

Employment Creation Fund : Responses of Japanese Government under Financial Crisis

Nov. 7, 2014



Local Employment Measures Office

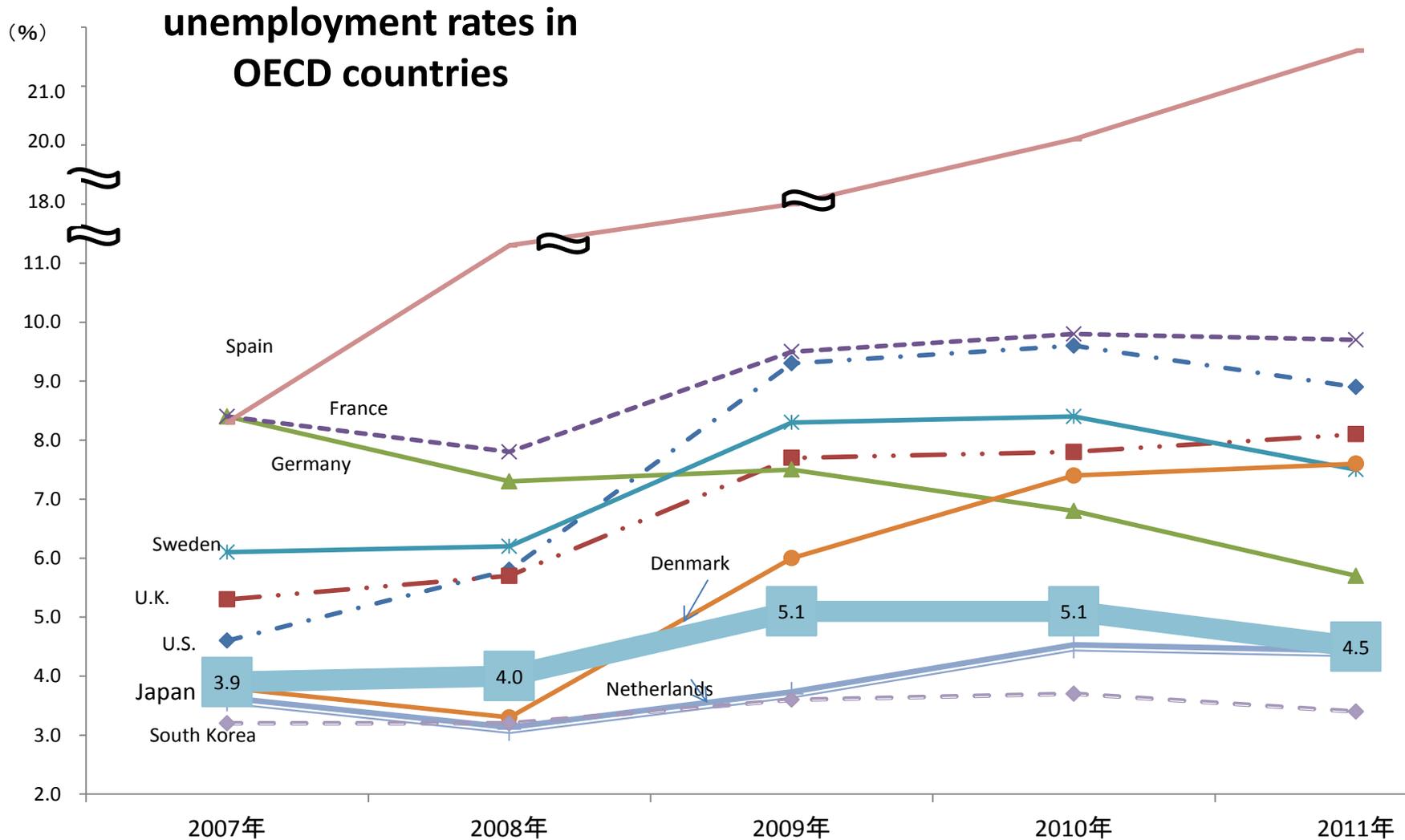
Employment Security Bureau

Ministry Of Health, Labour And Welfare

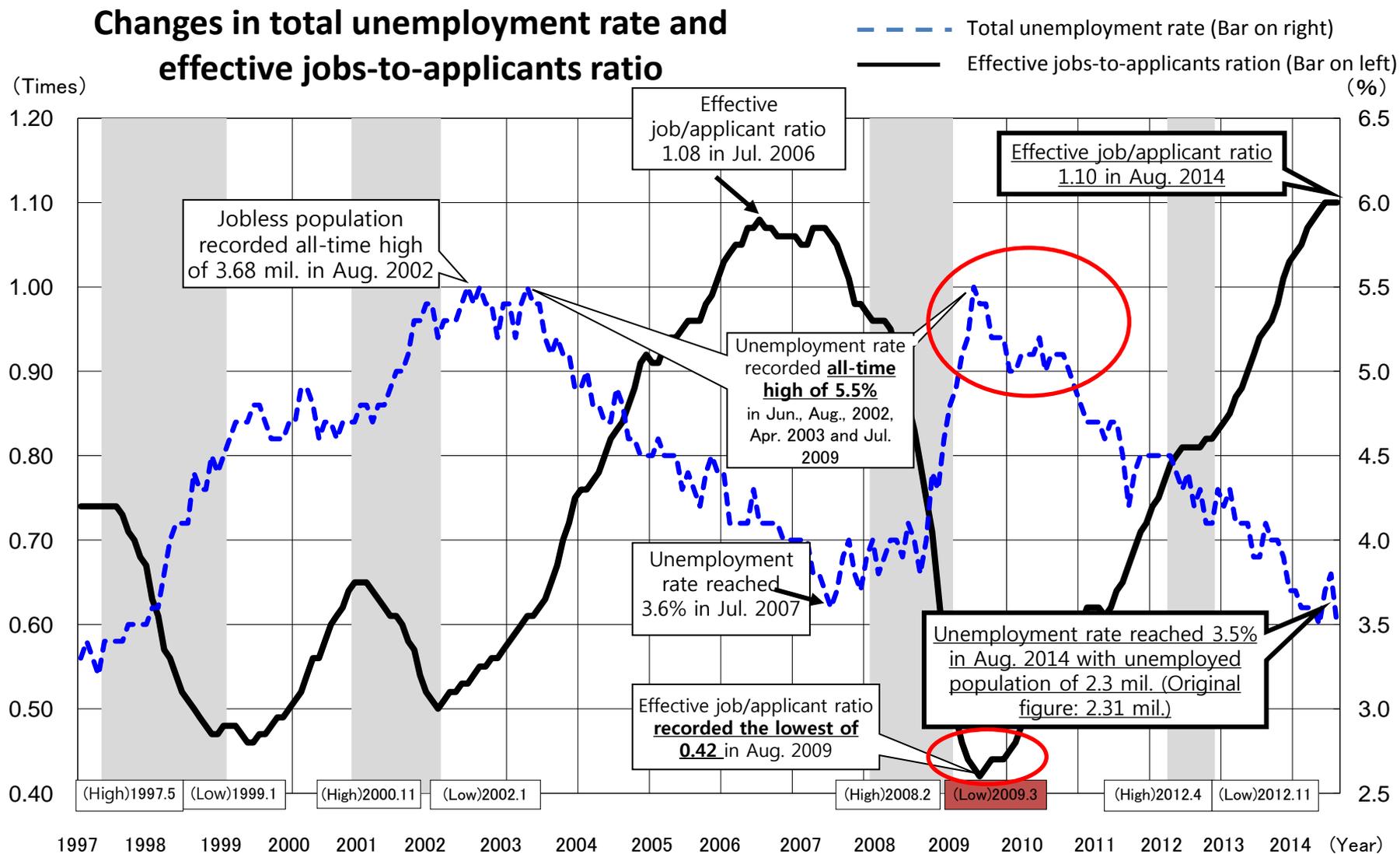
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How the Global Financial Crisis affected employment worldwide

- The global financial crisis which started in fall 2008 (triggered by the bankruptcy of Lehman Brothers) rapidly deteriorated Japan's job market
- The level of deterioration was limited when compared to other countries



How the Global Financial Crisis affected employment in Japan



※Period in grey represents recession

Policy objective

- ① “Maintain” jobs : Prevent unemployment and support workers in promptly finding new jobs
- ② “Lead to” jobs: Facilitate the acquirement of skills and knowledge
- ③ “Create” jobs : Generate local job opportunities

