
Future Employment Policy Suggested by the Post-Earthquake Response

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This paper discusses employment policy measures that should be taken in an emergency, focusing on the measures actually taken in response to the Great East Japan Earthquake. When many workers were laid off immediately after the earthquake, employment adjustment subsidies were used to help employers maintain employment. However, the funds for such subsidies were soon nearly depleted. At the same time, people who were laid off or who lost their jobs but were ineligible for the subsidies were covered by extending unemployment benefits. The new job seeker support system was set up to provide training for people ineligible for employment insurance, while granting subsidies to training organizations. However, this new system, in its current state, leaves a large amount of room for improvement. Meanwhile, fund projects, which are flexible and convenient to use, worked well to some extent in preventing unemployment in the wake of successive crises such as Lehman Crisis and the Great East Japan Earthquake. When formulating employment policy, it is necessary to consider whether support should be provided intensively to individual enterprises with high job creation potential, or whether it should instead be provided to groups of enterprises. Designing a resilient employment system which can withstand a crisis is a challenge for the future.

I. Introduction

On April 8, 2011, I received an unexpected phone call in my office at the university. The person who called me was Mr. Kinya Takino, who held the office of Deputy Chief Cabinet Secretary at that time. He told me that the government had decided to set up an advisory panel, named the Reconstruction Design Council in Response to the Great East Japan Earthquake under the Prime Minister's direct authority, to obtain recommendations on measures for recovery from the earthquake that had happened one month previously. Mr. Takino asked me to join a study group to be formed as a subordinate body of the council. For a moment, I hesitated to reply to this sudden request. I wondered whether I would be able to undertake this assignment. When I asked him what he wanted me to do, he said he wanted me to work on employment policy. As a researcher of labor issues, I had no choice but to accept the request despite my initial trepidation.

The Council held its first meeting on April 14, 2011, and at its 12th meeting on June 25, it compiled its recommendations into a report entitled "Towards Reconstruction—Hope beyond the Disaster" and submitted it to then-Prime Minister Naoto Kan. During this period, the Council's Study Group met eight times from April 20 to June 14. The summaries and full texts of the minutes of the Council and the Study Group's meetings are all available on the Cabinet Secretariat's website (<http://www.cas.go.jp/jp/fukkou/english/index.html>). In addition to the Council and the Study Group, workshops were organized to hear the opin-

ions of the personnel of the ministries and agencies concerned who were in charge of the reconstruction process.

Having finalized and submitted their recommendations to the government, the Council and the Study Group had completed their activities. Subsequently, the recommendations were forwarded to the Reconstruction Headquarters in Response to the Great East Japan Earthquake, and at present, the Reconstruction Agency established as of February 10, 2012 plays a central role in implementing post-earthquake measures.

Amid all of these activities initiated by the government, I had the opportunity to observe the process of formulating reconstruction measures from a position close to the actual policy makers. In the field of employment policy, in particular, I had many opportunities to ask questions and exchange opinions with personnel of the Ministry of Health, Labour and Welfare (MHLW) as well as those of prefectural and municipal governments in the affected areas. In this paper, I will note what I felt about the employment measures taken during the year following the earthquake, in light of my comparatively good access to information on this issue.

The statements contained herein are brief descriptions of post-earthquake employment measures and my personal views on measures that were particularly impressive to me. I will not present a full explanation of the entire list of government-led employment measures. I recommend that those interested in more general information take a look at the *Japan As One Work Project* page on the MHLW website (http://www.mhlw.go.jp/seisakunitsuite/bunya/koyou_roudou/shigoto.html). This inter-ministerial project was launched immediately after the earthquake to support employment in the affected areas through nationwide efforts. Thus far, the project team has compiled its measures into three phases, Phase 1 (as of April 5), Phase 2 (as of April 27), and Phase 3 (as of October 25). The project was recognized as the core employment initiative when drawing up the supplementary budget for FY2011.

The *Japan As One Work Project* is the most notable post-earthquake employment measure carried out by the government. It covers a wide range of subjects, each of which will need to be studied by researchers in the relevant fields. I attended the Study Group's meetings with the belief that the recommendations to be finalized by the Council should complement this project.

II. Drafting Recommendations

Table 1 shows the recommendations I was drafting in early May 2011 with regard to emergency employment measures to be taken in response to the earthquake. I made remarks on the draft at the Study Group's meeting on May 11. The following is an extract from my remarks; the full version can be found in the summary of the minutes.

Table 1. Reconstruction Employment Policy Recommendations Drafted
by the Author (May 2011)

