

A RENGO Perspective on the Japan Revitalization Strategy:

For Whose Sake Is “Japan’s Revitalization”?

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Japanese Trade Union Confederation (JTUC-RENGO)

Introduction

On June 24, 2014, the Cabinet of the government of Japan approved the Japan Revitalization Strategy (revised in 2014; hereinafter Revitalization Strategy 2014) and Basic Policies for the Economic and Fiscal Management and Reform 2014 (hereinafter Basic Policies 2014). In this perspective, we contrast the government’s policies with RENGO’s philosophy and clarify their issues and problematic areas. Based on this perspective, we will endeavor with all our might to represent the voice of workers in the Diet, on advisory boards, at the budget-drafting table, and at other venues to realize “a secure society based on work.”

I. General Remarks

1. For whose sake is “Japan’s revitalization”?

At its core, the strategy for Japan’s revitalization should be a plan to turn around a hobbling Japanese society. It must give a clear message from the viewpoint of citizens about the kinds of reconstruction that should be carried out and their direction.

However, what is described as the core of Revitalization Strategy 2014 is the mobilization of people, goods, and money to improve “earning power” and create “the world’s best environment for business activities.” Social ideals are not mentioned.

Revitalization Strategy 2014 exclusively adopts the viewpoints of companies and investors. It is a policy developed in conformity with the desires of a portion of industries and parties involved with them. Symbolic of this philosophy is the statement in the document that to “create ‘the world’s best environment for business activities,’ the government must specify relevant challenges such as . . . regulatory reforms for improving the investment climate.” It further established the “Council for Promotion of Foreign Direct Investment in Japan” as the control tower to “improve the investment climate.” In other words, high stock prices support Abenomics, and what support high stock prices are foreign investors. **Top priority is placed on messages to investors and companies pursuing short-term profit, while citizens and workers are given short shrift.** The document lacks awareness that Japan’s society faces the danger of becoming unsustainable as the ranks of Japan’s broad middle class, which supported the country’s postwar society, grow thin and the working poor increases. Nor does the document give a prescription for these issues.

2. Workers cannot be sacrificed for economic growth

Prime Minister Abe stated that he wanted the effects of Abenomics to ripple across the entire country and restore economic growth. However, Abenomics envisions trickle-down economics in which the strong is made stronger to pull up the economy and spread wealth to the rest of society, making it difficult to reverse growing social inequality. We need to reflect on the lack of distribution of the fruits of economic growth to the people during the 2000s, and overturn the economic model itself.

The Lehman shock has changed global currents. Investors and companies are reflecting on their unprincipled use of money in pursuit of short-term maximization of profit and their belief in making profit for the company while pushing risk and its effects to the people. Increasing decent employment is being viewed as key to economic revitalization. This past May, the OECD Ministerial Council stated, “A key challenge is to achieve inclusive growth by providing social protection and empowerment to people, which can strengthen human security.” There is concern over growing social inequality and an emphasis on the necessity of inclusive growth.

Revitalization Strategy 2014 directly opposes this thinking. It depicts a growth strategy through means that sacrifice workers by degrading worker protection rules, such as the creation of a “new working hour system” and studying a monetary settlement system for worker dismissals, for the sake

of economic growth. An attitude that considers worker protection rules in the same vein as economic regulations means the rules can be destroyed using political force for the advancement of economic metabolism. This approach is abominable. What should be carried out is to **focus on revamping deteriorating employment as the centerpiece of Japan's revitalization, halt the growth of an unequal society, and set in motion an economic virtuous cycle through a bottom-up approach.**

3. A growth strategy decided without the participation of workers is a growth strategy riddled with problems

Despite Revitalization Strategy 2014's basic theme of rebuilding Japan's economy and society, which is directly tied to the lives of her people, the strategy was developed by a handful of government supporters and then approved by the Cabinet. The strategists' method of determining worker protection rules as simply regulations backed by the interests of certain organizations and defining issues and working out approaches to their resolutions unilaterally while representatives of workers are excluded from the planning process is problematic. Worker protection rules are the minimal rules that allow workers to lead lives with human dignity. It should not be reviewed in a one-sided manner by the employers.