Performance objective

- ① Reduce unemployment rate to 3% range as early as possible
- ② Raise the employment rate of population aged 20 to 64 to 80% range by 2020

Japan's employment policy to address the Global Financial Crisis ②

"Maintain" jobs

Expand policies "to support part of wages for employers who do not lay off workers and encourage workers to take leave of absence instead"

(Ease payment requirement, increase fund size and extend eligible period)

【Employment Adjustment Subsidy】

"Lead to" jobs

- Establish policies to provide livelihood support and job training to those ineligible of receiving employment insurance
- Expand public job training

"Create" jobs

**Launch employment creation fund projects
(Direct Job Creation Program)**

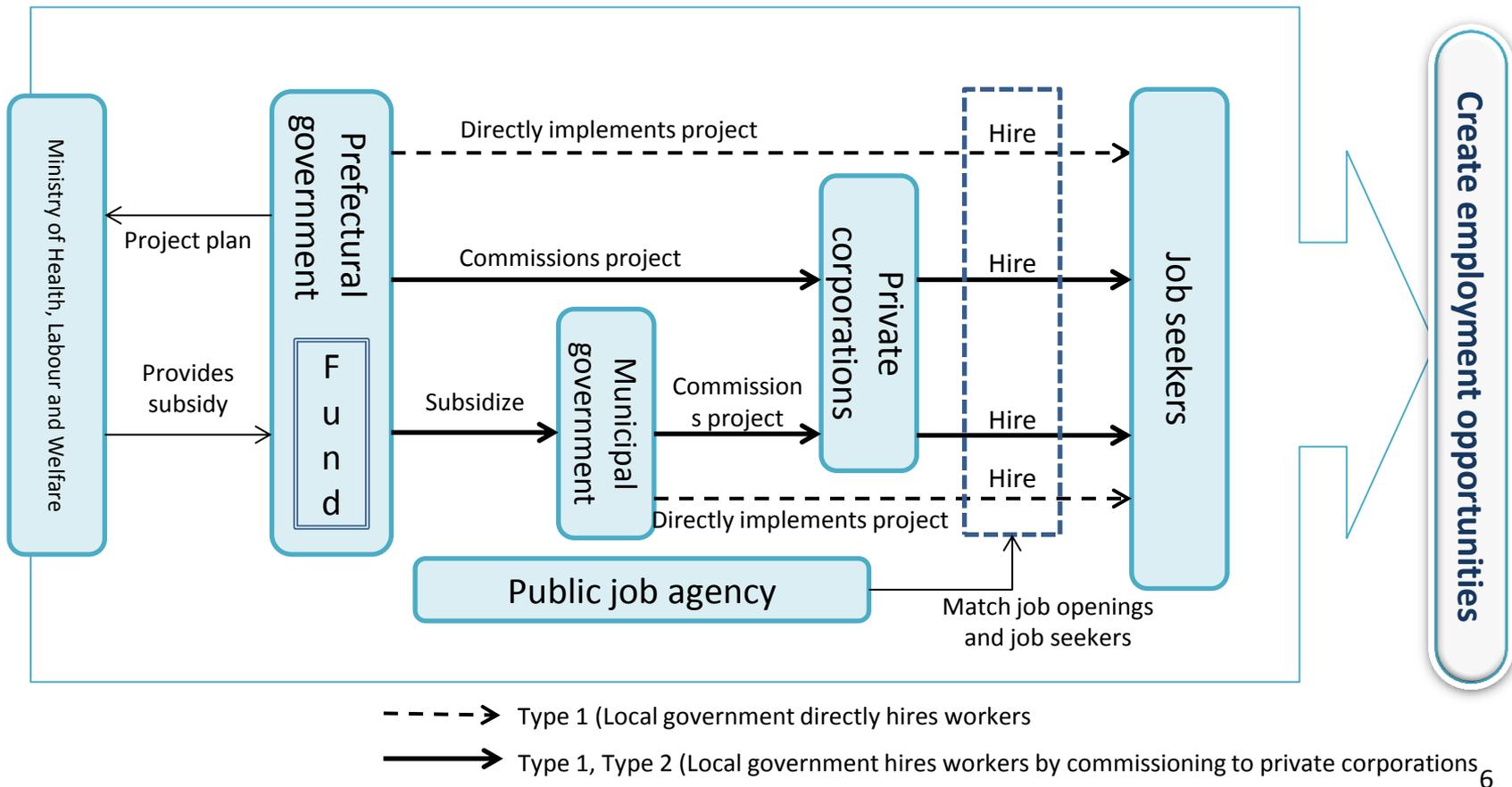
- Create temporary job opportunities (Type1)
- Create sustained job opportunities (Type2)

