

Study on Job Creation in Regional Areas

Summary

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1. Research Objectives and Method of Study

This report is prepared mainly on the basis of the results and findings of the interview survey we conducted in regional areas as a part of the research project of “Research on Factors Changing the Regional Structure for Employment/Unemployment,” which is one of the mid-term research projects of this Institute to be carried out between 2007 and 2012. In this report, we take up some of the regional areas (at both levels of prefectures and municipalities (i.e. cities, towns and villages)) where new jobs are actually generated, and investigate and analyze job creation in these areas by focusing on different types of job creation.

We also analyze transitions of regional industry and employment policies, and study the roles of national and local governments in the job creation policy in an era of decentralization of authorities to municipal governments since 2000.

2. Summary of the Result of Survey

(1) Expansion of regional disparity

Regional disparity, which has become prominent since 2002, is predicted to expand

further if it will be left as it is without making any drastic policy change. According to an estimate made by the Japan Center for Economic Research, the gap of growth rate between metropolitan areas and regional areas estimated on the basis of value-added by industry will expand progressively until 2020.

If we look at the job creation at the level of prefectures, it gives us an impression that no prefecture in the regional areas creates any employment. However, if we look at it at the level of municipalities, there are many cities, towns and villages where the number of employees increases. There are 544 municipalities in the country where employment population is maintained or increased, which represent 23.4% of the total number of municipalities. Regarding the number of municipalities where employment population is maintained or increased against the total number of municipalities in a prefecture, the highest percentage is shown in Okinawa Prefecture (56.5%), followed by Aichi Prefecture (52.8%), Shiga Prefecture (48.4%), Saitama Prefecture (47.5%) and Mie Prefecture (41.7%). Except for Okinawa Prefecture, these prefectures are either including the metropolitan areas, such as Nagoya or Tokyo, or located in their peripheral areas. Meanwhile, there are about 10 to 30% of municipalities where employment population is maintained or increased in the regions of Hokkaido, North-Tohoku, Shikoku or Kyushu despite severe employment conditions in these regions. It is only Fukui Prefecture where employment population decreases in all municipalities.

(2) Regional industry and employment policies

Since 2000, in order to break through the wall in its regional policy, the national government took various decentralizing measures, such as decentralization of administration systems, transfer of responsibilities for industry and employment policies to local governments. The pioneering event of this movement was the adoption of the Omnibus Decentralization Act (in 2000).

This law provides an abolishment of the system of agency delegated functions whereby many administrative functions were undertaken by local governments as an agency, clarification of sharing of roles between national and local governments and transfer of authorities of various administrative functions from national government to prefectural governments and from prefectural governments to municipal governments. In addition, the industry and employment policies also change their direction to decentralization, in parallel with the Reform of “Trinity (sanmi-ittai),” in which financial resources are reallocated between national and local governments (involving transfer of tax revenue, reduction of subsidies and review of local allocation tax).

Having encountered an expanded gap between metropolitan areas and regional areas, the national government begins to position regional revitalization as one of its important policy subjects. Meanwhile, due to financial difficulty, the national government reduces investment in public works projects which were criticized as wasteful spending, and transforms its traditional and uniformed regional revitalization policy to one under which prefectural and municipal governments that are more familiar with the situation of local communities and their needs take the initiative in designing and planning the regional revitalization programs, to which the national government provides its various support measures.

Recent examples of major regional revitalization policies aiming to develop industries in a decentralized way are the “Local Support Program for Striving Local Authorities,” “Act on Formation and Development of Regional Industrial Clusters through Promotion of Establishment of New Business Facilities, etc.” and “Act on the Promotion of Utilization of Regional Resources by Small and Medium-sized Enterprises.” In addition, there are some examples of regional employment policies, such as the “regionally-proposed job creation promotion” and “regional job creation promotion project.”