The original role of politics is to allow the diverse voices of citizens to be heard, deepen understanding through debate, and guide the country in a better direction. We must return to the fundamentals of democracy; we should not have a ruling party that simply basks in its size.

RENGO will continue to demand participation in the review process of critical policies that deeply affect citizens' lives. Above all, discussions related to employment and labor policies **should conform to the International Labour Organization (ILO)'s principle of tripartite constituents, and be carried out at the Central Labour Standards Council.**

4. Revitalization Strategy 2014 is a mere statement of government policies that slight the workplace and cannot be said to constitute a strategy

Revitalization Strategy 2014 lists individual policies such as reforming the employment system, promoting women's social participation, strengthening the competitiveness of Japan as a business hub, and invigorating financial and capital markets. However, included are not a small number of questionable policies whose effects diverge from the actual state of affairs.

The strategy showcases as one of its features the goal of creating a society where women can participate more actively to support a depopulating society. However, it shelves issues that need addressing for this goal to be met, such as shortening long working hours which many working women worry about, casting aside the notion of gender role assignment, and eliminating gender disparities in employment.

Also, the strategy calls for the corporate tax rate to be lowered. However, it does not explain at all the extent to which domestic investment increased when the tax rate was reduced in the past.

Revitalization Strategy 2014 sees its first step as securing an average annual economic growth

rate of a nominal 3 percent or a real 2 percent by fiscal 2022. However, without clarifying the economic society it aims for, it cannot be said to be a strategy that envisions the ideal shape of society ten years later. Nor does it put individual policies together into a coherent package.

Seeking to realize “a secure society based on work,” RENGO has assembled a policy package to be realized by 2020, and **has worked to put policies into practice. As the representative of workers, RENGO will continue to be involved as an agent in Japan’s revitalization.**

RENGO sees major issues of Revitalization Strategy 2014 as follows.

II. Item-by-Item Discussion

1. Relaxation of working hour regulations

(1) Creation of working hour system that rewards workers for their performance instead of the length of time spent on work (so called “white collar exemption system”)

According to Revitalization Strategy 2014, “a new working hour system will be created to break the link between the length of time spent on work and wages . . . [for] workers who have specific job scopes and advanced vocational skills and meet a certain annual income requirement (e.g., no less than 10 million yen).” This system seeks to remove the application of regulations mandatory for employers under the Labor Standards Act. These regulations include working hour rules such as a maximum of eight hours per day and 40 hours per week, provision of rest periods and holidays, and extra pay for working overtime and on holidays.

If the proposed system is created and **basic and minimal protection regarding working time is removed, it is clear that this will precipitate the further lengthening of working hours for workers.** We cannot accept a system contrary to work-life balance and which invites mental illness due to overwork and crushing work. This system threatens to harm workers’ health and safety and may lead to suicide and death from overwork.

The government should directly face the reality that more than 100 workers die from overwork every year, and act with urgency in preparing policies that realize not “zero overtime pay” but “zero deaths from overwork.”

RENGO believes that measures for preventing long working hours and policies for realizing effective rest from work should be established. Such measures include the introduction of regulations specifying intervals between working hours and a substantive cap on working hours.

(2) Construction of new framework for discretionary work system

The government seeks to establish a new framework for discretionary work for employees working on a discretionary basis in a company’s core departments or R&D departments. Separate from a discretionary work system being already introduced that applies to workers employed in planning work (including design, investigation, and analysis) and specialized work (such as R&D), the proposed system seeks to introduce a new discretionary work system that targets a wide range of workers in a company.

In a discretionary work system, workers with a broad discretion in performing their work carry out their work under an agreement with their employers that specify a certain number of working hours without specifying the exact hours of work.

Therefore, if the discretionary work system does not apply only to workers who are recognized to be really performing work on a discretionary basis, regulations on working hours will be nullified for all practical purposes under the name of the discretionary work system. This will result in long working hours and overly burdensome work.

RENGO believes that for building a new framework for discretionary work and reviewing the existing discretionary work system, **measures from the workers' standpoint should be taken to manage appropriate working hours and ensure workers' health and welfare.** The government should not easily expand the definition of discretionary workers.

2. Introduction of “mechanisms for pecuniary remedies provided to workers through court decisions” (monetary settlement system for dismissals)

To create a “transparent and objective labor dispute resolution system,” the government is seeking to introduce a “monetary settlement system for dismissals” with the reason that “major industrial countries have developed mechanisms for pecuniary remedies provided to workers through court decisions in line with their respective employment systems.”