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- Employment recovery in the affected areas is one of the most pressing and highest priority challenges that need to be tackled in the reconstruction process. In order to ensure that disaster victims will be able to rebuild their lives, it is necessary to promptly create an environment where they can find employment and earn an income.
 - Since employment status and needs vary among disaster victims, a counseling system should be developed to provide comprehensive one-stop services, including continuous support and livelihood support as needed by each victim.
 - In order to provide detailed job matching services and vocational training programs, it is necessary to increase the staff at public employment security offices (generally called Hello Work offices) and reinforce collaboration among all parties concerned-private businesses, related organizations, NPOs, municipal and prefectural governments, and the national government.
 - A mechanism should be built to support local businesses now suffering from damage to their facilities and equipment or from debt burdens but which have the potential to recover, because these businesses are expected to provide employment to job seekers. Creation of special zones for reconstruction and a reconstruction fund will be included in this mechanism.
 - In order to create conditions that will entice job creating businesses into the affected areas, legislative and procedural improvements should be made to relax the requirements for the establishment of new businesses.
 - The projects undertaken to rebuild local communities should actively recruit local residents in the affected areas. The implementation of business-related projects requires the use of funds and know-how available in the private sector in addition to public funds.
 - With a view to providing greater employment opportunities mainly in the construction industry in response to labor demand for reconstruction projects in the affected areas, it is necessary to enhance vocational training programs so that disaster victims can acquire the specialized skills and knowledge necessary for reconstruction work.
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Source: From the report submitted to the fifth meeting of the Study Group of the Reconstruction Design Council in Response to the Great East Japan Earthquake (May 11, 2011), in the joint names of the author and other two members of the study group, Sawako Shirahase (professor, Graduate School of Humanities and Sociology, the University of Tokyo) and Hisashige Danno (Assistant General Secretary, Japanese Trade Union Confederation [RENGO]).

“First and foremost, employment recovery in the affected areas is one of the most pressing and highest priority challenges we should tackle in the reconstruction process. In order to ensure that disaster victims will be able to rebuild their daily lives, we need to promptly create an environment in which disaster victims can find employment and earn an income. From the viewpoint of respecting the dignity of disaster victims’ daily lives, a crucial prerequisite is to enable them to earn a living from working and to actually feel that they are contributing to the reconstruction process through their work. Providing an environment where everyone who wishes to and is ready to work can find a job is the fundamental principle of employment policy.

Secondly, employment status and needs vary among disaster victims. We should therefore develop a counseling system which can provide comprehensive one-stop services, including continuous support and livelihood support needed by each victim.

Thirdly, measures should be taken to provide detailed job matching services and vocational training programs and to prevent disaster victims from becoming isolated from society, specifically by increasing the staff at public employment security offices (generally called *Hello Work* offices) and reinforcing collaboration among all parties concerned—private businesses, related organizations, NPOs, municipal and prefectural governments, and the national government. While searching for jobs, disaster victims face an agonizing choice between staying in their hometowns and temporarily leaving them. Some people seek jobs compatible with their health condition or physical strength, or want to work while taking care of their families or acquaintances. Others may have future career plans and may want to spend part of their time engaging in activities to become licensed care workers or to acquire other qualifications. To satisfy these diverse needs, support must be individual, continuous and comprehensive. In this regard, helpful insights may be learned from the initiatives already launched by the government to mitigate social disparities (e.g., prevention of suicide) in line with the concept of *social inclusion*.

The fourth point is to build a mechanism to support local businesses now suffering from damage to their facilities and equipment or from debt burdens but which have the potential to recover, because these businesses are expected to provide employment to job seekers. Creation of special zones for reconstruction and a reconstruction fund will be included in this mechanism.

As the fifth point, in order to create conditions that will entice job-creating businesses into the affected areas, legislative and procedural improvements should be made to relax the requirements for the establishment of new businesses. As mentioned above, local businesses with recovery potential are suffering from damage to their facilities and equipment and/or from debt burdens. In addition to the use of a reconstruction fund and the injection of public money, it is absolutely nec-

essary to secure experts who can make an overall assessment of the recovery potential of local businesses and of their value to local areas. During reconstruction of the affected areas, a temporary government-led investment fund should be established in Sendai (named, for example, East Japan Reconstruction Organization), so that the reconstruction fund and experts can operate at full capacity. On the other hand, making procedural improvements in addition to addressing legislative issues will be exceedingly important in the creation of special zones for reconstruction. In this respect, measures should be taken to attract businesses into the affected areas by, for example, reducing corporation taxes and streamlining various procedures.

As the sixth point, projects undertaken to rebuild local communities should actively recruit local residents in the affected areas. The implementation of business-related projects requires the use of funds and know-how available in the private sector in addition to public funds. Local residents should play the leading role in the reconstruction process. Accordingly, promoting community development corporations organized by local residents will be a key factor in employment policy. The rebuilding of local communities needs to be carried out by applying private funds and labor and taking into account the circumstances specific to the respective communities.

The seventh point is to enhance vocational training programs so that disaster victims can acquire the specialized skills and knowledge necessary for reconstruction work, with the goal of providing greater employment opportunities, mainly in the construction industry, in response to the labor demand for reconstruction projects in the affected areas. I presume that there will, for the time being, be many employment opportunities in this industry, including jobs such as debris removal and the construction of new houses and buildings. However, engagement in simple labor will not stabilize the daily lives of disaster victims. They need to acquire advanced skills and knowledge, such as those required to operate heavy equipment and conducting safety management at the construction site. In this respect, it is important to increase the number and size of vocational training organizations where disaster victims can receive training and acquire the necessary capabilities.

The eighth point is to move forward incrementally with the *Japan As One* Work Project—an inter-ministerial, comprehensive project—to promote employment and job creation in the post-earthquake period.