Background and objective of the establishment of Employment Creation Fund Projects

- Employment issues including the termination of contract with temporary workers worsened due to the Global Financial Crisis
- To address the unpredictable trend of job market, the establishment of funds in local government was considered as an effective policy measure to actively and flexibly cope with the situation
- The Japanese government thus established the following two direct job creation fund projects
 - Type1 : “Immediate Employment Projects” to generate urgent and temporary jobs
 - Type2 : “Hometown Employment Revitalization Special Fund Projects” to create sustained job opportunities based on the creative efforts of local areas

Management plan on Employment Creation Fund Projects

- Each prefecture (equivalent to regional local governments) establishes the fund with the central government's subsidy.
- Prefectural or municipal governments (equivalent to basic local government) implement projects that fit the needs of the local area and create jobs by employing workers needed in carrying out the projects



Immediate Employment Projects (Type1)

Project introduction

- Create temporary employment opportunity to people who had to find another workplace amidst difficult regional job market
- Prefectural and municipal governments enact project plan
- Prefectural and municipal governments create jobs with the following method
 - ① Commission projects to private corporations
 - ② Local public entities directly implement projects

Period

Dec. 2008 to Mar. 2012

Budget

450 billion yen(4.3 trillion won)

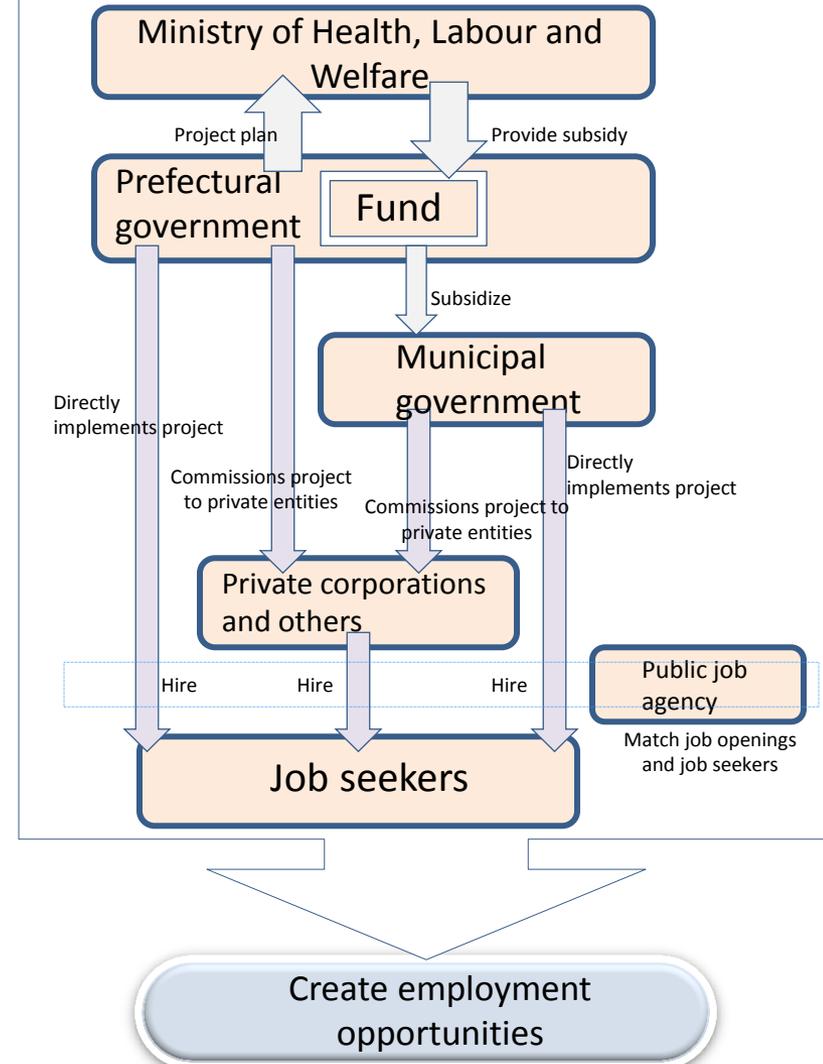
Requirement

The wage and other worker-related expense of newly employed job seekers must account for over 50% of project budget

