

Measures Taken by Municipalities to Cope with Employment Issues

Summary

1. Author

Hiroaki Watanabe Senior Researcher, Japan Institute for Labour Policy and Training

2. Research Period

Between April 2004 and March 2007

3. Objectives of Research

The environment surrounding local employment measures has significantly changed these past years. Under the comprehensive law revising relevant laws related to decentralization reform (adopted in 2000), the duties of the central government and those of the local governments have been segregated and the policy that transfers the authorization of central government to local governments has been established. In the direction adopted by this law, the local employment measures are transformed, for which the local governments take initiative based on the specific local situation in order to take advantage of the local characteristics and vitalize the communities. The local governments are also expected, by the amendments to the Employment Measures Act (2000) and the Employment Security Act (2003), to implement the employment measures.

Against the background where the primary role of implementation of employment measures is shifting from national government to local governments, we are interested in studying how each of the municipalities takes actions with regard to its employment issues, in the situation where employment and other conditions are significantly different from one municipality to another. As it is people's growing expectations that the municipalities should take initiative to implement the employment policy, we decided to discuss the challenges the municipalities are facing.

4. Method of Research

(1) Method of research

The main method of this research is a questionnaire survey. Reasons for adopting this method are as follows: (i) much of the research on the relevant subjects has been

performed in a qualitative manner, mainly collecting the best practices, therefore we have some doubts about whether they have provided the entire picture, (ii) we would like to make sure whether various matters raised by the previous qualitative research can be verified by the quantitative data and (iii) by conducting the questionnaire survey covering the mayors of municipalities we aim to examine the visions and leadership necessary for regional development and to understand the current status of local employment strategy.

The questionnaire survey covered all prefectures and municipalities, which amount to 3,171 in total as of April 1, 2004. Different questionnaires were sent (i) to governors of prefectures and mayors of municipalities and (ii) to the officials in charge of employment issues in the prefectures and the municipalities.

As the questionnaire survey coincided with the period of municipal mergers, we organized interviews with the officials of the municipalities which entered into a merger with other municipalities. In this research, we analyze the data of the mayors of municipalities and the municipal officials in charge of employment issues which are extracted from their questionnaire responses.

Analysis in Chapter 6 of the Main Report is based on the information obtained through the interviews with the municipal officials, companies' employees and individuals.

(2) Number of replies and their breakdown

- (i) 1,171 replies from the governors of prefectures and the mayors of municipalities (response rate: 36.9%)
- (ii) 1,547 replies from the officials of prefectures and municipalities in charge of employment issues (response rate: 48.8%)

(3) Survey items

Table: Overview of survey items

Questionnaire to the governors of prefectures and the mayors of municipalities	Questionnaire to the officials in charge of employment issues
Q1. Employment issues from the perspective of future regional development Q2. Important strategies to improve regional employment issues Q3. Main body that undertakes employment-securing measures	Q1. Current employment situation Q2. Transition and forecast of employment situation Q3. Method for grasping employment situation Q4. Measures implemented these two years

	<p>Q5. Challenges of improvement in job creation measures</p> <p>Q6. Application and approval of Special Zone for Structural Reform or Regional Revitalization Plan</p> <p>Q7. Body that should undertake job creation measures</p> <p>Q8. Necessity to strengthen job creation measures</p> <p>Q9. Opportunities to query or discuss job creation measures</p> <p>Q10. Department in charge of coordination for job creation measures</p> <p>Q11. Securing of officials in charge of designing, planning and implementing employment measures</p> <p>Q12. Participation of officials in training for employment measures</p> <p>Q13. Networks with other municipalities</p> <p>Q14. Visions and plans for job creation</p> <p>Q15. Utilization of human resources from other municipalities</p> <p>Q16. Improvement in utilization of human resources from other municipalities</p> <p>Q17. Recruitment of mid-career officials from other prefectures</p>
--	---

5. Composition of Main Report and Summary of Each Chapter

Composition of the Main Report and a summary of each chapter are as follows:

In **Chapter 1** of the Main Report, we look over similar research projects conducted thus far. We first study the development of industry policies and regional employment policies implemented since the first oil crisis, and point out the problems in these policies. There are a variety of employment issues among regions, but the policy measures taken thus far were very similar throughout the country. This was because the local municipalities and the residents did not take initiative in adopting the measures. In the second half of Chapter 1, we look into the case studies. Previous

surveys and research projects take up many successful examples and remarkable advanced activities in the regions. What factors led such regional measures to success? We study these factors by putting the regional employment issues in a broader perspective including the measures of regional development (so-called “machi-okoshi” [town vitalization] or “machi-zukuri” [town development]) which may directly or indirectly link to job creation.