The ninth and final point is that funds should be fully prepared to implement employment measures, not only focusing on employment insurance premiums but also including such funding in the general national budget. Employment measures cannot be put into practice without money. At present, employment insurance is mainly used to finance subsidies for lay-offs due to employers' economic reasons, and unemployment benefits provided under the special measures to cope with disasters. However, employment insurance is inadequate to address the impact of the

reduction in business due to government requirements, such as business cessations due to power consumption restrictions anticipated this summer. It is an urgent task to secure funds, including funds from the general national budget, for the implementation of all-inclusive employment measures.”

Except for the idea of creating a government-led investment fund in Sendai, mentioned as the fifth point above, I think most of my recommendations have materialized in one way or another.

III. Facing the Danger of Lack of Funding for Employment Measures

The primary means of coping with an employment emergency is to provide government subsidies for employment adjustments. In the first supplementary budget for FY2011, as much as 726.9 billion yen was allocated to employment adjustment subsidies for lay-offs due to employers’ economic reasons. Under this special measure, the requirement for receiving subsidies was relaxed and employers were able to receive subsidies for up to an additional 300 days of business cessation during a one-year period, irrespective of the period of their business cessation prior to the earthquake. Employers were also able to receive subsidies for the payment of allowances or wages to workers insured for a period of less than six months.

What mattered more than anything was finding money. The employment stabilization fund for employment insurance services diminished considerably due to emergency expenditures following the collapse of the Lehman Brothers in the fall of 2008. The balance of the employment stabilization fund amounted to 1,026.0 billion yen in FY2008, but due to the expenditure of 1023.5 billion yen FY2009, it fell to less than one-half of this—504.8 billion yen—even after revenues were added. As a result of the further expenditure of 1242.0 billion yen in FY2010, there was only 56.3 billion yen left at the time the initial budget was made for FY2011. Thus, the funds available at that time were completely inadequate to fully respond to the rapid increase in applications for employment adjustment subsidies after the earthquake.

In order to cope with this critical financial situation, the necessary funds to cover the expenses related to employment stabilization services were transferred from the funds for unemployment benefits on a temporary basis. For proper implementation of employment policy, it is a pressing issue to rebuild the financial base of employment stabilization services and human resources development services.

In addition to the necessity of providing subsidies to business establishments in Iwate, Miyagi, and Fukushima, in early May 2011, the possibility of large-scale business cessation due to restrictions on power consumption scheduled for the summer of 2011 within the entire Tokyo Electric Power Company (TEPCO) service area became a concern. Employment

adjustment subsidies are intended to be an emergency measure in the event of lay-offs due to employers' economic reasons, and temporary business cessations due to a government order are not covered by employment adjustment subsidies in principle. In light of the involvement of the national government, which forced local businesses to evacuate from areas affected by the nuclear power plant accident, it is reasonable to pay subsidies to them from the general national budget. However, as it became difficult to formulate the second supplementary budget before the summer, when the severe power shortages were anticipated, there were concerns about securing funds for employment measures to cope with the likelihood that many local businesses would be forced to cease operations.

Prospects for avoiding this concern began to appear as early as at the end of June. The major positive factor was that the amount of the power consumption cut that would be required of large power consumers (business entities) was lowered from 25% to 15%. In addition, it was expected that many manufacturers would be able to continue production by changing their operation schedules to avoid having to cease operations.

When the need for emergency employment measures arises, the first priority is to secure the necessary funds promptly and flexibly. Before a crisis occurs, we must study and establish a mechanism and rules for this purpose. This is one of the lessons learned in relation to employment policy from the experiences of the so called Lehman Crisis, that is the financial meltdown occurred in September 2008, and the Great East Japan Earthquake.

IV. Employment Policy Advocated in the Council's Report, Entitled "Toward Reconstruction—Hope beyond the Disaster"

On June 25, the Reconstruction Design Council in Response to the Great East Japan Earthquake, submitted its recommendations to the Prime Minister in a report entitled "Toward Reconstruction—Hope beyond the Disaster."

In Chapter 2 of the report, entitled "Restore Life and Livelihood," the section under the heading of "(4) From Emergency Employment to Employment Restoration" concretely describes post-disaster responses and employment measures focused on recovery. This section is composed of two parts, "(i) Employment measures for the immediate period" and "(ii) Creating full-fledged employment through industrial promotion."

The first part of the section, "(i) Employment measures for the immediate period," states as follows:

"First, the employment crisis in the disaster region must be addressed with urgency. People who have lost their jobs should be able to swiftly receive unemployment benefits. In light of the severe employment situation in the disaster region, it is necessary that the criteria for receiving unemployment benefits continue to be eased, including the relaxation of the job separation requirements and an extension

of the period for receiving unemployment benefits.

At the same time, in order to enable businesses faced with difficulties maintain employment as much as possible, flexible practices are necessary, including the relaxation of the criteria for employment adjustment subsidies. Furthermore, in order to not only maintain existing employment opportunities but also create new employment opportunities, programs of the job creation business fund and the like should also be actively utilized.