Employment & working period

Within 6 months.
One renewal allowed.

Project flow



Immediate Employment Projects (Type1) Examples of local government projects

Nikaho City, Akita Prefecture Created 30 jobs

Improved the environment by executing a project of collecting coastal waste

[Project implemented by] Nikaho City, Akita Prefecture

Environment

Ishii Town, Tokushima Prefecture Created 2 jobs

Dispatched physical education teaching assistants who aids classroom teachers to local kindergartens and elementary schools to help improve children's physical strength

[Project implemented by] Ishii Town, Tokushima Prefecture

Education

Hamamatsu City, Shizuoka Prefecture Created 18 jobs

Cleared waste in forests and pruned trees to facilitate an effective usage of neglected waste of thinned trees

[Project implemented by] Three entities including Tenryu Forestry Cooperative

Fishery

Hometown Employment Revitalization Special Fund Projects(Type 2)

Project introduction

- Support activities aimed at creating job opportunities for local job seekers which are customized to the region or based on creative effort
- Prefectural and municipal governments establish plan on projects expected to have local demand and contribute to future regional development
- Prefectural and municipal governments created jobs based on the following methods

① Commission projects to private corporations, etc.

Period

Oct. 2008 to Mar. 2012

Budget

250 billion yen(2.4 trillion won)

Requirement

The wage of newly employed job seekers must account for over 50% of project budget

