

Program for Enhancing Growth Potential (Summary)

-- Seeking to Boost Productivity Growth by 50% --

April 25, 2007

The Council on Economic and Fiscal Policy

Two perspectives

Realizing the "new growth economy" from the following two perspectives:

- Eliminating impediments to growth potential
- Realizing consumer-led growth

Three Strategies

Strengthening growth potential through "basic capacity," "efficiency" and "creativity"

(1) Basic capacity: "Strategy for raising the level of growth potential"

- The strategy seeks to raise the level of Japan's growth potential through support measures for human resources and small and medium-sized enterprises (SMEs) that are left behind in the economic growth.

(2) Efficiency: "Strategy for service innovation"

- The strategy calls for an improvement in the efficiency and quality of sectors that feature lower productivity and fail to satisfy potential consumer needs.

(3) Creativity: "Strategy for expanding growth frontier"

- The strategy is designed to promote "investment toward the future" while expanding the growth frontline.

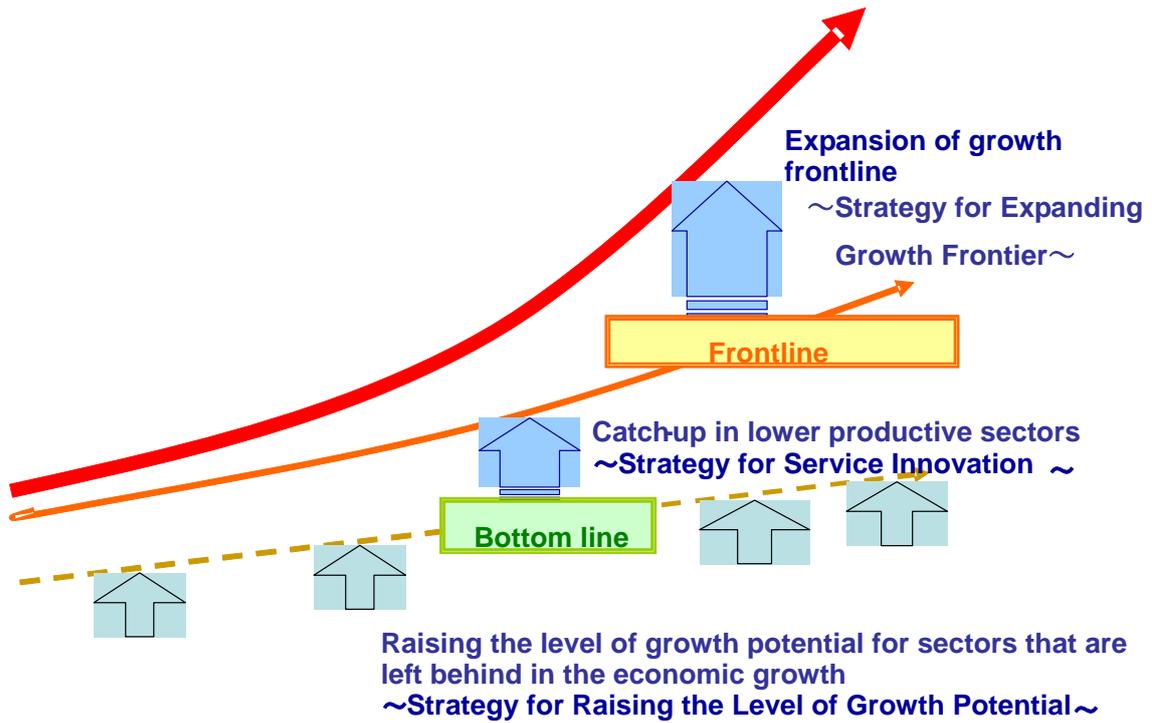
Picture of Economic Growth

Boosting labor productivity growth by 50% over the next five years

- The government will seek to achieve "scenario for transition into new growth economy" (shown in the Cabinet Office's reference projection for the new mid-term policy "Course and Strategy for the Japanese Economy"). Growth potential per worker (labor productivity growth) is expected to increase by 50 percent over the next five years.

(Average 1.6% growth in the past decade⇒approximately 2.4% (50% increase) in FY 2011)

Image of Program for Enhancing Growth Potential



(1) Strategy for Raising the Level of Growth Potential

[Strategy Pillars]

1. **Strategy for Human Capacity Development: Providing vocational capacity development opportunities**
2. **Strategy for Job Assistance: Promoting the "From Welfare to Work" Policy**
3. **Strategy for Raising the Level of SMEs' Potential: Boosting SMEs' productivity and raising the minimum wage**
 - The central and local governments will establish "roundtables for the promotion of the strategy for raising the level of growth potential" that consist of government, labor and management representatives.
 - Intensive efforts will be made over the next three years in principle.
 - In FY 2007, preparations for full-fledged implementation as well as implementation of advanced efforts combining each measure will be developed.
 - Full-fledged implementation will start in FY 2008. After FY 2010, the government will develop measures while checking the state of achievement.

1. Strategy for Human Capacity Development

- **Establishing "Vocational Capacity Development System" (known as "personal job cards system")**
 - Long-term job seekers and new graduates will be provided with "vocational capacity development programs" combining company-provided on-the-job training and classroom lectures.
 - Participants of these programs will be given "job cards" specifying their participation records and evaluation results.
- **Establishing "Practical Education Systems"**
 - "Practical education programs" will be provided for long-term job seekers and new graduates at universities and vocational schools. ("Job cards" may specify achievements made under these programs.)