In **Chapter 2**, the data on the employment situation of municipalities that replied to the questionnaire is prepared in a descriptive-statistical manner. In the questionnaire survey, we did not request the respondents to provide indices of employment and unemployment. Therefore, the employment data of municipalities are taken from the existing statistical materials, such as the Population Census. Our interest in this Report lies not in the employment situation of the municipalities but in the actions actually taken by the municipalities. Therefore, the information in this Chapter is kept to the minimum necessary for the analyses in Chapter 3 and thereafter.

In **Chapter 3**, the following two points are studied. The first one is the municipalities’ recognition of the employment situation in the regions, and the second one is the incorporation of employment issues into many of their policy tasks. With regard to the local employment situation, there is in general a shortage of employment opportunities in the regions, and many municipalities suffer from a smaller number of positions offered by the companies than job applicants in the municipalities. Especially, the shortage of labor demand in towns and villages is serious. Factor analysis of the reasons for shortage of employment opportunities in the municipalities reveals that there are a “restructuring factor” and a “regional structure-related factor.” It is pointed out that the shortage of employment opportunities is caused by companies’ employment adjustment measures in the cities, but in the towns and villages there is a shortage of employment opportunities due to their nature.

The employment issues are often incorporated by the municipalities into their multiple policy tasks of regional development. Municipalities of towns and villages put higher priority on employment issues than cities do. With regard to the priority of practical job creation strategies to solve the regional employment issues, cities and towns tend to equally emphasize internal-oriented and external-oriented job creation. However, the villages have a clear feature of emphasizing an internal-oriented job creation strategy, as they are unable to attract enterprises due to their geographical locations and aging populations (in other words, they have no other choice than relying

on internal-oriented job creation). Concerning an institution that should take initiative in job creation activities, a relatively higher number of municipalities replied to the questionnaire that the national government should undertake job creation measures.

In each of the chapters in the second half of the Main Report, we look into the job creation measures that the municipalities have adopted thus far. In particular, we pay attention to the organization of municipalities and examine whether the municipalities have established an organization suitable and are prepared to deal with the employment issues by themselves. The municipalities are expected to actively take actions to create employment. What actions are taken by the local governments, particularly by the municipalities of cities, towns and villages, in response to the needs of job creation policies? We also would like to clarify what challenges they encounter in taking such actions.

In **Chapter 4**, we study what local communities the local governments intend to establish from the viewpoint of employment. In other words, we look into whether the local governments have concrete visions and plans for job creation in the local communities, and if they have, how such visions and plans have been established, who has joined in drawing up such visions and plans, what the contents of them are, when they will be reviewed, etc. When the municipalities are tackling the job creation issues with their visions and plans, they need an organization to design, plan and implement various job creation measures. We examine whether they have such organization or not. As a result of our analysis, it is clear that every local government does not necessarily have an organization to undertake all activities of designing, planning and implementing job creation measures. In particular, towns and villages face serious challenges if they independently deal with the issues.

What job creation measures are currently implemented by the local governments? Is the implementation status different by categories of local governments? In **Chapter 5**, we look into these points. In this Chapter, we take a slightly broader view of job creation measures and include the industry policy, personnel development, support to job applicants, etc. that contribute to the creation of job opportunities in “other job creation measures.” Actual performance achieved by the local government in employment issues is mainly external-oriented job creation measures, such as attraction of enterprises, establishment of industry zones to attract enterprises, etc. However, there are also many local governments that introduce internal-oriented job creation measures, such as

subsidy for business creation, establishment of supporting facility of business creation, etc. On the other hand, there are many local governments (actually about 40% of all local governments, mainly municipalities of town and villages) that do not implement any particular measures.

With regard to the Special Zone for Structural Reform or the Regional Revitalization Plan, there are few municipalities of towns and villages that actually applied to and were approved by them. When the local governments are asked about the Special Zone or the Revitalization Plan, for which their application was approved, many of them replied that they are “unable to evaluate them either positively or negatively.” They also failed to provide us with a clear answer to the job creation effect of these measures.