This system had been debated at the Labour Policy Council when studying the revision of the Labor Standards Act in 2003. It is a system in which **when litigating the validity of dismissals in court, a company can simply end employment of a worker by offering a monetary settlement, even if the worker wins a decision finding that his or her dismissal is invalid (unfair dismissal). Thus the company can choose not to return the worker to the workplace.**

Consequently, if such a system is introduced, it is clear that problems such as the following will arise: 1) the worker's path back to the workplace is closed even if he or she wishes to return, damaging his or her dignity; 2) if claims of financial settlement from employers are accepted, then the climate where workers can be dismissed simply by paying money will spread; and 3) because at present it is already possible for mediation or a labor dispute court to settle a dispute financially, if this system is adopted means of relief for workers will become constrained. Therefore, RENG0 absolutely cannot accept the introduction of this system.

Furthermore, even though the government uses the language of “a framework that can provide monetary relief,” instead of having discussions on how the system can be reformed to provide relief to workers, the government glosses over many problem points and risks. One cannot help but say that such language deceives the people of Japan.

Worse still, in advance of debating the pros and cons of introducing this system, the government states that it will analyze and summarize monetary amounts in mediation cases in labor dispute courts and trials with the cooperation of the courts. This action raises issues including the following: 1) doubts concerning its sufficient legal basis if the government is reviewing the records of labor dispute courts not open to the public, and 2) the high likelihood that analyses of disputes will overlook questions at the heart of the matter if calculation of average figures are carried out without considering the circumstances of each case. The standard for settlement amounts in past dismissal cases varied considerably depending on the content of the case.

Because of the major problems found in a financial settlement system for dismissals and how its debate is being advanced, **RENG0 resolutely opposes the adoption of this system.** This system seeks to relax employment rules in the name of diversifying means of relief for employees.

3. Reforms to develop a society where foreigners can fulfill their potential

(1) Expansion of Technical Intern Training programs

With the purpose of producing a greater number of workers, the government is seeking to review Technical Intern Training programs for foreigners by expanding job categories and lengthening the training period (from 3 years to 5 years at most), and expanding admission quota on trainees.

The Technical Intern Training programs were originally meant to serve as international contributions to developing countries by developing human resources who are responsible for the countries' economic growth. However, judging from the actual conditions of their implementation, these programs have deviated from their purpose and are serving simply as a method of drawing in workers (cheap labor). They are also involved in many cases of problems such as violations of labor laws and human rights abuses of foreign technical trainees.

Taking this state of affairs into account, **what should be done is to first correct the system so that it returns to its original purpose**, instead of expanding the foreign technical training programs under the rationale of lack of labor in Japan. In doing so, to ensure the effectiveness of laws specifying that remuneration to foreign trainees should be the same or more than that of Japanese employees, **efforts that specify the minimal annual income for each job category should be carried out**.

Also, although an intention to expand this Technical Intern Training programs to the nursing field can be seen, communication ability in Japanese so as to prevent accidents due to deficiencies in mutual understanding is essential. There are also issues particular to nursing services such as growing demand for skills to provide care for patients with dementia, which is becoming a social problem. Because of these issues, expansion of foreign workers should not apply to the nursing field.

(2) Accepting housekeeping support workers in National Strategic Special Zones

The government is seeking to accept foreign housekeeping support workers in National Strategic Special Zones to promote women's successful social participation.

However, it has been pointed that in the field of housekeeping support, it is difficult to bring out into the open problems such as discrimination and abuse because housekeeping work takes place in a closed environment that is the employer's household. To improve working conditions of housekeeping workers facing such problems, the ILO adopted the "Domestic Workers Convention (No. 189)" in June 2011 (yet to be ratified in Japan).