2. Strategy for Job Assistance

- **Drafting a Five-year Program to Promote the "From Welfare to Work" Policy**
 - The Government will set specific goals to be achieved in five years for the transition from welfare to work for single-parent households, families on welfare, disabled persons and the like while making comprehensive efforts to cover both

welfare (job assistance) and employment (encouraging the acceptance of workers).

3. Strategy for Raising the Level of SMEs' Potential

○ Promoting the "SME Productivity Improvement Project"

➤ The Government will work on (1) measures for improving common business infrastructures (correcting sub contractual relations, IT promotion, mechanization, management improvement, turnaround, improvement of SMEs' workers capacities and business initiation) and (2) measures for invigorating priority industries and regions.

○ Improving Minimum Wage Systems

➤ The Government will take measures for publicizing the minimum wage, amending the minimum wage law (considerations will be given to the minimum wage system's consistency with welfare), and raising the minimum wage based on the government-labor-management roundtable consensus.

(2) Strategy for Service Innovation

[Strategy Pillars]

1. **Strategy for IT Innovation: Full-fledged utilization of IT**
2. **Strategy for Improving Regional Growth Potential: Productivity improvement in regional economies**
3. **Strategy for Innovating Government-Controlled Markets: Service Innovation by regulatory reform, etc.**

1. Strategy for IT Innovation

- **Boosting Productivity by IT Utilization**
 - Establishing a mechanism to share information irrespective of type of business and transactional relationship (Setting a platform to reach a cross-industrial consensus during the year).
- **Enhancing International Competitiveness of the ICT Industry**
- **Realizing the World's Most Advanced E-Government that is Easy-to-use for the Public (within five years)**
 - The IT Strategic Headquarters will function as an ombudsman to receive proposals about electronic application procedures, and publicize received comments and response (starting from next fiscal year).
- **Eliminating Impediments to the Full-fledged IT Utilization**
 - A project team consisting of both government and private sectors will be set up to realize easy-to-use e-Government.
 - Deliberating on a basic plan to introduce “Health IT card” (tentative name) (Conclusion to be drawn during this year).

2. Strategy for Improving Regional Growth Potential

- **Comprehensive and Intensive Measures Should be Taken through Combined Efforts by Regional Enterprises, Local Governments and Financial Institutions (Specific plans to be made before compilation of the “Basic Policies 2007”)**
 - Circulating talented people to manage the local industries (From resource-rich large enterprises and government agencies to SMEs, utilizing the achievements and know-how of the Industrial Revitalization Corporation of Japan (IRCJ), mobilizing talented business persons from private sector to regional business scenes.
 - Due diligence should be applied to third-sector entities based on market price.

Introduction of debts adjustment will also be discussed in the deliberation of decentralization reform.

- New plans and goals should be drafted to enhance the revenue base of regional financial institutions.

3. Strategy for Innovating Government-Driven Markets

- **Formulating the "Intensive Regulatory Reform Program"**
 - The program should be incorporated into the "Basic Policies 2007" and to the new "Three-year Program for Promoting Regulatory Reform." Conclusions on issues that are left to be addressed should be reached during the year at the latest.
- **Promoting Service Innovation**
 - The "Services Industry Productivity Council" (to be inaugurated in May this year) will make efforts in introducing customer satisfaction indices, etc.

(3) Strategy for Expanding Growth Frontier

[Strategy Pillars]

1. **Policy Innovation**: Renovating system hampering the expansion of the growth frontline
2. **University Reform “Three Priority Reforms Package”**: Developing the centers of intelligence
3. **Accelerating a “Shift from Savings to Investment”**: Fully utilizing the household financial assets

1. Policy Innovation

- **Introducing Funding System Featuring Competition and Selection**
 - Introducing new SBIR with strict phase-by-phase competitive selection (From FY 2008).
- **Eliminating Impediments to Commercialization**
 - Promoting international joint clinical trials for drugs, speeding up for-approval screening systems, reforming the drug pricing system, etc (“Five-year Strategy”).
 - Developing the world’s most advanced legal system to promote distribution of digital contents (within the next two years).

2. University Reform “Three Priority Reforms Package”

A policy program, which should be implemented over the next five years, will be formulated regarding the following three priority reforms, and will be incorporated into the “Basic Policies 2007”. The Education Rebuilding Council will compile the basic policy regarding university and graduate school reforms based on deliberations at the relevant councils, which will be incorporated into the “Basic Policies 2007” as necessary.

- **Promoting Selection and Concentration of Research Fund Allocation**
 - Increasing competitive funds and overhead expenses, internationalizing the system for research evaluation, and improving research environment for young researchers.
- **Promoting Students' Selection and Internationalization of Universities**
 - Deliberating on the entrance examination system to facilitate students’ selection of universities.
 - Formulating a “Globalization Plan for Universities and Graduate Schools”

(tentative name).

- **Allocating National University Administrative Expense Subsidies According to Efforts and Performances of Universities**
 - Deliberating on concrete measures for the subsidies allocation according to the level of efforts and performances made by the universities. (Deliberations should be started promptly toward the next medium-term target and plan (for FY 2010 and beyond.)

3. Accelerating a “Shift from Savings to Investment”

- **Reforming Defined-contribution Pension Plan**
 - Deliberating on allowing employees’ contributions to match those by companies for corporate pension plans, and on easing restrictions on personal pension plans.
- **Expanding Angel Tax Systems and Tax Incentives for R&D**
- **Enhancing Competitiveness of Exchanges**
 - Deliberating on concrete measures such as the "plan for enhancing competitiveness of exchanges", including the arguments on “general exchanges”, which deal with commodities futures as well as stocks and other financial products.