A challenge local governments face in promotion of the decentralization-type of policies is a lack of experiences and human resources. Contrary to prefectural governments which have an accumulation of some experiences and human resources in industry and job creation, most municipal governments have no experiences or human resources. Under these circumstances, in order to enhance a policy effect of industry and job creation of the decentralization-type, the national government should implement its policy to develop human resources of local governments in addition to its financial support.

(3) Regional employment strategy and challenges of local governments

In Chapter 3 of Part I of the main report, we study the local government’s functions in executing the regional job creation policies. In particular, we look into what job creation activities are carried out by local governments in response to their communities’ own social and economic environment and what challenges they are facing under the circumstances where major responsibility for employment policy is transferred from national government to local governments.

The composition of this chapter is that we firstly review and rearrange the results of research and studies conducted in the past from the viewpoint of our interest in this chapter (Section 2), secondly, bearing the results of our own survey in mind, present the

issues that local governments should take into consideration in carrying out their job creation activities (Sections 3 and 4), and summarize the factors that makes it difficult for local governments to promote their regional job creation activities (Sections 4 and 5). And then, we examine, on the basis of the hypothesis we made, the policy effect of the local governments' job creation which we can observe in some of the cases of the package projects (Section 5). Finally, summarizing the main points of this chapter, we identify the tasks for the future.

As a result of analysis of numeric data collected through the questionnaire survey and documented data, we find that the local governments that develop new businesses by utilizing local resources and that cultivate local human resources are a minority. The problems the majority of local governments have in their regional job creation can be categorized into the following five items: (1) local social and economic circumstances including industry structure, and population structure; in addition, (2) insufficient financial resources; relating to this point, (3) insufficient human resources; (4) insufficient know-how of job creation (especially know-how of endogenous job creation); and (5) insufficient information on job applications and job offers necessary for the local governments' job placement activities.

In order to solve these problems, it may be effective to utilize the "regional job creation promotion project (package project)" initiated by the national government. The project has different characteristics from traditional and uniformed subsidies, and has the following common characteristics: (i) municipal government (cities, towns and villages) takes the initiative in the entire process of the project from planning and designing to execution; (ii) the project is undertaken in cooperation among multiple local governments, and therefore may be effective for a local government of small size which has difficulty in undertaking the project by itself; (iii) it utilizes local resources (including local human resources); (iv) it adopts a human resource strategy that takes both the supply- and demand-side into account; and (v) a key person takes the initiative in leading the project. However, the policy effect of this "regional job creation promotion project" has not been measured yet and is left for future verification.

It is expected that the power of local government will be further strengthened, and under such circumstances, it is essential to have a key person who can locally manage the planning, designing and implementation of the job creation policy that takes advantage of local features. While a key person is considered in general to require certain abilities including regulating ability, leadership, etc., it is necessary to identify roles and requirements of human resources of potential key persons in local government, and to study in detail how such local human resources can be developed.

(4) Kumamoto Prefecture's strategic attraction of enterprises through cooperation between industry, academia and government

In Kumamoto Prefecture, companies of the semi-conductor-related industry are successfully invited to the area near the airport, and significant employment is successfully created in the area. The strategic plan to attract enterprises targeting the semi-conductor-related industry was established in its original form by then Prefectural Governor Morihiro Hosokawa in the late 1980s. The plan has been developed thereafter, and has successfully contributed to realizing industry accumulation. When the original plan was established, advice from external experts was taken. When the companies that constituted a core of the industry accumulation in the area were invited, an effort was made to develop young people who could be desired by the companies that would be located in the area. For that purpose, the prefectural technological college changed its curriculum and established new courses, for which the companies offered their engineers, machineries and equipment to the college.

Recently, many prefectures are eager to invite enterprises, and they tend to compete with each other over the amount of subsidies. However, the subsidy granted by Kumamoto Prefecture is at maximum 2 billion yen which is not so high, indicating that influence of subsidies on the attraction of enterprises is limited. As shown not only in Kumamoto Prefecture but also in other prefectures, successful invitation of enterprises can be achieved by enthusiastic invitation activities carried out by local governments for a long period of time as well as their quick and flexible attitude in dealing with companies' requirements, which is highly appreciated by the companies.