Regardless of efforts being advanced internationally concerning human rights of housekeeping workers, while conventions related to domestic workers are not ratified in Japan, acceptance of foreign housekeeping support workers based on the notion of fixed gender roles that sees women as shouldering housekeeping work **should not be permitted, even in the limited scope of employing them in national strategic special zones. The reasons take into account that there is no demand among the Japanese people for foreign human resources who cannot be presumed to be able to communicate in Japanese.**

4. Promotion of “comprehensive measures for the employment and training of young people who create the future”

To advance employment policies for young people, the government is seeking to study a comprehensive set of measures and submit relevant bills to the next ordinary Diet session concerning necessary legal preparations. Areas of review include: 1) enriching career education and vocational training, 2) appropriate disclosure of recruiting and employment/retention of young people, 3) strengthening of measures against companies suspected of treating young workers as “disposable,” and 4) bolstering job assistance for casual workers and NEET (not in education, employment or training).

To bring about good opportunities for all young people to work, it is necessary to strengthen measures against companies that use and then dispose of young people and to increase employment support. **A multifaceted policy is required, including increasing labor standard inspectors to take suitable and strict measures against legal violations, complete disclosure by companies of the employee turnover rate within the past three years, promoting labor education at school and providing knowledge related to labor laws for workers and management, and reinforcing regional support centers for young people.**

Seeking to realize good employment opportunities for all young people, RENGO established “RENGO Employment Measures for Young People,” and actively presented its views at venues such as the government’s “Employment Strategy Dialogue” and Labour Policy Council. The general measures included in Revitalization Strategy 2014 are in rough accord with RENGO’s philosophy. Studies of specific measures should be carried out with urgency in the Labour Policy Council with the participation of labor and management representatives.

5. Measures for a society where women shine

(1) Questions concerning basic philosophy

From the standpoint of social justice and economic efficiency, it is critical that women actively participate more than ever in a variety of fields. However, the basic philosophy of Revitalization Strategy 2014 prioritizes economic growth through the participation of women, who are viewed only through an economic perspective. Such a way of thinking may lead to the treatment of women simply as a tool or instrument of economic growth.

What Revitalization Strategy 2014 lacks is an awareness of gender inequality such as gender role assignment and a perspective that seeks to correct it. As shown by problematic statements slighting women, without fostering an awareness of gender discrimination, a society where women shine cannot be realized. Also, without directly facing the fact that the majority of women are engaged in non-regular work and that nearly half of women workers earn an annual salary of 2 million yen or less, measures that improve these conditions will lead to the bipolarization of women. To realize a society in which all women can fulfill their potential, it is necessary to advance measures that

correct gender discrimination.

The government seeks to attain “women’s share of leading positions at 30 percent in 2020.” To achieve this, it should take positive actions to review existing laws such as the Gender Equality in Employment Act. Legislation of new laws should be discussed after such efforts are sufficiently carried out.

(2) Support for both work and life

To realize a “society in which women shine,” a major precondition is establishing an environment that takes care of children with safety and security. Many women are abandoning work because there are insufficient childcare and nursing services. Building a social infrastructure providing these services is an urgent matter. So that both men and women can work while balancing childcare and nursing care, it is **critical to review ideas about gender role assignment and ways of working** while continuing to provide social services for childcare and nursing care. This is not an issue that can be resolved simply by promoting telecommuting, as Revitalization Strategy 2014 does.

At the same time, to allow women to work successfully, **it is important that men actively participate in housekeeping, childcare, and nursing care.** The World Economic Forum releases the annual Global Gender Gap Index, which measures equality between men and women. Japan ranks lowly in the 105th place (2013). Gender inequality in the country has a great effect economically and politically. Meanwhile, northern European countries, where men’s participation in domestic chores, childcare, and nursing care is advancing, occupy the top spots. To eliminate inequality, it is necessary to carry out efforts to transform men’s mentality.

Work styles of men premised on gender role assignment lead to long working hours. Nearly 20 percent of men in their 30s work more than 60 hours a week. According to an OECD survey, the amount of time men in Japan spend on domestic chores is only about an hour a day. To create a society where both men and women can enjoy both work and life, it is necessary to improve the social environment and modify work styles.