Also, attention needs to be given to ensure that the jobs created through reconstruction programs in the affected areas lead to definite employment opportunities for the disaster victims. To this end, it is vital that the municipalities engaged in reconstruction programs and the “Hello Work” employment security offices share information and fully work together. Furthermore, in order to increase employment opportunities for the disaster victims, the Government is encouraged to subsidize companies which have recruited disaster victims. The Government is also called upon to secure jobs as well as offer detailed job-hunting assistance according to the qualities of the job seeker, through the *Japan as One Work Council*, among other opportunities. Furthermore, the knowledge and skills necessary for job-hunting must be acquired, and vocational training for career changes needs to be enhanced. To ensure that the jobs offered by employers match the jobs sought by disaster victims in a smooth fashion, efforts need to be made to strengthen the functions and system of Hello Work and enhance the matching functions of the “Shigoto-Johonet”, the Job Information Net.”

The immediate employment measures advocated here may be understood to confirm the measures already put into effect based on the first supplementary budget and to point out the necessity of carrying out these measures continuously for a certain period of time.

The other part of the section, “(ii) Creating full-fledged employment through industrial promotion,” lays out an ideal form for industrial promotion and employment during the period from the restoration phase to the reconstruction phase. First of all, it proposes taking advantage of the respective regions’ unique characteristics in carrying out industrial promotion and the introduction of new industries, such as the renewable energy industry. To achieve this, it states that measures should be taken to prevent local companies with recovery potential from withdrawing from business in such ways as solving their overlapping debt problems, and also points out the importance of attracting businesses into the affected areas.

The Study Group’s workshop also discussed one possible approach for the creation of new industries and the attraction of businesses into the target areas: the subsidy for job-creating, low-carbon industries, implemented by the Ministry of Economy, Trade and Industry (METI) in 2010. This subsidy was granted to cover one-third of the new capital investment (or half of such investment for SMEs) for the establishment of new green tech-

nology business sites with high growth potential (e.g., lithium-ion batteries, LED lighting, environmentally-friendly vehicles (*eco-cars*), solar cells). According to METI, this subsidy program, then called “Kan’s Subsidy,” had induced investment amounting to 670 billion yen and created jobs for 112,000 persons. As this subsidy was granted to employers on the condition that they maintain employment for at least four years, it was expected to basically contribute to sustained employment. If this subsidy is applied to the establishment of business sites in the affected areas under more preferential conditions, and is combined with the creation of special zones, it will lead to job creation.

Industrial promotion necessarily requires the advancement of industries, namely agriculture, forestry and fisheries. Accordingly, *sextic industrialization* (the creation of new businesses through the integration of primary, secondary and tertiary industries), as well as the development of human resources through enhanced vocational training, will be necessary. In this context, the Council focuses on in-house training programs provided by companies, in addition to enhancing public vocational training. Developing an employment system through inter-generation collaboration—such as an approach to employment restoration in which people from all generations participate and valuable skills and knowledge are passed on from older to younger workers—will encourage elderly people to work toward reconstruction.

V. Extending Unemployment Benefits

One of the tasks which required urgent action immediately after the earthquake was meeting the needs of people directly damaged by the earthquake and tsunami who had to take leaves of absence from work or who lost their jobs. Under the Labor Standards Act, employers are not liable to pay an allowance to laid-off workers if the lay-offs were due to causes not attributable to the employer, such as damage to facilities and equipment caused by an earthquake or tsunami. The employment adjustment subsidy system is an insurance scheme that relies on the solidarity of employers to help each other rebuild their business operations after temporary lay-offs due to economic reasons. Therefore, lay-offs arising directly from natural disasters and not due to employers’ economic reasons are not covered by this subsidy system. This means that employment adjustment subsidies were not available in response to lay-offs by employers who were forced to cease operations at business establishments within areas designated as restricted due to the nuclear power plant accident in Fukushima.

To cope with this situation, based on the special provisions for employment insurance upon the designation of the earthquake as a severe disaster, unemployment benefits were paid to disaster victims who were unable to receive wages. More specifically, workers who were laid off and unable to receive wages due to a business cessation at a workplace directly damaged by the earthquake or tsunami were made eligible to receive unemployment bene-

fits even where they did not completely leave their jobs. Furthermore, unemployment benefits were available for workers who belonged to businesses located in the designated areas under the Disaster Relief Act, if they were temporarily forced to leave their jobs but were to be re-employed when the employer resumes business.

With regard to employment insurance, additional special measures were taken to further extend the existing 60-day extension by another 60 days (individually extended benefits).

However, in the summer of 2011, there was additional concern that most of the extended employment insurance benefits would expire in succession during the period between the end of 2011 and the beginning of 2012. According to a rough estimate by the Employment Insurance Division of the MHLW as of the summer of 2011 based on the prescribed duration of the benefits, some 30% of unemployment benefits would be exhausted by the end of 2011 and approximately another 30% would be exhausted by the end of March 2012. There was a risk that a large number of people without income would emerge, unless those receiving unemployment benefits successfully found jobs by the time their benefits were exhausted.

In light of this situation, the government made the decision to extend benefits by another 90 days in the coastal areas of the three affected prefectures (wide-area extended benefits). I remember that, during the Study Group's meetings in June, there was a strong sense among the members that wide-area extended benefits were unlikely to be used, because employment policymakers were greatly concerned that further extensions of employment insurance benefits might prolong workers' separations from employment and de-motivate them from finding jobs.

