

Minister's Summary by Minister Ota**27th Meeting (November 30, 2006)**

- (1) On the Basic Principles of FY2007 Budget Formulation
- (2) Intensive deliberation (5): Challenge Again Assistance and labor market reform
 - 1. Challenge Again Assistance
 - 2. Labor market “Big Bang”
 - 3. “Hello Work” or Public Employment Security Office

Hiroko Ota here. Today, the Council on Economic and Fiscal Policy (CEFP) held its 27th meeting of the year. As the Prime Minister consulted the CEFP regarding the Basic Principles of FY2007 Budget Formulation, we deliberated on the CEFP's recommendation. Discussions at the meeting also covered Challenge Again Assistance and labor market reform.

The Basic Principles of FY2007 Budget Formulation was recommended as proposed. In this respect, there were arguments on tax revenues earmarked for road projects. Expert members gave the following opinions:

This issue represents a test for the Abe Cabinet. Final decisions should follow the recommendation exactly. Given future public finances, top priority should be given to the effective utilization of limited financial resources. Legal changes to the tax on gasoline and others should be made to utilize road-construction revenues for key expenditures.

The recommendation calls on the Abe Cabinet to review these revenues while getting understanding of taxpayers. Gasoline and petroleum taxes are paid by most of the people. Therefore, the understanding of taxpayers amounts to the understanding of the people. Reform from the viewpoint of the people is required.

It seems that discussions on this issue concentrate on roads, and lack the viewpoint of public finances as a whole. In this context, the present tax rates should be maintained while these revenues are devoted to higher-priority expenditures such as social security outlays.

The Prime Minister made the following remarks:

I will carry out a reform of tax revenues earmarked for road projects that will benefit the people of Japan. As the aging of the population continues, I will consider ways to effectively utilize limited financial resources and reduce the

people's burden. From this perspective, even tax revenues earmarked for road projects are not absolutely untouchable. That has been agreed since the period of the Koizumi reforms.

While necessary roads must be constructed, we must reform the very mechanism that automatically directs these revenues to road projects and automatically constructs roads.

While maintaining the current tax rate, I will carry out a review of tax revenues earmarked for road projects, including the gasoline tax, and advance reforms keeping the interests of the people in mind at all times.

As for the labor market, we first discussed Challenge Again Assistance. The following opinions were presented in this respect:

Regulations that obstruct a chance to Challenge Again should be eliminated.

Cooperation between government ministries and agencies and one-stop services for job seekers are necessary.

Personal and joint guarantee systems obstruct a chance to Challenge Again and this should be clearly separated.

Behind hesitation of private financial institutions to provide loans lies the problem of priority orders regarding preferred receivables. This is a problem left in connection with bankruptcy laws. Such a fundamental problem should be addressed steadily.

In response to these opinions, temporary member Mr. Yamamoto, Minister for “Challenge Again” Assistance, voiced his willingness to vigorously tackle the support, and noted that the Inspection Bureau of the Financial Services Agency was considering introducing a new idea “Challenge Again” into the Financial Inspection Manual.

The next topic was labor market “Big Bang”. We launched discussions on the labor market “Big Bang” today. The expert members’ paper calls for creating a research committee to deliberate on issues cited in the paper. In response, temporary member Mr. Yanagisawa, Minister of Health, Labor and Welfare, made the following statements:

Although there is the term “autonomous labor-management relations,” the basic idea behind labor laws is that labor and management are not equal.

It’s alright for the CEF and a research committee to discuss the matter, but I request that full consideration be given to the point that the Labor Policy Council has a system to conduct three-party deliberations between the labor, management and government sectors, and that the council should endorse this.

Other opinions are as follows:

Such schemes as an “autumn job change campaign” should be considered for promoting mid-career employment.

Are employment period restrictions for temporary employees really necessary?

This regulation may have some negative effects.

On “Hello Work” or Public Employment Security Office, the expert members made two reform proposals to be implemented under ILO Convention 88. They proposed that the present main network of the public “Hello Work” may be maintained while other management be commissioned to the private sector. For example, some of the 20 “Hello Work” offices in Tokyo’s 23 special wards can be opened to the private sector. Another proposal calls for maintaining a public network by developing a system for the public sector to supervise “Hello Work” opened to the private sector.

There were discussions on German and Dutch cases. As a rebuttal, Mr. Yanagisawa said that in Germany where “Hello Work” are not fully commissioned to the private sector, public offices take care of jobless people for a certain period of time before providing vouchers to private service providers. He added that the job-placement services require integration with the employment insurance system. Expert members responded that it is possible for the private sector to integrate such services with the employment insurance system.

As well, there was an opinion that we should address the problem while giving consideration to youths and rural people having difficulties in finding jobs.

As the minister in charge of “Market Testing,” I made the following remarks:

ILO Convention provisions have long been discussed and their interpretations within Japan have been divided.

Regarding the two proposals made by the expert members, I would like to launch my private panel of experts to intensively consider whether the proposed interpretations would run counter to the ILO Convention.

I made the following summary on the labor market reform:

Further discussions will be conducted by setting up a research committee. I would like to ask the committee to deepen discussions on institutional reform proposals and report to the CEFPP as needed.

At the same time, I will fully consider and link up with three-party deliberations between the labor, management and government sectors.

The Prime Minister made the following conclusions:

Lifetime employment practices have collapsed, double-income families have expanded, and "freeters" (job-hopping part-timers) and "NEETs" (people Not in Employment, Education or Training) have increased. Under such conditions, a very great challenge for the Cabinet is conducting a labor market reform aimed to create a society which makes the most of human resources through a chance to Challenge Again. I would like the CERP members to utilize the research committee for energetic consideration. I request that the CERP coordinate and cooperate with the related public sectors including the Ministry of Health, Labor and Welfare to incorporate results of discussions into relevant institutional reforms and next year's Basic Policies.

In order for a society to provide chances to Challenge Again, the function of job-placement is important. Improving the convenience for people using job-placement services is particularly needed. No matter if services are provided by the public or private sector, what is required is convenience.

I would like you to bring together the wisdom for realizing such "Hello Work" functions. We must take advantage of the private sector wisdom. Although there are various difficult problems including the interpretation of the ILO Convention, I would like you to join your ideas to make the "Hello Work" functions more useful.

I would like the Minister of Health, Labor and Welfare to energetically hear from stakeholders about the expansion of social insurance coverage for part-timers so that such expansion can be carried out in step with the planned submission of a bill for the unification of the employees' and mutual aid pension schemes to the Diet during its ordinary session next year. I would also like the minister to present bills including a part-time workers bill which give shape to Challenge Again Assistance to the Diet during its ordinary session next year.

(End)