



Minister's Summary by Minister Ota

3rd Meeting (February 15, 2008)

(1) "New Employment Strategy"

(2) Foreign Direct Investment in Japan

Hiroko Ota here. Today, the Council on Economic and Fiscal Policy (CEFP) held its third meeting of the year and conducted discussions on the New Employment Strategy and Foreign Direct Investment in Japan. As a matter for reporting, I reported on the establishment of a new expert committee.

Regarding the "New Employment Strategy," the expert members submitted a paper proposing that employment strategies should be implemented by way of setting respective goals for women, the young and the elderly. Temporary Member Masuzoe (Minister of Health, Labor and Welfare) and Temporary Member Tokai (Minister of Education, Culture, Sports, Science and Technology) outlined their papers respectively. Discussions proceeded as follows:

Expert member: It is essential that clear-cut numerical targets aimed at increasing employment be set and a strategy resolutely leading to a higher growth rate be formulated.

Expert member: In reality, certified "kodomo-en" early childhood care centers that function as both child-care centers and kindergartens, which cross boundaries of ministerial jurisdiction, have been slow to expand. Also, the Ministry of Health, Labor and Welfare (MHLW) and the Ministry of Education, Culture, Sports, Science and Technology are implementing different measures for after-school programs for children. Local governments should be allowed to exercise their discretion based on the circumstances in specific regions rather than relying on uniform national measures.

Expert member: I request that MHLW conduct a thorough investigation into the state of compliance in regards to minimum wage. The ministry should conduct follow-up checks on the state of compliance with the aforementioned matter again this year as they did last year.

Temporary Member Masuzoe, in response to this: Although I believe that stricter penalties under the revised minimum wage law will act as a deterrent, I will continue to conduct follow-up investigations.

Temporary Member Tokai, referring to the expert members' proposal that jurisdiction over certified "kodomo-en" be transferred to the Cabinet Office so as to ensure the uniform

management of said facilities: I wonder if such a transfer will really bring about success and how the necessary workforce will be ensured. Since we have just embarked on our commitment, it is important to continue to make improvements as required. Also, as kindergartens are regarded as educational facilities under the School Education Law, thoroughgoing discussions need to be held on how to combine child-care facilities with kindergartens.

Temporary Member Masuzoe: It is a good thing to try to unify day-care centers and kindergartens in the form of certified “kodomo-en.” However, it is necessary to thoroughly discuss the status of children from the perspectives of both social welfare and education. For example, temporary school closures due to the spread of the flu, etc. is applicable to kindergartens, while not to child-care centers. Detailed discussions are required.

Member Masuda (Minister of Internal Affairs and Communications): In local regions, parents and other related parties are very dissatisfied with the fact that certified “kodomo-en,” or day-care centers, and kindergartens, are divergent institutions. If certified “kodomo-en” are by nature subject to sectionalism, competition for children is bound to occur in local communities where the number of children is decreasing. What is important is that parents’ needs be met.

Member Machimura (Chief Cabinet Secretary): When I served as Minister of Education, Mr. Koizumi, then the Minister of Health and Welfare, and I agreed to promote the unification of child-care centers and kindergartens as a way to transcend sectionalism, and we made preliminary preparations for such unification. The failure for this unification is attributable to the difference of national grant rates. Child-care is financed by the national treasury as a part of welfare whereas kindergartens are regarded as educational facilities, meaning that there is no state funding allocated thereto. This is a major issue.

Expert member: Certification by municipalities is a fundamental problem in the case of children without access to child-care services. This measure needs to be rendered more user-friendly. The old “zero-waiting list for nursery schools strategy” aimed at dealing with the 0.2 million children on waiting lists. As this number only represents children registered by local governments, it is possible that the actual demand is even greater still. In order to expand the target, approaches different from the measures as welfare are required. It is necessary to promote discussions in coordination with the Committee for the Promotion of

Decentralization Reform.

Temporary Member Masuzoe: The measures in question will require various options. However, these involve the issue of funding. It is necessary to discuss matters, including quality of service, as otherwise we will simply get what we pay for.

Member Amari (Minister of Economy, Trade and Industry): Vocational training suitable for regional industrial development is required. From that perspective, the Ministry of Economy, Trade and Industry will provide support for human resource development in regions.

Temporary Member Masuzoe: We must also conduct thorough deliberations on financing measures against the falling birthrate at the local government level.

Member Nukaga (Minister of Finance), in response to this: As a matter of course, it is essential that a new strategy be formulated. In doing so, however, we need to review the existing strategies and develop effective measures. Passing the burden on to the next generation should be avoided.

Temporary Member Masuzoe, in reference to the proposal in the expert members' paper that flexible employment rules for the elderly be established: various problems, including violations of labor laws, have recently been coming to light. We need to consider specific rules or systems in order to promote flexible employment of the elderly as well as telework.

Expert member, in response to this: It is the elderly that are the focus of flexible rules. Flexible employment limited to persons over a specific age should be considered. Currently, many elderly people are being hired on a yearly basis as temporary workers and as such they face very unstable conditions. The main point of the proposal is that better, more stable conditions should be created by way of applying flexible rules.

Expert member: Preventing a decrease in the employment rate of child-raising women is an important goal. That means that the creation of "M-shaped curve" should be avoided. For this, we should change our mindset through a categorical shift in parents' perspectives and the provision of reassurance to parents that they can enroll their children at day-care centers whenever they wish to do so and apply for such enrollment even after March 31. A major change in the mindset of "welfare" is required.