(3) Review of work style-neutral taxation and social security systems

Systems that hold back women’s employment are being reviewed. **However, work style-neutral taxation and social security systems are areas of concern not limited to just women.**

Of the reasons for “work adjustment” by part-time workers (voluntarily restricting their wages to below a certain level), the most frequent is the worker’s income tax burden if he or she earns above a certain level; next is the burden of social insurance cost. There are also problems involving spousal deduction. The problem of the “reversal of after-tax income” (after-tax income decreases within a certain range when both partners work despite the rise in gross household income due to an increase of the tax burden) has already been eliminated by reforms to the taxation system. What is needed is the spread of correct knowledge and fostering awareness concerning the current system. Going forward, **a wide range of taxation schemes (including the entire personal deduction system), such as**

integration of spousal deduction and dependent deduction and strengthening income distribution functions by applying tax deduction or allowance instead of income deduction, should be studied.

With regard to social security, an employed worker can be claimed as a dependent and the household can receive tax deduction if the dependent earns an annual salary of less than 1.3 million yen. This “1.3 million yen wall” suppresses spouses’ job-seeking. In the first place, the principle should be that social security applies to all employed workers. In the meantime, with the aim of expanding social security to part-time workers, the criterion for its application should be the requirement of working at least half of a regular employee’s work hours or an annual salary of 650,000 yen or above.

To realize a society where both men and women can continue working, it is critical to strengthen comprehensive work promotion measures. Along with reviewing taxation and social security systems, these policies include supporting occupational training and skills improvement with an eye toward assisting women, who must weigh new tax and social security burdens when choosing a work style, to support re-employment and conversion from non-regular employment to regular employment.

6. Social security reform

(1) Measure for welfare recipients and the poor

The welfare system seeks to encourage independence in the poor and needy along with guaranteeing a healthy life at the culturally accepted minimal limit by providing needed protection based on the extent of their poverty. Also, public livelihood assistance is a reference standard of policies toward the poor. Because of this, revising the system should be carried out prudently. Currently, households with a large number of members are experiencing a reduction in the standard of livelihood assistance. **To prevent a cycle of poverty, each type of assistance criterion should be further reviewed.**

Concerning measures for the poor and needy, **comprehensive and individual support systems tailored for the actual conditions of each region must be created nationally** for the implementation of a support system that allows the poor to become independent. This system needs to be also publicized.

(2) Ensure appropriate health/nursing care provision system and strengthening employees’ health insurance

The great issues facing the medical/nursing care system is the rapidly progressing low-childbirth graying society and designing a system that can sustain such a society.

For health insurance, both employees’ health insurance and regional insurance must be established and a universal healthcare system be maintained that provides sufficient care to the insured. For employees’ health insurance and the national health insurance, reducing structural financial risk such as differences in the ages and income levels of the insured and ensuring fairness

and understanding of the system is critical. Therefore, to reform the system, basic consideration of social solidarity held by the country, municipalities, insurers, employers, and the insured could be studied.

To ensure the effectiveness of efforts by prefectures based on the medical/nursing omnibus act to differentiate the functions of healthcare facilities and strengthen ties, to connect with nursing care, and to secure human resources, studies and implementation systems should be reinforced and steadily carried out, reflecting the intentions of the insured and community residents.

Concerning the long-term care insurance system, securing funds is necessary for strengthening the functions of community comprehensive support centers to build comprehensive community care systems and **continue to improve the treatment of nursing care workers.**

(3) Reforming management of public and quasi-public funds

Based on laws such as the Employees' Pension Insurance Act, safe and reliable management of public pension reserves should be firmly carried out from a long-term perspective for the exclusive benefit of insured persons. The fund's purpose is not for the contribution to Japan's economy. **Revitalization Strategy 2014's proposal of "reforming management of public and quasi-public funds" as government policy for the purpose of invigorating financial and capital markets is in and of itself inappropriate. It risks sending the wrong message to the stock markets.**

The purpose of the management of public pension funds is to secure returns needed for pension finances as determined by financial evaluation. Reassessing the portfolio to pursue profit maximization to the point of taking high risks does not result in benefits for the insured. The percentage of reserves that make up pension revenue on a single year basis fluctuates greatly depending on the fiscal year. Noteworthy is the fact that the performance of the Government Pension Investment Fund (GPIF), which has pursued stable management since 1990, exceeds the performance of the welfare pension fund.

In the case of public pension funds, the purpose of managing deposits is none other than "exclusively for the purpose of the insured persons." For the GPIF, **a governance system should be established that faithfully reflects the intentions of insurance premium contributors** along with ensuring necessary returns on pension funds through their safe and sure management based on the results of the financial evaluation.