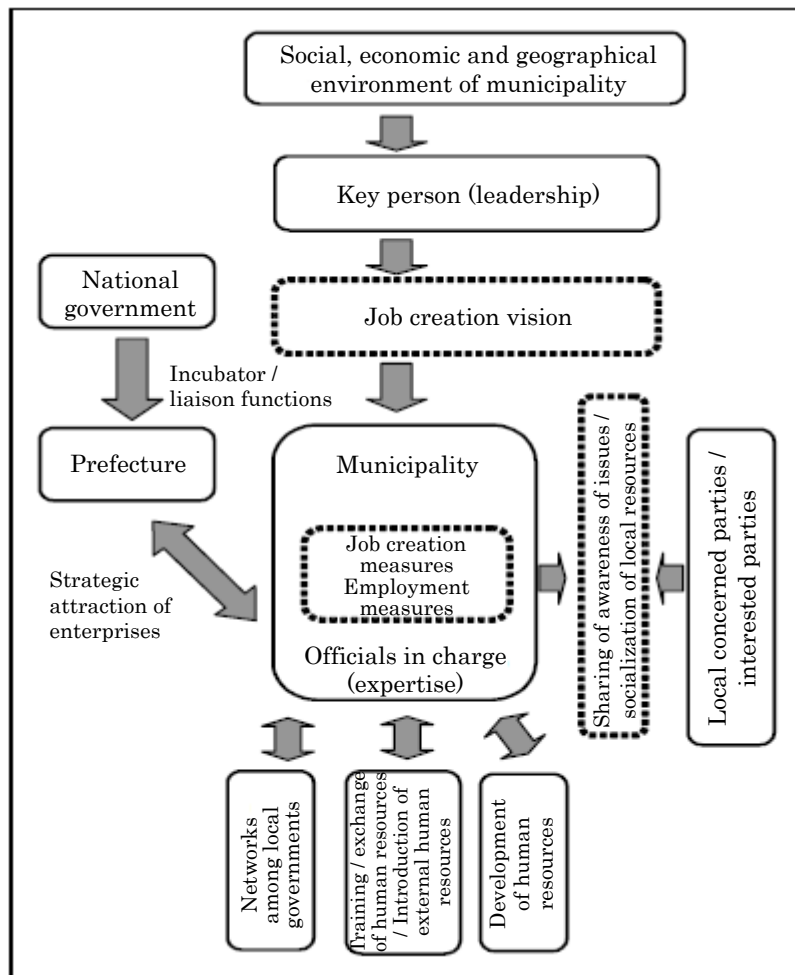
In **Chapter 6**, we study a few examples of the reactions made by the local governments on the occasion of corporate bankruptcy, shut down or closure or job creation that have occurred since 2002. There are numerous stories, including newspaper articles, which mention the cases where the restructuring of a large corporation brings an impact on the local communities. In order to avoid duplication of descriptions, we take up in this Report the examples of small-sized local communities where they experienced job loss or job creation. Some of these examples are summarized in the table of Chapter 1 of the Main Report. An important point we have to mention is that the municipalities should coordinate with the prefectures at an early stage to set up concrete measures since they do not have any accumulated experiences and information to deal with the attraction of enterprises or corporate restructuring. In the case of job creation through an attraction of enterprises over a certain size, it is suggested that job creation can be achieved successfully through the municipalities’ coordination with the prefectures.

In **Chapter 7**, we study the issues and challenges that the local governments face in coping with job creation. In summary, the local governments have raised the issues of a shortage of human resources, insufficient financial resources, and a lack of information and a lack of know-how for dealing with job creation and employment measures.

In the **final chapter**, we summarize our study and list the issues remaining for future research. We believe that when the municipalities take actions for local job creation they must establish their vision of local economy and local employment. To establish such vision, availability of a key person who takes leadership in local community is crucial. It is also important to develop human resources who will be in charge of

policy-making as well as those who are dealing with employment issues, so that the municipality is able to design and plan the industry and employment policies in accordance with the local characteristics of the municipalities. Characteristics of local communities are significantly different from one another in terms of population size, age composition, industrial structure, etc. The municipalities should be categorized by their local characteristics, not dealt with in a uniform way. In reality, it is not so clear how the industry vision and the employment vision are related to each other. If the industry policy and the employment policy should be linked closely, it is important to deal with the industry vision and the employment vision collectively.

Figure: Overview of job creation in municipalities



It is said that choices of job creation measures and employment measures are limited in the municipalities. This is not true. The reality is that the municipalities, in implementing their policies, do not take advantage of the regional resources specifically

available to them. As the employment measures are closely linked with the industry policy and the regional revitalization policy, it is crucial to secure the necessary human resources in the policy-making organization, especially experts and specialists, when the municipalities implement the internal-oriented and external-oriented job creation measures.

Furthermore, it is necessary to consider a vertical network with the national government and the prefectures and a horizontal network with the neighboring municipalities. It is required to identify the respective roles to be performed by the national government, the prefectures and the municipalities in implementation of local job creation measures since the division of their roles is not clear at the moment.

In the situation mentioned above, we should pay attention to the effects which may be brought by the projects of regional job creation backup, regionally-proposed job creation promotion and regional job creation promotion supported by the subsidy for regional business creation. It is pointed out that the local governments should be supported by municipalities, towns and villages in know-how, information and human resources for designing and materializing the job creation visions and plans when they suffer from a lack of such know-how, etc. In the projects mentioned above, the municipalities are expected to take initiative to create jobs by utilizing the regional resources, the vertical network can be established as a result of cooperative activities between the prefectural labor offices and the municipalities throughout the process of designing of plans and their implementation, the horizontal network can be created with the neighboring municipalities as they carry out some of the projects jointly, and the projects meet the needs of municipalities as they provide the municipalities with examples of other municipalities' activities and related information. Therefore, the projects are expected to perform an incubator function in the job creation policies of the municipalities.