Expert member: When it comes to employment, it is essential that the distribution to households of the outcomes gained through economic growth be assured by way of wage hikes. That will lead to stable growth through consumption, housing investment and in other

areas. As the spring labor offensive is now underway, establishing such a positive growth cycle will be beneficial to enterprises as well. Although profits and pay raises vary from company to company, it is vital that corporate managers also share the understanding, from a medium-and long-term perspective, that this positive growth cycle also benefits enterprises.

I summed up the discussions as follows:

As opinions are still divided over welfare and certified “kodomoe-en,” the CEFPP will continue discussions thereon.

Based on today’s discussions, I would like to ask Temporary Member Masuzoe to submit the so-called “Masuzoe Plan” for an overall employment strategy, including numerical targets and a reform timetable at the next meeting.

The Prime Minister made the following statement:

Although the Japanese population will be on the decrease from now on, stable growth must be achieved even with a declining population. Although this is a big challenge, if we take advantage of the current situation, we can turn it into an opportunity to further strengthen Japan’s economic structures. From this perspective, the “New Employment Strategy” will be a major pillar in the advancement of the “economic strategy in which all participate.” All policy areas for women, the young and the elderly are important.

Today, I visited a child-care center run in a company in Tokyo. Although such child-care centers appear ideal, they still seem to have various problems from the standpoint of working mothers. The Government should steadily promote all sorts of efforts.

I ask the Minister of Health, Labor and Welfare to take a leading role in the promotion of a new “zero-waiting list for nursery schools strategy.”

In order to expand child-care services such as certified “kodomoe-en,” it is vital that they be promoted from the standpoint of the people. I would like to ask Temporary Members Masuzoe and Tokai to overcome bureaucratic sectionalism and develop some ideas.

Returning the fruit of economic growth to the public in the form of wages is a vital task. The expert member’s statement to the effect that enterprises must also undertake efforts in that direction was most encouraging.

Regarding Foreign Direct Investment (FDI) in Japan, the expert members and Member Amari outlined their papers respectively. The expert members raised the following points:

Although there are various problems, the key points are, in sum, reducing business costs and increasing expected rate of return. It is necessary to make aggressive efforts aimed at promoting investment accords and EPAs, although some adjustments to domestic systems are required. Enterprises should also increase R&D investment aimed at enhancing their appeal. With regard to dividend payouts, comparisons with enterprises in Europe and the United States reveal that room for improvement remains. As dividend payments are also a form of spillover to households, it is vital that efforts to increase dividend payout be continually pursued.

During the bubble economy, it was pointed out that high prices of commodities and land were a bottleneck. At present, prices of goods and hotel rooms are cheaper, but business opportunities are said to be limited. While it is generally recognized that Tokyo is a pleasant city, major human resource problems exist, such as the difficulties seen in employing staff with specialized knowledge or English-speaking ability, finding personnel who can be immediately effective, and obtaining visas in Japan in case of accompanying babysitters. In short, I suppose that an environment necessary for the fulfillment of eight out of the ten requirements is somehow in place. If some drastic measures had been taken, an environment conducive to a rapid increase of FDI in Japan would already be in place.

In terms of the intangibles, there is another problem in that impartial personnel evaluations have yet to be performed. This is why capable young people do not come to Japan. In this regard, the public and private sectors need to cooperate.

The Government is aiming to raise the level of FDI to 5% of the GDP. However, even if this target is achieved, 5% is a very low figure by international standards. In order to significantly expand FDI, it is necessary to further open the Japanese economy to the world. For example, Japan's human resource conditions are still characterized by the insufficient use of women's abilities. Stagnation in FDI could be attributed to a distortion of the Japanese economy and society.

I stated that, based on today's discussions, the Expert Committee on FDI Promotion, the Cabinet Office will hold intensive discussions and finalize the report around this spring.

The Prime Minister stated that it is vital that Japan become a nation that is attractive for corporate activities. He also asked the ministries involved to thoroughly examine the points presented today with the aim of expanding FDI.

At the end of the meeting, I made a report on the establishment of a new expert committee.

The establishment of the committee was approved at the last CEFP meeting. Twenty years have passed since the “Maekawa Report” was released and the world economy has changed significantly since then. The Maekawa Report propounded the expansion of domestic demand in order to correct imbalances in international payments. Subsequent discussions centered on the need for a solution to the long working hour problem and tying growth outcome to wages. Now, 20 years thereafter, a solid structure of internal demand has not yet been established. The structures of the global economy and the flow of funds have changed significantly. Under such circumstances, I reported on the establishment of the Expert Committee on “Structural Changes and the Japanese Economy” with the aim of holding discussions on structural changes of both global and Japanese economies, including qualitative issues regarding the structures of the Japanese economy.

The major points of contention are as follows:

The potential risks that the Japanese economy confronts amid changes in international structures of division of labor and flow of funds

The distribution of growth outcome leading to the creation of positive growth cycles between enterprises and households as well as to the bolstering of domestic demand

Economic structures allowing for the minimization of distortions caused by disparities while achieving dynamic economic growth

The role of the Japanese economy in the global economy

Members of the expert committee will be positioned as expert members and appointed by the Prime Minister. The final report will be submitted by around June of this year.

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