

Special Lecture with Minister Katsunobu Kato

Thursday, September 27, 2018

Seminar Room, Faculty House, Columbia University

Presented by the Center on Japanese Economy and Business (CJEB), Columbia Business School



Katsunobu Kato

Minister of Health, Labour, and Welfare
Minister for Working-style Reform
Minister in charge of the Abduction Issue
Minister of State for the Abduction Issue
Cabinet Office, Government of Japan
(as of September 27, 2018)

On Thursday, September 27, 2018, the Center on Japanese Economy and Business (CJEB) at Columbia Business School (CBS) hosted a special lecture by Minister Katsunobu Kato, who is the Minister of Health, Labor, and Welfare in Japan, as well as the Minister for Working-style Reform, and Minister in Charge of the Abduction Issue in Japan. The event was moderated by Professor Takatoshi Ito, an internationally renowned economist who is a professor at Columbia University's School of International and Public Affairs (SIPA) and the director of CJEB's Program on Public Pension and Sovereign Funds. Minister Kato and Professor Ito were welcomed by Hugh Patrick, director of CJEB. Professor Ito further introduced Minister Kato to Columbia University and chaired the program.



Hugh Patrick

Minister Kato opened his lecture by observing that Prime Minister Shinzo Abe of Japan has just been reelected to his third term and that his administration will continue for another three years. Minister Kato provided an overview of the primary goals of the Abe administration with regard to labor and welfare, as well as the use of “Abenomics” to address the structural problems of the Japanese economy. These structural problems include a declining birth rate, an aging and declining population size. The Abe administration has prioritized addressing these issues to increase labor

productivity, ensure sustainable growth, and to lay the foundations for a robust, thriving society in the future.

Minister Kato noted that when Prime Minister Abe was first elected six years ago, the economic conditions of Japan were characterized by stagnation, high unemployment, decreasing wages, sustained deflation, and a nominal GDP that appeared to have peaked in 1997. In contrast, the economies of many other countries in the same time period were expanding rapidly. To resolve these issues, the Abe administration focused on three main policy pillars. The first policy focused on counteracting the deflationary mindset in the Japanese economy by implementing a quantitative easing monetary policy program and setting an inflation target of 2%. The second goal was rekindling a stale economy by implementing a flexible fiscal spending program worth ¥13.1 trillion. The third policy initiative was to stimulate private investment by relaxing certain regulations.

Minister Kato then highlighted some of the key achievements of the Abenomics reforms to date. Nominal wages in Japan, which are largely determined by annual negotiations between the large corporations in the country, have increased steadily in recent years by 2% every year. Also, the hourly wage of part-time workers has also increased by 16.7%. Furthermore, the minimum wage has been increased and the administration is continuing to target an annual increase, ideally of 3% each year, to match GDP nominal growth. Additionally, tax revenues raised as part of the Abe administration’s reforms have enabled the Abe administration to expand the social security program in Japan.



Katsunobu Kato

Minister Kato nevertheless observed that there are still serious and persistent challenges that the Japanese government must continue to address. These issues include further expanding support for the large aging population in Japan, securing the labor force, creating employment opportunities for recent university graduates, increasing labor productivity, transforming corporate culture to build a work environment that supports women and mothers, and adapting social security and pension systems to the reality of increased longevity in Japan. Minister Kato noted that labor input had been a depressive factor on the potential growth rate for a long period of time in Japan but has turned into a boost factor since 2015. He told that the administration has worked to realize a type of society where the young and the old, women and men, regardless of disability or illness can all be important participants in such situations.

Minister Kato emphasized the importance of building an environment where people with various familial circumstances, such as taking care of their children or elderly parents, can work without worry to secure a sufficient workforce. By leveraging tax revenue that is a result of Abenomics, the administration is in the process of developing childcare and long-term care facilities and improving the working conditions for caregivers in order to provide necessary services for childcare and long-term care. Also, he outlined “Working-style Reform,” including the correction of long working hours and equal pay for equal work. The reform will not only solve labor problems that have been pointed out in Japan but also improve labor productivity.

Minister Kato mentioned that the cost of social security benefits has been consistently rising because of increasing age and other factors. On the other hand, he also pointed out that Japanese people aged 65 and over have physically rejuvenated by five years over the last fifteen years. He believes that improved health will enable those who are 65 and over to be a stronger force in the job market and that people should not consider them as the “elderly” or “those who need support from others.” Besides, the extension of citizens’ healthy lifespans has a great advantage in that each person can keep living in good health, and it also leads to the suppression of social security burden through increasing tax and insurance premium revenues. He referred to various progressive approaches to health improvement, such as a program for diabetes prevention and data analysis to promote proactive management of individuals’ health.



Takatoshi Ito and Katsunobu Kato

Minister Kato closed his lecture by stating that Japan is currently one of the many countries facing the challenges of an aging society. However, he expressed hope that the world would continue to see how Japan is transforming itself from a country of advanced challenges to one of advanced solutions. Under the Abe administration, Japan is taking its experience and developing solutions that will hopefully help people in many countries around the world, and contribute to their expectations of a long and healthy life.

Professor Ito thanked Minister Kato for his lecture and then opened the Q&A with the first question regarding the Abe administration's plans to address the difficulties of women returning to full-time, mainstream careers after having a child. Minister Kato acknowledged this is an area that still requires improvement and that the central issue is that the work environment in Japan does not currently provide sufficient support for mothers. The Japanese government is considering increasing the number of daycare centers and improving salaries for childcare-givers to further reduce the barriers for women who are balancing the responsibilities of career and motherhood.

The next question focused on the possibility of bringing in overseas workers from Turkey and their integration into Japanese corporations and society. Minister Kato noted that highly skilled overseas workers working in Japan has doubled in recent years and, that due to a competition among East Asian countries for overseas workers, there would be incentive to create good positions for them. However, Minister Kato also noted that first and foremost, the priority of the Japanese government is to ensure that Japanese men, women, and disabled individuals have a place to thrive and work in their own country.

Another question focused on the Abe administration's plans to increase the number of women in high-level positions in Japanese firms. Minister Kato noted that there are policies in



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Hugh Patrick, Katsunobu Kato, Takatoshi Ito, and David Weinstein

which corporations are required to disclose the number of women they employ and how many hours per week they work. Such *kaizen* policies seem to have increased the number of women in managerial positions, but again, Minister Kato reiterated that there needs to be a sufficiently supportive infrastructure in the workplace for women in order to help women attain such high-ranking positions. He referred to the potential

benefits of daycare centers as an example of infrastructure that will enable women to remain in the workforce for many years, similar to their male counterparts, and that may help address discrimination on the part of employers relating to different responsibilities.

Professor Ito closed the event by thanking Minister Kato for his lecture and the audience for their participation and engagement.