In fact, opinions were divided between supporters and opponents of the three benefit extensions implemented even in the affected areas. Repeated extensions may have been welcomed by unemployed people who had been failing to find jobs despite their best efforts. At the same time, employers desperately seeking to resume their business activities and who were placing jobs offers but failing to secure employees might have seen these extensions to be impeding their recruitment activities. However, I assume that the recognition that many people were still having difficulty finding jobs despite the gradually improving employment situation and the comparatively ample reserves for unemployment benefits led the government to decide to extend benefits three times.

However, no further extensions would be affordable under the existing system. In the future, it will be necessary to reinforce measures to promote employment among the long-term unemployed in the affected areas by providing them with greater opportunities to find jobs through reconstruction promotion projects and by enhancing organizations that can provide public vocational training.

VI. Expectations for and Limits of the Job Seeker Support System

Before the decision had been made to grant wide-area extended employment insurance benefits, the job seeker support system to be put into effect concurrently with the extension (on October 1) attracted attention as a measure expected to achieve employment of a large number of disaster victims whose unemployment benefits would soon be exhausted.

The job seeker support system is a new system launched under the Act on Support for the Employment of Specified Job Seekers through Implementation of Vocational Training (promulgated on May 20, 2011). It is a permanent version of the emergency human resource development support program, generally referred to as the funded training program, launched in July 2009 to respond to the rapidly worsening post-Lehman Crisis employment situation, in anticipation of the unemployment of a large number of non-standard workers.

The job seeker support system that carries out the funded training program is designed to ensure stable employment of unemployed persons who are ineligible for employment insurance, by providing them with (1) vocational training free of charge, (2) financial assistance to facilitate their participation in vocational training if they meet the prescribed requirements (in terms of their individual or household income, assets, etc.), and (3) vigorous support for their job-hunting activities via public employment security offices. Persons eligible for this support system include workers who were ineligible for employment insurance, those who were unable to receive employment insurance benefits as a result of not having been insured for a sufficient period of time, and those whose employment insurance benefits have been terminated, as well as new graduates who have yet to find jobs and self-employed persons and their families who have been forced out of business.

In contrast to the funded training program, the job seeker support system places more importance on improving job seekers' success in finding employment. Training is provided by private vocational training organizations accredited by the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (JEED). Accredited training organizations are provided with 50,000 yen per trainee on a monthly basis (accredited training subsidy). There are two categories of training: "basic training" and "practical training." For practical training, training organizations are awarded 10,000 to 20,000 yen per trainee in proportion to the rate of employment achieved, as an incentive to help trainees succeed in finding jobs. This system also provides vocational training benefits for trainees: 100,000 yen per month during the three- to six-month training period, if they meet certain requirements (individual income of 80,000 yen or less or household income of 250,000 yen or less per month).

If this system works well in the affected areas, it will provide those whose unemployment benefits have been exhausted and those not covered by employment insurance (e.g. part-time workers and self-employed persons who have been forced out of business) with opportunities to participate in training and find employment. The job seeker support

system was dubbed a “second safety net” for employment and was expected to prevent those ineligible for employment insurance from becoming dependent on public assistance and to lead them back to employment.

However, we must not have excessive expectations for the effect of the job seeker support system in its current state on increasing training opportunities and securing human resources for the reconstruction process in the affected areas. This is because, firstly, the adequacy of training opportunities within the whole area of a prefecture does not mean that sufficient opportunities are available in every city, town or village. It is difficult, in reality, to commute to urban areas where training opportunities are concentrated from surrounding areas affected by the disaster, as it takes substantial time to travel by train or car from most such areas. In addition, job opportunities are limited in the affected areas even for those who finish training courses for jobs which apply skills acquired through training, except in some industrial sectors, such as construction and nursing care services.

We should also pay attention to the fact that pushing training organizations to ensure the success of job seekers in finding employment could have a negative effect as well. This idea was derived from criticism of the funded training program, which argued that inefficient training organizations survived because they were not under strong pressure to achieve successful results. On the other hand, the job seeker support system assures the quality of training to a certain degree, but at the same time creates a risk of excluding people experiencing greater difficulty in finding jobs from training. Such people include the long-term unemployed, elderly people, self-employed people who have been forced out of business, and women who can work in limited areas because of their duty to take care of their families. Thus, there is a concern that this system raises the issue of *cream skimming*; that is, training organizations preferentially selecting trainees who have a greater potential to find jobs after finishing their training.

In order to tackle these challenges, it is necessary to reform the current job seeker training system. For example, people who participate in intensive training for a certain period of time far from the affected areas should be provided housing support (by housing them in employment promotion housing, public housing, and Urban Renaissance Agency rental housing) in addition to receiving benefits. In order to ensure that trainees are able to find jobs in the affected areas, it is also important to develop job offerings in line with the types of the training they receive.

As of January 2012, staff members working for the affected prefectures’ public employment security offices were responsible for a large number of active job seekers. In Iwate, each staff member was responsible for 512 persons; in Miyagi the number was 776 persons and in Fukushima, 724 persons. Despite the efforts of the prefectural labor bureaus to recruit additional counselors, the average number of active job seekers per staff member / counselor in these prefectures remains large at 63 persons. Since smooth implementation of the job seeker support system requires the active involvement of public employment security offices, sufficient staffing is required to develop job offerings.