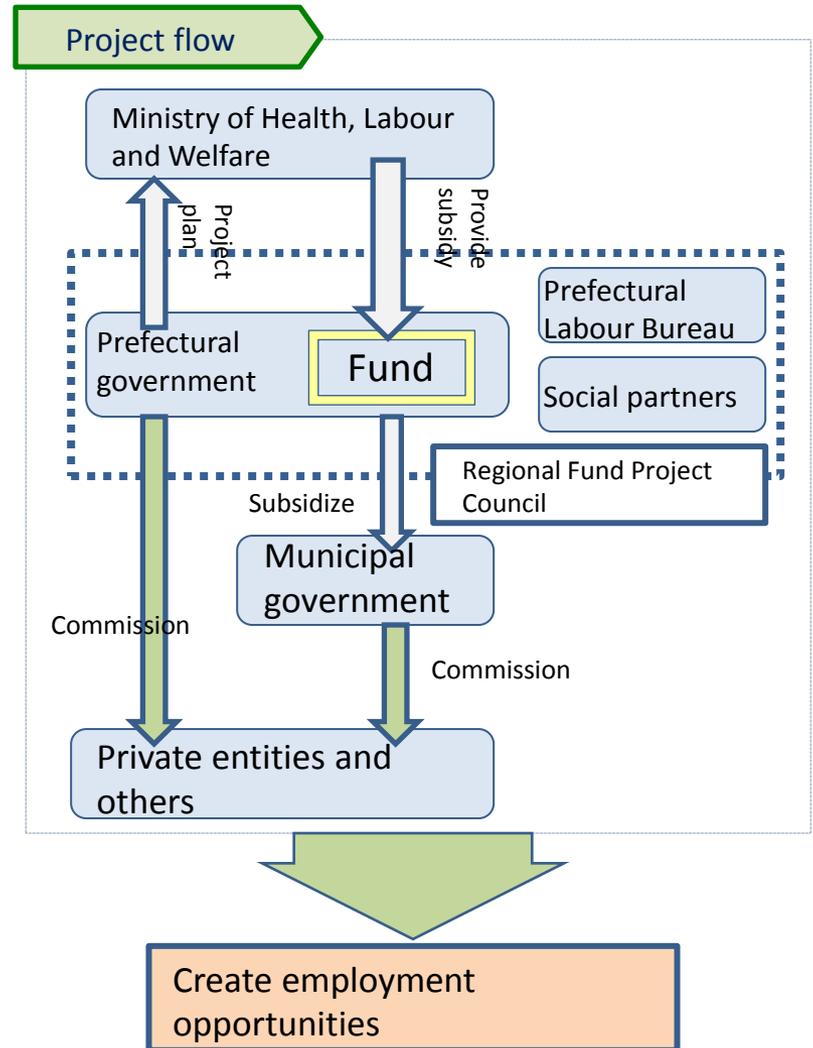
Employment & working period

Over 1 year.
Can be renewed as needed

Major areas

Elderly care, agriculture, forestry, fishery, environment and tourism

Project flow



Hometown Employment Revitalization Special Fund Projects (Type 2)

Examples of local government projects

Aomori Prefecture Created 7 jobs

Applicants were hired as train attendants that introduce and advertise tourist attractions in areas including the Tsugaru railway to tourists inside the train of Oku-Tsugaru region

【Project implemented by】 Tsugaru Railway Co.

Tourism

Okinawa Prefecture Created 16 jobs

Hired professional staff in charge of childcare support, elderly care support (recuperation centers and nursing homes) and employment consulting to provide aid to those who could not find job or continue working due to childcare or elderly care problems.

【Project implemented by】 Okinawa Prefecture Elderly Welfare Association

Childcare and elderly care

Zao Town, Miyagi Prefecture Created 3 jobs

Hired craftsmen to demonstrate the making of Japanese traditional kokeshi doll and teach classes to visitors of “Miyagi Zao Kokeshi Center” while learning related traditional skills

【Project implemented by】 Togatta Traditional Kokeshi Wooden Toy Industry Cooperative

Culture

Evaluation on each project

- Around 600,000 jobs were generated via the two fund projects
- Over 60% of those employed via the projects continued working
⇒ Project increasingly perceived as “viable” solution of local job creation

Immediate Employment Projects (Type1) Status after project implementation

■ Employment status after the completion of fund project
Employed : 75.7% Unemployed : 23.9%

■ Did you find the fund project useful?

Yes : 82.2%
Not sure : 13.1%
No : 3.8%

(Reason)

Job task fitted my interest : 52.2%
Immediate income realized : 50.3%
Learned skills and acquired experience : 49.5%

※ Responses of 2,766 who worked as part of Immediate Employment Projects (From Apr. 2011 to Mar. 2012)

Job creation effect [Approx. 750,000 yen per person]

Hometown Employment Revitalization Special Fund Projects (Type2) Status after project implementation

■ Employment status after the completion of fund project
Employed : 62.8% Unemployed : 35.3%

■ Did you find the fund project useful?

Yes : 93.5%
Not sure : 4.2%
No : 1.1%

(Reason)

Learned skills and acquired experience : 41.5%
Job task fitted my interest : 32.1%
Immediate income realized : 16.1%

※ Responses of 26,540 who worked as part of Hometown Employment Revitalization Special Fund Projects (As of Feb. 9, 2012)

Job creation effect [Approx. 2,640,000 yen per person]

