 28th meeting of the year and discussed regulatory reform, civil servant system reform and draft items for a new medium-term policy.

At the meeting, there was unanimous agreement on the importance of continuing to carry out regulatory reform under the Abe cabinet. In the past few years, the Council for the Promotion of Regulatory Reform submitted its findings at the end of the year, and an agreement was reached at today's meeting on the need to set up the successor body to the council as soon as possible and include basic principles of regulatory reform in the Basic Policies 2007. Many CEFP members mentioned the importance of the services sector as a key deliberation item for the successor body, considering the fact that the productivity of Japanese services industries is low. Also, there was an argument that follow-up assessments of regulatory reform are necessary.

The Prime Minister concluded the discussions on regulatory reform with the following remarks.

Substantial progress has been made in regulatory reform, but there is more to be done, which indicates the difficulty of this reform.

In order to allow Japan to survive the international competition and revitalize its economy, the government must tackle this difficult task, and I request Chairman Kusakari (of the Council for the Promotion of Regulatory Reform) to do his utmost.

With regard to civil servant reform, the "Chuma Plan" calls for the abolition of a rule that prohibits retired civil servants from working for private-sector companies which have close connections with their position for two years after their retirement. At today's meeting, a consensus was formed that planned new restrictions concerning activities of retired civil servants should be introduced before the abolition of this rule so as to make the old and new rules co-exist for a certain period and that the new restrictions should be strictly enforced during this period so as to put them firmly in place. The expert members recommended that a "transition period" of two years be set, while temporary member Sata (minister of State for Regulatory Reform, Administrative Reforms, the Reform of the Government Employee System, Regional Revitalization and Regional Government "doshu-sei")

proposed the establishment of a “provisional period.”

There was also an agreement that more emphasis should be put on merit- and results-based evaluation in the personnel management system for civil servants, although there were slight differences over how aggressively such an approach should be pursued. However, it was pointed out that it would be difficult to operate such an evaluation system in practice. Also, there was an argument from the expert members’ side that the seniority-based system should be dismantled to allow talented young officials to be promoted over their seniors to higher positions.

Concerning a proposal to grant basic labor rights to civil servants, there was not much in-depth debate at today’s meeting as this issue is being discussed at a research committee of the Headquarters for the Promotion of Administrative Reform. The expert members recommended that this issue should be studied with a view to granting basic labor rights to civil servants, while Mr. Sata proposed to consider a range of options including the possibility of granting those rights. There was an argument that as the issue of whether to grant basic labor rights to civil servants involves very difficult problems, it may be wise to discuss this issue separately from other civil servant reform issues. Also, it was pointed out that reform of the National Personnel Authority is important.

The most divisive issue at today’s meeting was government ministries’ job mediation for retiring civil servants. There was a consensus that it is not appropriate for government ministries to use “forceful mediation” by taking advantage of their regulatory and budget-spending authority to secure jobs for retiring officials, but opinions were divided whether ministries’ involvement in retiring officials’ job search efforts should be totally banned.

The expert members argued that ministries’ job mediation should be banned as part of a review of the entire civil servant system and that the process of job search by retiring civil servants should be conducted in a transparent way through a “human resource agency.” The expert members also contended that it is desirable for the government to adopt a personnel management system similar to the ones used in the private sector.

Meanwhile, it was pointed out that civil servants may need to find jobs that would help them make a living until they reach the pension age. If there is the prospect of difficulty in finding post-retirement jobs, the argument goes on, it raises concern that the principles of neutrality and fairness enshrined in the civil servant system may be undermined, with civil servants distracted from their duties by concern over post-retirement jobs. The very foundation of the civil servant system could be shaken if such a situation arises, according to this argument.

At the end of the discussions on civil servant system reform, Mr. Sata noted that it may be difficult to completely eliminate dubious practices but he stressed the importance of a need to devise a system that facilitates retiring civil servants’ job search in a transparent way. It was also pointed out by more than one member that job mediation for younger people to promote public-private personnel exchanges and job mediation for senior officials should be handled as separate issues.

This was probably the first time that the issue of job mediation for retiring civil servants was seriously debated at such an open forum of discussion as the CFP. In this regard, it was quite useful that a variety of arguments were made on this issue at today's meeting.

I asked Mr. Sata to conduct a study on civil servant system reform based on the discussions made at today's meeting and proposed discussing the issue again at future meetings.

The Prime Minister made the following points.

It is necessary to drastically expand personnel exchanges between the public and private sectors as part of the civil servant system reform suitable for this new era.

At the same time, it is essential to resolve the issue of "amakudari (golden parachuting)" in order to regain public confidence in the civil servant system.

It is obvious that restrictions should be imposed to prevent inappropriate activities, and I have argued in Diet sessions that ministries' job mediation for retiring officials' should not be tied to the allocation of business contracts.

This problem should be resolved as part of a comprehensive set of civil servant reform measures. Such reform measures, if picked up piece by piece out of the whole package, would not work.

It is important to create an environment for civil servants to work with strong motivation and eradicate forced job mediation at the same time.

Minister Sata is requested to conduct an intensive study on the issue based on the discussions at today's meeting and draw up reform proposals.

With regard to the new medium-term policy, I explained the draft items. For this new plan, I proposed the tentative title "Course and Strategy for the Japanese Economy," accompanied by the subtitle "The Way to new 'Innovative Growth'".

Although we could not conduct sufficient discussions on this issue due to the limited time available at today's meeting, the following opinions were expressed:

The new medium-term policy should take into consideration fiscal policy management for the years through the middle of the 2010s, beyond its time span of five years.

Many ministries and agencies are expected to be affected by "drastic reform and restructuring of the administrative organization" referred to in Item 4 of Chapter 3 "Toward Building Administrative and Fiscal Systems Suitable for the 21st Century," so careful coordination with the ministries concerned is necessary on this issue.

The new medium-term policy must provide citizens with a clear picture of what the Abe government plans to do and offer encouraging prospects for the future.

It is necessary to show clearly what distinguishes the Abe government's policy from the Koizumi government's reform initiative.

The new medium-term policy must provide citizens with an outlook for what their lives will be like in the future.

For my part, I hope to wrap up the new medium-term policy at a CEEP meeting in January, for submission to the cabinet for decision. I asked the CEEP members for cooperation in formulating the new medium-term policy and requested that a first draft be discussed at the next CEEP meeting.

The Prime Minister concluded the discussions with the following remarks.

This will be the first comprehensive economic policy to be presented by the Abe Cabinet.

I wish to present policy guidance that would allow citizens to easily understand what kind of economy and society the Abe Cabinet aims to create and how it intends to manage economic policy in order to realize that goal.

Such understanding will encourage citizens to contribute to the development of society, and so it is important to show clearly what the government plans to do.

Lastly, I reported on the activities of the Expert Committee on Reforms Addressing Globalization.

(End)