One possible solution to the issue of cream skimming may be to revise the existing amount of the accredited training subsidy—50,000 yen per trainee—which is uniformly applicable to all trainees, and make it a variable amount depending on the trainee's level of difficulty in finding jobs. More specifically, it is recommended that guidelines for determining trainees' relative levels of difficulty in finding jobs be formulated, according to factors such as their periods of unemployment, ages, academic records, and vocations. An incentive-based system should then be designed wherein training organizations would be paid a larger subsidy for successfully enabling a trainee with a higher level of difficulty to find a job.

The current job seeker support system is effective to some extent in helping unemployed persons who do not receive employment insurance benefits but who are very likely to find jobs quickly if they finish training and acquire additional skills. On the other hand, in order to help people who face difficulty in finding jobs or who are unwilling to be trained, the system should be refined to induce greater effort by trainees and training organizations. The first statutory review of the job seeker support system is scheduled to take place three years after its initial enforcement date. However, flexible and prompt action should be taken before that by budgeting additional subsidies or issuing notices as appropriate. Furthermore, given the impact of the Great East Japan Earthquake, which had not been anticipated at the time of the support system was codified, it may be appropriate to revise and refine the system before the scheduled review, if necessary.

VII. Putting the Brakes on the Increase in Public Assistance Recipients

The ideal form of reconstruction may vary depending on the circumstances in the affected areas, but the situation that must be avoided from a medium and long-term perspective is the same: a rapid increase in the number of public assistance recipients resulting in a labor shortage for reconstruction work in an area, which also de-motivates disaster victims from taking part in the reconstruction process.

In all three heavily damaged prefectures (Fukushima, Miyagi, and Iwate), the ratio of public assistance recipients among the general population was below the national average before the earthquake. As of March 2011, there were 11.3 public assistance recipients per thousand people in Iwate, 12.1 per thousand in Miyagi, and 9.5 per thousand in Fukushima, while the national average was 15.9 per thousand. However, coupled with the aging of the population in these prefectures which had been occurring before the earthquake, an exodus of young people has occurred that has yet to end, thus making it more difficult for elderly people to earn a living. Furthermore, I presume that the number of families in need of a childrearing allowance has also increased, because many families lost their primary income earners in the earthquake.

There is a concern that the ratio of public assistance recipients will rapidly increase in

the affected areas unless appropriate measures are taken. Another challenge of reconstruction is to create an environment in which everyone who is ready and willing to work is able to find a job and earn a living irrespective of age, gender or any other factor.

The job seeker support system is unlikely to encourage people who temporarily need public assistance to find jobs, because it provides vocational training benefits to people with monthly incomes of 80,000 yen or less, and as such would not encourage people who receive more in public assistance to voluntarily undergo training. In the first place, the job seeker support system targets only those with the motivation to work and does not seek to cover people who are not enthusiastic about seeking jobs.

To rectify the current situation, it is advisable to design a new system wherein public assistance recipients see some benefit to training. For example, if they are able to receive a larger amount in assistance when they take accredited training than when they do not, they would be more motivated to take training. Furthermore, if public assistance were not entirely stopped when a recipient finds a job after training, but rather continues to be provided to some degree, enabling a public assistance recipient to earn a larger amount in total income, he/she would make a greater effort to find a job.

The government has not been indifferent to promoting the shift from public support to independence through employment. Various support programs have been implemented in response to many recommendations to enhance employment support for public assistance recipients. For example, an agreement has been reached between local governments and the public employment security offices. Then the local governments will request employment support from public employment security offices based on information reported by welfare service offices dealing with people in need of such support, including public assistance recipients, childrearing allowance recipients, and housing allowance recipients, as well as people having difficulty finding employment or making a living. Under this agreement, public employment security offices have employment support counselors work out support plans in line with the needs of such people and their living environments. A wide range of support programs are provided by these offices, from on-site counseling and other career consulting services to job preparation programs, trial employment, career building through public vocational training, job counseling and job placement, development of individual job offerings, and follow-up programs for adaptation to workplaces.

According to the MHLW, as a result of initiatives to promote employment and adaptation to workplaces under the Support Program for the Shift from Public Support to Independence through Employment and the Employment Support Program for Public Assistance Recipients, both the number of support recipients and the number of jobs they found increased from 13,288 persons and 7,153 jobs in FY2008, to 21,139 persons and 12,597 jobs in FY2010, nationwide. Although I was unable to obtain information concerning the status of the implementation of the Support Program for the Shift from Public Support to Independence through Employment in the affected areas, I worry that local governments and public employment security offices may have been too busy to establish cooperative rela-

tionships to carry out support programs or that their cooperation might have failed to fully succeed. If this is indeed the case, detailed individual support programs should be further enhanced by taking such action as assigning a sufficient number of staff members (e.g. support counselors) to public employment security offices.