(4) Expand measures to deal with low childbirth and support environment for child-raising and housekeeping

Support for children and child-raising should not be carried out simply from the standpoint of measures for dealing with a rapidly declining population and a super-aging society. Instead, the goals should be maximizing benefits in the interest of all children. For this, **financial resources of more than one trillion yen should be secured.** This fund is needed to accelerate the new system for children and child-raising and carry out plans to reduce waiting lists for childcare.

Expanding child-raising and housekeeping support environments from the limited perspective of promoting women's active social participation should not be carried out.

For the integrated operation of "after-school children clubs" and "after-school children classrooms," part of the "Comprehensive After-School Childcare Plan," **studies should be carefully carried out so that the programs do not lead to the degradation of the standard for the implementation of after-school activities.**

7. An economic virtuous cycle and creating a sustainable economy

(1) Establishing both economic revitalization and fiscal soundness

Fiscal soundness is the basis for sustainable economic growth. It is a critical challenge for not pushing the financial burden to future generations. However, **looking at the contents of the FY2013 supplementary budget and the 2014 draft budget, which include increased spending on public works, one cannot say that the budgets were drafted with fiscal discipline in mind.** The government should first sincerely reflect on this problem, and then seek to steadily achieve the goal of reducing the deficit in fiscal revenue and expenditure (primary balance) by half in FY2015 (compared with FY2010) relative to the GDP for the country and regions as a whole.

Basic Policies 2014 states that "the government will prioritize and streamline public expenditures so that they will contribute to economic growth and development more effectively." To carry this out, the government should concentrate on measures for fields in which there is great latent demand and many jobs can be created, such as healthcare and nursing, childcare, the environment and energy, and tourism. The measures should include budgeting, taxation, and review of economic regulations. The government should also advance industrial policy and employment policy in an integrated manner.

Targets are not included in the Cabinet Office's draft budget, and a specific path to achieving positive primary balance in FY2020 has not yet been shown. **The government must present a medium-term fiscal plan that can gain trust from the markets** by, for example, establishing a framework for medium-term budget planning and setting an amount of the issuance of new government bonds and an upper limit to annual government expenditure. In addition, the government should work to educate citizens of the necessity of fiscal soundness and gain their understanding.

(2) Tax reform (lowering of corporate tax)

Corporate tax reform has significance precisely for creating a virtuous economic cycle that leads to an increase in domestic employment and wages while supporting firm domestic demand by strengthening the competitiveness of the country and companies. To realize this cycle, the policy must include as a set allocating the savings gained from the reduced tax rate to domestic investment by companies and an increase in employment and loan and ensuring that these measures are carried out. In addition, **the effects of tax reduction measures already implemented**, such as the numerous occasions of corporate tax reduction thus far, **must be studied.**

At the same time, to gain understanding and assent from the entire citizenry who are affected by

the increase in consumption tax for supporting social security and easing the government's financial difficulties, the government should endeavor to explain the purposes and necessity of corporate tax reform. Also, the centrality of tax collection within the corporate tax framework should be basic to persistent alternative sources of revenue, which are prerequisite for reducing the corporate tax rate.

When implementing specific corporate tax reform, the following should be carried out: 1) revising taxation measures based on zero-base taxation, 2) introducing a dual corporate tax system for all companies in general while taking small and medium-sized enterprises (SMEs) into consideration, and 3) maintaining a reduced rate tax (about half of the basic tax rate) for SMEs. Going forward, a broader study on medium to long-term tax reform is needed. The topics are not limited to just corporate tax reform, but also income tax, consumption tax, and property tax from the perspective of safe and secure lives for the people.

(3) Regional revitalization

Revitalization Strategy 2014 can be evaluated for the direction of its measures in this area, including its awareness of the issues as shown by its statement that "regional revitalization depends on whether attractive employment opportunities including those for youths can be realized." Also included in its approach are advancing industries taking advantage of the unique resources of a region and creating attractive places of employment in the region. **Therefore, it is critical to promote industrial policy and employment policy in tandem. They include supporting training that take advantage of the features of the region for agricultural and forestry industries, for small and medium-sized enterprises, and for local industries. Also included are the development of new industries and employment of people in the community.**

Councils on Regional Industrial Competitiveness established in different regions are seeking to create a virtuous cycle in the local economy by adding local financial institutions to the traditional academic-industrial-government partnership to make effective use of local resources. However, stable employment is indispensable to the development of the community, and representatives of local labor, who are at the same time consumers, should be involved in the Councils. It is necessary for the academic, industrial, government, financial, and labor sectors to work as one, and study and advance self-reliant, sustainable regional revitalization plans.