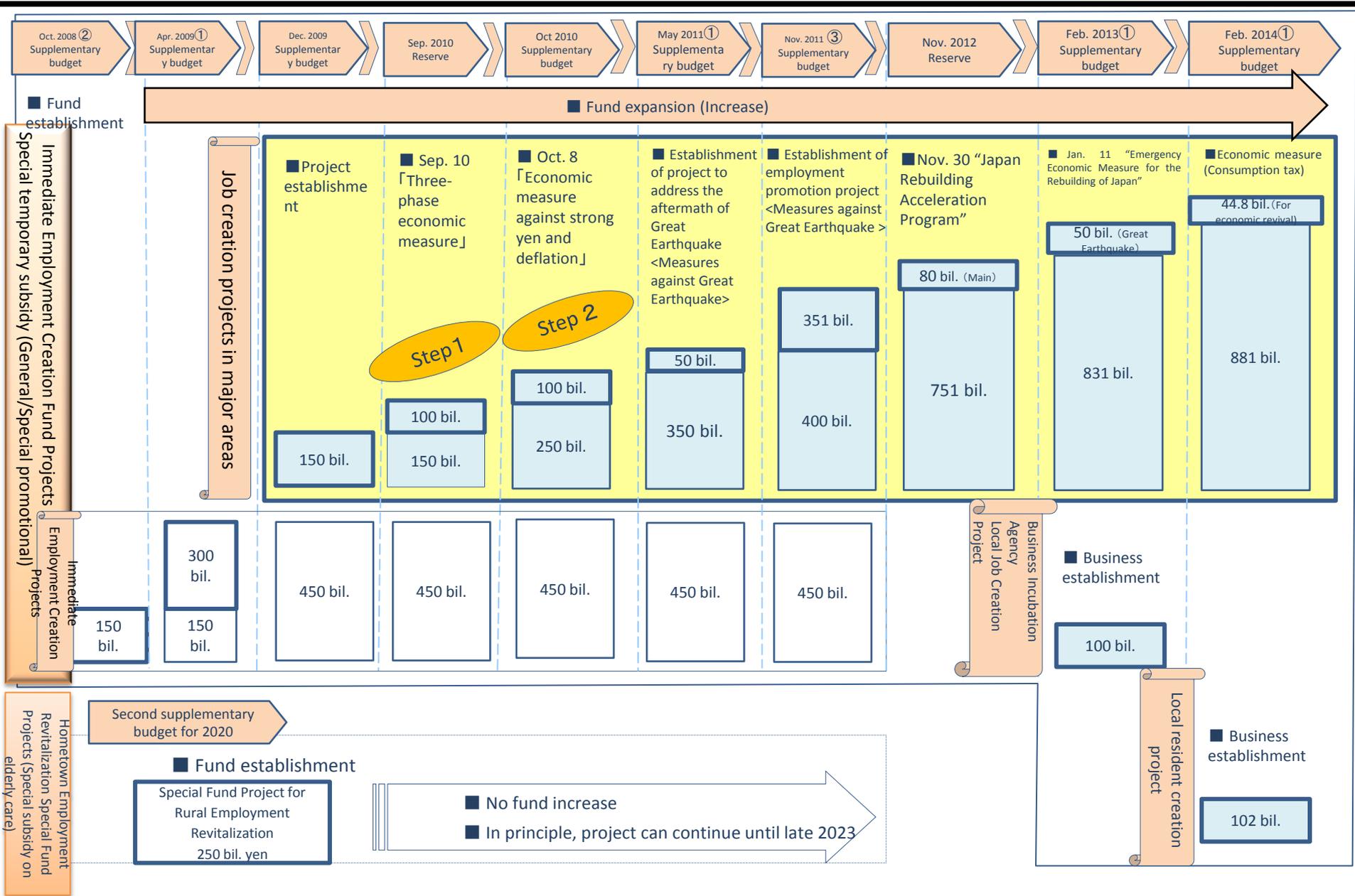
New application of the Employment Creation Fund Projects

- The management plan of the projects were also utilized in securing jobs for those who lost jobs due to the aftermath of the Great East Japan Earthquake of March, 2011.

- They were also utilized for the following purposes to promptly cope with changes in the circumstances related to employment
 - ① Human resources development in growing industries
 - ② Address lack of human resources in certain industrial areas
 - ③ Address employment challenges in regions with declining population

- ⇒ **Approx. 1.8 trillion yen (17,086 trillion won) was subsidized after the Global Financial Crisis (From Oct. 2008 to Mar. 2015) Around 1.4 million jobs were created**

Evolution of the Employment Creation Fund Projects



Conclusion ①

In case of Japan,

- Funds were established in local governments in response to the worsening job market triggered by financial crisis and unemployment measures were implemented to enable local governments to carry out projects that meet the local needs.
- As this method enables job creation and human resource development customized to regional characteristics, it has been used to address various employment challenges.

Conclusion ②

- In order to effectively take advantage of this method,

Local governments must take the initiative along with related regional parties (labor unions, employers associations, banks and universities) to,

① Identify regional employment challenges and resources

② Exert efforts in creating regionally-customized 'jobs' by tapping into local resources and nurturing 'talents' working in the regions.

- The central government must properly support such motivated moves made in the regional level.