In addition, shortage of labor force has become apparent in the metropolitan areas, and more companies tend to advance to regional areas requiring good human resources. Taking this situation into account, it has now become more important for local governments to develop human resources which have abilities and qualities required by the companies than to grant a higher amount of subsidy.

(5) Cluster-type development and Job creation in Kansai Science City

In Chapter 5 of the main report, we investigate and analyze the development of the cluster-type in Kansai Science City focusing on its job creation. The purpose of this chapter is to study what measures should be taken to realize the development of the cluster-type and the accompanying job creation. In our investigation and analysis, we keep in mind that findings of the past studies should be taken into consideration sufficiently, that discussions should be developed in concrete terms to the extent possible, and that the relation between cause and effect should be duly considered.

Results of our analysis are as follows. The Science City Project generates significant employment opportunities, and in the background of this success, there are factors (i) that financial resources are secured since the Project is accepted as a national project, (ii) that exogenous job creation is well realized and (iii) that local economic organizations actively support the promotion of the Project. Behind the factors (i) and (ii), there are effective division of labor and cooperation among various organizations, which are promoted by a coordinator. Because of this effective division of labor and cooperation, the Science City Project is, although led by the “local and private sectors,” accepted as one of the national projects, and creates good exogenous job.

In addition, an employment policy implemented by Seika Town of Kyoto Prefecture (one of the eight cities and towns that constitute the Science City) in conjunction with the Science City Project steadily produces good achievements. Factors of its success are (i) that the Town has a excellent leader, (ii) that it sets clear objectives, (iii) that it has qualitative officers in the municipal government, (iv) that it establishes the division in charge of job creation, (v) that it develops “sales” activities and (vi) that it provides follow-up services to the companies that have entered into the area.

Finally, on the basis of the result of analysis mentioned above, we study what measures should be taken to realize regional job creation through development of the cluster-type, and present our tentative assumption in the main report.

(6) Regional job creation of industry-cluster-type in Kobe City

The “Kobe Medical Industry Development Project” (in 1999) was triggered by the City’s industry restoration activities after the Great Hanshin-Awaji Earthquake, and focuses on industry of medical, health and welfare which is perceived as a key growth sector for the near future. On the man-made Port Island, core facilities of biomedical cluster are developed to attract biotechnology-related companies.

This Project has specific characteristics in that the implementation system is established through partnerships between industry, academia and government for the whole process of the Project from establishment of the plan to its materialization, and that the university consortium is formed with a clear business strategy.

Started originally as the region’s own development program, the Project has rapidly changed its nature to a national project. While development of hardware is advanced by the national government like this, other activities are regionally promoted, such as establishment of funds of local financial organizations to support companies entered into the Project area, encouragement of acceptance of foreign researchers by utilizing the special zone system, etc. Kobe City itself is also attracting companies. All in all, it

has created 1,700 jobs.

Industry accumulation is created mainly by attracting companies from the outside, but recently local companies develop their businesses, such as development of medical equipment, which indicates that seeds of endogenous job creation appear. In addition, human resource development activities have also taken place, such as the “Project of development of core human resources for development of medical equipment.” These results produced by Kobe City’s efforts indicate a transition to the endogenous regional development that is considered to be inherent to the development of the cluster-type. These efforts represent one of the models of long-term regional development which can be achieved in cooperation with various regional entities.

(7) Job creation through community businesses: Case study of Kamikatsu Town of Tokushima Prefecture in which Irodori Co., Ltd. plays a leading role

In Chapter 7 of the main report, we discuss whether a small local community that is isolated in an intermediate and mountainous area can achieve job creation by utilizing local community business. Firstly, we have an overview of the situations of isolated and small local communities, and point out that these communities suffer from serious shortage of demand for labor, but nonetheless there are some examples of local communities which are successful in job creation.

