

**Statement by Takeshi Niinami, Chairman of Keizai Doyukai
on Cabinet Approval of
“ Basic Policy on Economic and Fiscal Management and Reform 2023”**

1. Today, the Cabinet has approved the “Basic Policy on Economic and Fiscal Management and Reform 2023.” With Japanese economy breaking away from deflation, its structural labor shortage has become increasingly serious nationwide in tandem with aging populations. In this regard, we give this year’s Basic Policy a positive assessment, as it timely presents policies with a focus on more labor mobility, toward the realization of sustainable wage hikes.

It was said in the past that the “sixfold woes” weighed on Japanese companies. Out of those six, the rigidity of the labor market remains one of the big challenges today. However, the world-wide inflation in recent years has led to wage hikes also in Japan, thereby triggering its labor mobility. This is an auspicious sign of its economy’s revitalization, and we must not miss such a rare opportunity.

It is obvious that the private sector is the driver of the economy. Thus, capitalizing on the full-fledged normalization of economic and social activities, businesses are to make a swift transition to a private-sector driven economy, by shedding the economic operations heavily dependent on the government spending.

Companies must first have the audacity in changing their mindset and start action. For example, measures, such as wage hikes and support of reskilling based on career planning, are effective to hiring and fostering talented workers. The corporate behavior to brush up its competitiveness with these measures will result in domestic investment growth and sustainable wage hikes, thereby leading to a virtuous circle of wages and prices. In the midst of a watershed of the times, companies must shift their investment focus from tangible assets to intangible assets like human resources, while increasing their strengths through friendly rivalry.

Meanwhile, we request the government to accelerate development of various infrastructure, which aligns with digitalization of economy and changes in the industrial structure, aiming for renovation/revitalization of industries and businesses, as well as enhancement of labor mobility. For example, one of the measures in this regard will be a shift from the so-called positive list system in business regulations.

On another front, Keizai Doyukai will, with the companies that its members belong to, keep advocating capitalism of corporate management in growth and collaboration, while pursuing its efforts to be implemented through thorough discussions on corporate goals. Its roles also include assistance to infrastructure development by the government, in cooperation with diverse stakeholders.

2. In Japan, fiscal demand increases in tandem with growth of medical/nursing care benefits, due to the expanding population aged 80 years and older. The buildup of Japan's defense capability adds to this momentum. Against this backdrop, we appreciate that the Basic Policy prioritizes the countermeasures to the falling birthrate. In the meantime, we oppose no income limit set for child benefits, while supporting the higher income limit with two reasons; (1) scarce financial resources should be spent with a focus on measures against poverty of children and for preventing poverty reproduction, and (2) efficacy of cash benefits, as the countermeasures to the falling birthrate, is not yet verified. What is more important than expansion of cash benefits is the efforts of businesses to deepen and accelerate the work style reform. Thus, Keizai Doyukai is to pursue discussions and formulate proposals, toward the realization of the childrearing environment fit for the reality of employment in the service industries, which have the largest number of employees.

In addition, a new scheme, which allows for a setup of proper KPIs, inspection/assessment of their progress, and timely review, is essential to enhance the efficacy of the "acceleration plan" and other measures. We request the government to clearly present details of a fiscal spending reform plan and its roadmap, before discussing the possibility of heavier burden on the public, such as tax increases and higher insurance premium. What the public wishes to see is the government's stance not to postpone solutions of the issues.

3. Success of the fiscal spending reform depends on whether wise spending is secured. In this regard, it is highly appreciated that the Basic Policy stipulates, in relation to medium- to long-term fiscal operations, the setup of verifiable KPIs for all budget items, clear priorities in implementing fiscal spending items across the board, and thorough implementation of EBPM. For social security expense—the largest share item in the general expenditure—in particular, a swift implementation of regulatory/institutional reforms is a key to strike a balance between higher QoL and secured financial resources. Such swift action is likely to promote use of digital technologies like AI and IoT, in the front line of medical care, nursing care, and childcare.
4. As constant rise of household income is crucial for revitalization of Japanese economy, it is adequate that the Basic Policy stipulates the government's intention to continue discussions on minimum wage hike policies after meeting the ¥1,000 target, as well as measures to increase financial asset income. In any case, heavier burden of insurance premium should neither squeeze disposable income of younger generations, nor discourage their economic vitality and wish to have children. Aiming for simultaneous revision of medical/nursing service fees, the government must assess progress and efficacy of medical/nursing care reforms until today, and accelerate relevant institutional reforms, including a review of scopes of various insurance benefits. Meanwhile, measures to enable business persons to strike a balance between work and nursing care/childrearing are to be deployed without delay.

5. Finally, the structure of the Basic Policy should be revisited for sustainable and highly effective economic and fiscal management.

For some initiatives, relevant funds were already established based on their medium- to long-term plans, enabling the disbursements over the multiple fiscal years. Hereafter all initiatives should have individual medium- to long-term plans, and go through monitoring and assessment to check efficacy of measures using the plans. Thereafter improvement, overhauling, and addition of measures, reflecting monitoring and assessment, should be the pillars of the Basic Policy every year. For responding to the big policy challenges, each policy cycle of measures should be in the framework aligned with a watershed of the times.

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