VIII. Utilizing Fund Projects

Employment restoration in the affected areas requires the creation of new job opportunities. From this viewpoint, the Post-Earthquake Response Project (to create job opportunities for workers affected by the Great East Japan Earthquake) was launched and has been carried out in combination with other employment-related projects implemented since FY2009, namely the “Priority Area Job Creation Project” (to create job opportunities in areas with high potential growth, such as nursing care and medical care services, the environment, etc.) and the Human Resource Development Project. The first supplementary budget for FY2011 allocated 50 billion yen for the new project. These job creation projects are incorporated into the Emergency Job Creation Project Special Fund set up in each prefecture, and are outsourced to private businesses or NPOs or carried out directly by local governments. The Post-Earthquake Response Project covers various types of work, such as clean-up work in the affected areas (e.g., removal of debris and recovery of fishing tools that have washed away), planting for community development, assisting work at municipal offices, and patrolling for security in evacuation shelters and other places in the affected areas.

The Job Creation Fund was originally set up in FY2008 as one of the “Measures to Support People’s Daily Lives,” to be carried out in the form of the Hometown Employment Revitalization Special Fund. This fund had its greatest effect by financing the Emergency Job Creation Project launched in response to Lehman Crisis in the fall of 2008. In FY2008 and FY2009, 450 billion yen was expended from the fund as grants in relation to project plans formulated by prefectural and municipal governments. The grants were used to encourage private businesses to hire job seekers, with the goal of flexibly creating jobs.

The Job Creation Fund Project started to play a significant role in improving overall employment trends at a relatively early stage after the earthquake. The progress report of the *Japan As One* Work Project states that about 26,000 persons found jobs in the three affected prefectures through the Job Creation Fund Project (as of January 16, 2012). Along with the utilization of employment adjustment subsidies, this fund project can be appreciated as having achieved some positive results in response to rapidly changing employment trends affected by Lehman Crisis and the Great East Japan Earthquake.

Another job creation measure, the subsidy for employment development for disaster victims, was also set up and 6.3 billion yen was allocated to it in the first supplementary budget. This subsidy was to be granted to businesses that hired disaster victims (500,000

yen per person for large businesses and 900,000 yen per person for small and medium-sized businesses). As of December 2011, 887 businesses had been selected to receive the subsidy.

For the purpose of achieving complete employment restoration in the affected areas, the government decided to launch a new project—the Employment Restoration Promotion Project—backed up by the third supplementary budget for FY2011. This is a two-pillar project consisting of the “Business-based Job Creation Project,” which focuses on job creation along with industrial revitalization, and the “Job Creation Project for Everybody,” which aims to create independent businesses through the transmission of knowledge and skills from older to younger workers, active recruitment of women and persons with disabilities, and promotion of community-based work styles. Support will be provided under these projects for up to three years, until FY2015.

With regard to temporary employment of workers as assistants at municipal offices, implemented as an emergency stopgap employment measure, a sensitive issue is how long such employment should be maintained. Temporary measures taken by local governments to directly hire persons who were engaged in agriculture, forestry or fisheries independently may be somewhat effective in enabling those persons, who are not covered by employment insurance, to earn an income. However, such measures should be implemented only on a temporary basis, because they will hinder self-sustaining reconstruction if they are continued without limitation. When making use of fund projects, local governments are required to maintain an appropriate balance between providing security with a minimum standard of living through direct employment and self-sustaining reconstruction led by the private sector.

Nevertheless, it is very likely that flexible and prompt action in setting up and utilizing the fund projects has been successful in preventing a larger increase in the unemployment rate in the face of events with the potential to cause unexpected and rapid worsening of the employment situation, such as Lehman Crisis and the Great East Japan Earthquake. Fund projects have the advantage in terms of flexibility and convenience, but at the same time, they have the disadvantage that their purposes and effects are not always verified completely. Strict data-based scrutiny should be applied in the assessment of fund projects.

IX. Providing Support on a Group Basis or Individual Basis

Immediately after the occurrence of the earthquake, the economic problem of “supply chain disruptions” attracted attention. Today, companies throughout the country, particularly those in the automobile and electronics industries, are linked by complicated supply chains, and a risk emerged that the damage in the Tohoku region would not only result in the stagnation of one regional economy but could have a serious negative impact on production and distribution mechanisms throughout the country.

In light of this situation, the government, under the aegis of the Small and Medium

Table 2. Concentration Ratio of Job Creation

Annual net increase in the number of regular employees newly hired per establishment	Job creating sector		
	Proportion to all establishments (%)	Proportion to all jobs created (%)	
		Net	Cumulative
25 or more	0.9	18.6	
10–24	2.0	18.0	36.7
5–9	3.8	15.4	52.1
3–4	5.9	20.8	72.9
1–2	17.3	27.1	100.0

Source: From the findings in the joint research by Professor Hiroshi Teruyama and the author, based on the 2002 Survey on Employment Trends (MHWL).

Enterprise Agency, fully implemented the “Subsidy Project for Restoration and Construction of Facilities and Equipment by SME Groups,” which aims to support groups of SMEs damaged by the earthquake. Specifically, under this project, a group of SMEs or industrial cooperatives in an affected area formulates a recovery project plan, and if this plan is approved by the relevant prefectural government, a subsidy will be granted to the group from the supplementary budget to cover the costs of restoration and construction of facilities and equipment.

Starting in August 2011, the selection process was carried out three times. Project plans amounting to 206.4 billion yen were selected and subsidies were granted to 172 groups in total. The results of the first selection in August show regional characteristics; in Miyagi, most applicants were SME groups engaged in manufacturing which integrate important local businesses, such as a group forming an electronic component supply chain, whereas in Iwate, groups engaged in marine product processing accounted for a large share.