(4) Measures for small and medium-sized enterprises

Revitalization Strategy 2014 can be appreciated for its emphasis on providing detailed support for small and medium-sized enterprises and on regional revitalization. To foster SMEs, it is necessary to educate human resources who will be responsible for them. **This, in turn, means that it is critical to pass down skills and techniques, establish a social system that values artisans and tradesmen, and therefore it is also critical to improve the treatment of workers and raising the basic level of wages and working conditions.**

Revitalization Strategy 2014 seeks to intensively devote policy resources for creating a support

platform to realize regional revitalization measures in one package. However, diverse support measures for current SMEs are not being utilized much. A top priority is improving the efficacy of these measures by publicizing them.

To develop industries rich in regional character throughout the country, **it is necessary to strengthen the government's supervisory system so that subcontractors do not suffer from bearing the burden of the portion resulting from the increased consumption tax rate or being bullied by bigger companies. It is necessary to create an environment where SMEs can engage in fair transactions based on reasonable prices for products and services.**

8. Civil Service Reform

Although Revitalization Strategy 2014 can be appreciated in terms of its push for the employment and promotion of women, nurturing young workers, and advancing work-life balance, **the plan is problematic in not including proposals for the restoration of basic labor rights to public employees.** The government should respond sincerely to the repeated recommendations of the ILO. **It should also work out with urgency measures for establishing autonomous labor-management relationships, which were not included** in the “Legislation to Revise a Portion of the National Public Service Act,” enacted in the 186th ordinary session of the Diet.

Revitalization Strategy 2014 also calls for public employee reduction targets such as “a pace of 10 percent or more in reduction in five years after FY2015.” In recent years, the number of employees and new hires has been reduced due to great government deficit. However, RENGO is gravely concerned that setting a numerical target for reduction without inquiring into the actual conditions of public workplaces and operations will hinder the sure implementation of high-quality public services that support the reconstruction and rebirth of Japan after the 2011 Tohoku earthquake and tsunami. It will also impede the safety and security of citizens, as well as detrimentally increase the number of part-time and non-regular precarious and low-paid employees. If the Abe administration seeks to slough off deflation and realize sound economic growth, what is required is securing necessary workers.

9. Equal education opportunities

Revitalization Strategy 2014 states, “In order to realize a ‘world-leading employment environment,’ we must link education and labor area reforms and enhance career and professional education to create a system to turn out human resources who can win in competition with foreign countries.”

However, the reality is that growing inequality in opportunities to receive education due to the cycle of poverty, as seen in the more than 1.6 million households who receive welfare benefits (as of April 2014), is a cause for concern. While it may be necessary to produce a great number of human resources who can compete against overseas economies and win, we need to **correct inequality and raise the level** in creating the foundation that produces human resources supporting the growth of

Japan. **We must guarantee opportunities for all children to receive education**, regardless of their families' economic situation.

To reduce the burden on family budgets related to preschool education and high education, which especially receive a low percentage of public expenditure, priority must be placed on enriching public assistance on education fees through gradually easing of fees for early childhood education until it is free and enhancing “grant-type” scholarships for higher education.

10. Employee invention system

As an example of “improving the employee invention system so as to provide both benefits to companies and incentives to inventors,” Revitalization Strategy 2014 raises the attribution of patent rights to the company (corporation) instead of employee inventor. However, if invention rights belong to a corporation and companies are free to determine incentives for employees, the profits currently being enjoyed by employees can become devalued. Studying a revision of this system despite the fact that there is no legislation seeking to change the principle of rights assignment in the first place is problematic.

If Japan seeks to “advance technological innovation” and be “the world’s most excellent intellectual property-based nation,” above all it must value the people creating innovations. Systemic reforms lacking this perspective may lead instead to the result of brain drain, where outstanding workers emigrate overseas. **A systemic review should be carried out** premised on securing incentives for employees.