So, for our case study, we take up and discuss Kamikatsu Town of Tokushima Prefecture, which is famous for its success in job creation through its community business. The results of our discussion are as follows:

We can point out that the Town’s success in “garnish” business is brought by the factors (i) that the Town has an excellent leader of the business, (ii) that self-sustaining and positive growth cycle of the business is secured and promoted, and (iii) that education for the business is provided well to the citizens. With regard to potential successors who are required to maintain and develop the business, the Town utilizes, and plans to utilize for the future, people who were born in the Town and return to it (so-called U-turned people) or people who were not born in the Town and migrate to it (so-called I-turned people). Another reason for success in its regional revitalization is that the municipal government of Kamikatsu Town performs various activities with clear vision. Thus, carrying out community business making use of regional resources can be an effective way to create regional employment. However, it requires a variety of additional measures. On the basis of the results of our analysis mentioned above, we also study what job creation measures are available to local communities that are placed in similar situations to Kamikatsu Town.

(8) Job creation in the package project

We introduce the cases of Sapporo City of Hokkaido and Nanao City of Ishikawa Prefecture, both of which have implemented the package project. In Sapporo City, job creation derived from call center business, which is one of the central elements of the project, resulted in a lower number of jobs than the target. This is because the call centers mainly employ non-regular workers and adopt the sift-work system, which gives an impression of hard work. Therefore the jobs at call centers are unpopular among the job seekers, who mainly consist of young women. As a result, the number of people who have taken the training course and the number of people who have been employed by call centers are both below the target. When the local government invites companies to enter into the project area, it is necessary to carefully review the project not only from quantitative but also qualitative aspects.

On the contrary, with regard to software engineers in the IT-related industry, the achievement level of trainees and the number of people who have been employed both exceed the target. The contents of the education and training courses are reviewed from time to time, in consultation with companies to be more practical. In addition, cooperation between industry, academia and government through the package project remains to be one of the City's valuable assets for regional development.

Nanao City, where an aging population and declining birthrate as well as depopulation are rapidly advancing, makes a unique attempt to engage in a job creation project through networking of the tourism and food and healthcare industries. After completion of the first year of the project, there is a big gap between the measures that have and have not achieved their objectives, partly because the entire project consists of many different subproject items. Among others, the "human resource development project to promote health-tourism," which is positioned as one of the central subprojects, significantly exceeds the targeted number of trainees, but falls far below the targeted number of jobs. It is a mistake to set a one-year course for training coordinators, which is too short. A longer-term development is required.

By undertaking the job creation project, Nanao City could gain valuable experience since it had hardly engaged in any job creation activities. Nanao City as well as Sapporo City could obtain precious assets for regional job creation for the future through the establishment of close cooperation between the local administration and the economic organizations in the region.

In an era of decentralization, the national government is required to strengthen its support measures for job creation mainly addressing municipal governments. Although prefectural governments can manage to find financial resources in order to prepare the

land to invite companies or to provide the preferential measures to attract companies, municipal governments in their current status do not have sufficient financial resources or adequate human resources.

In this situation, the Ministry of Health, Labour and Welfare implements its policy of the package project and new package project whereby subsidies are granted to municipal governments for their proposed plan, of which job creation effect is found by the Ministry to be achievable. These projects provide officers of local governments who do not have much experience in job creation with an opportunity to implement independently the whole process of job creation measures from planning to execution, which contributes to steadily improving the ability of municipal governments' officers in policy planning and implementation.

However, only a limited number of municipal governments are subsidized by the Ministry for these projects, and therefore it is necessary to develop institutions that provide a wider range of municipal governments' officers with education and training for job creation policy. In addition, as the new package project in its present form does not provide municipalities with other support than financial aid, it is necessary to develop an environment whereby national government performs its consulting functions for municipal governments on their job creation both during and after the completion of the project.