It may be extremely important to verify to what extent subsidies for these SME groups contributed to creating jobs. The precedent studies on job creation suggest that providing intensive support to individual enterprises is more effective in job creation than providing support on a group basis.

Table 2 presents an extract from the findings of the research on the job creation concentration ratio, which I carried out jointly with Professor Hiroshi Teruyama of Kyoto University. Specifically, the table indicates the percentage of business establishments which hired new employees in 2002, organized by the amount of the increase in number. 17.3% of the business establishments—the overwhelming majority—hired one or two new employees within one year. However, the degree to which establishments which hired only one or two new employees contributed to overall job creation nationwide was rather small, at 27.1%.

What is shocking about this table is the fact that only a very small number of estab-

lishments amounted to a large share of the total job creation. Establishments that hired 25 or more new regular employees annually accounted only for 0.9% of all establishments, but the share of the overall jobs created by these establishments was as large as 18.6% of the total job creation. Furthermore, establishments that hired ten new employees or more annually, which accounted only for 2.9% of all establishments, brought about 36.7% of the total job creation.

Another analysis also suggests that job creation is concentrated at certain enterprises. The 2011 White Paper on Small and Medium Enterprises in Japan states that approximately 50% of all jobs created between 2002 and 2007 were created by only about 7% of all enterprises nationwide. The white paper calls such enterprises with job creation potential “gazelles,” an agile animal with the ability to jump very high, according to the American economist David Birch.

These findings give us hints as to how we should promote job creation, at least quantitatively. If support is provided to many enterprises with lower job creation potential, the positive effect arising from such support will be limited. However, providing intensive support to some enterprises with high growth potential will lead to creating jobs on a larger scale.

Development of an environment conducive to sustainable job creation is a big challenge not only in the post-earthquake period but also for the future of this country. Which is more effective in job creation: the group-based support adopted as a post-earthquake measure or intensive support for some select enterprises? We should explore the best job creation policy for the future from this viewpoint, while at the same time taking the progress of the reconstruction project into account.

X. Conclusion

One year after the occurrence of the earthquake, the overall employment situation in the affected areas is now recovering. The ratio of job offers to job seekers in the three affected prefectures stood at 0.48 in March 2011. It exceeded this level in June 2011 and continued to rise thereafter, finally reaching 0.78 in January 2012. According to the Labor Force Survey (Ministry of Internal Affairs and Communications), the unemployment rate in the Tohoku region in the period from October to December 2011 fell 1.0 point below the previous year’s level. In contrast to the fact that the index of improvement in the unemployment rate for Japan as a whole during the same period declined 0.5 point from the previous year, the employment recovery in the Tohoku region is outstanding.

An important research task for the future may be to closely analyze and capture the effects of the policy measures implemented thus far on the employment recovery in the affected areas. To achieve this, it is necessary not only to focus on employment achieved directly through employment policy, but also to take into account the secondary job creation

effect. At the same time, negative effects should also be studied, such as the impediment public employment projects present to job creation by the private sector, generally called “*crowding-out*,” and the deterioration of the employment situation due to the exodus of the labor force.

Strict policy evaluation studies require the accumulation and utilization of adequate data. In light of the differences among municipalities in terms of the impact of the earthquake and the progress of their reconstruction processes, we will have to wait until the Population Census scheduled for 2015 to conduct a detailed regional comparison. Meanwhile new questions concerning the impact of the earthquake on employment have been added to the Employment Status Survey scheduled for the fall of 2012. Specifically, the survey will ask questions, on a municipal level, such as whether the respondents lost their jobs, were laid off, or were evacuated from the affected areas due to the earthquake, and whether they have changed residences since the earthquake. As this survey will target about one million people nationwide, it is expected to provide useful reference data to verify the impact of the relevant policy measures.

We should not be overly optimistic despite the fact that employment in the affected areas is recovering. The increase in new job offers is largely due to the construction industry which is rapidly revitalized by public expenditures for reconstructing infrastructures while it has been experiencing chronic job losses since the late 1990s. However, partly due to the previous low demand in this industry, there is currently an insufficient number of experts equipped with advanced skills or licenses as well as companies engaged in the construction business to meet the demand for construction work. Considering that reconstruction subsidies, which finance reconstruction projects, are to be granted only for a limited period of time, it is unrealistic to expect that the current construction boom will last over the long term. The future of employment in the affected areas will depend on whether we can create and maintain groups of enterprises which can serve as regional cores, rather than relying only on construction-related sectors.

Despite overall improvement in the employment trends, the situation remains severe for women, elderly people, entrepreneurs who have been forced out of business, and people without higher education. It is hoped that support will be provided for these types of people on an individual, continuous and comprehensive basis, while clarifying the background factors that bar them from finding jobs.

What we should keep in mind as the lessons from the experience of Lehman Crisis in the fall of 2008 and the Great East Japan Earthquake in 2011 is that we should build an employment system capable of reviving in the face of the rapid and large-scale deterioration of the employment climate. We should begin studying at all levels, including the national and local government level, private enterprises, cooperatives, and individuals, what such a resilient employment system would look like.