

Welfare overhaul key to recovery

Allaying public anxiety about future crucial for encouraging spending

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The government convenes on March 2 the council on welfare and labor administration, chaired by Hiroshi Okuda, senior adviser of Toyota Motor Corp. With the government's handling of welfare and labor affairs having drawn public criticism in light of the problem of a huge number of missing pension records as well as the controversial public health

insurance plan exclusively for elderly aged 75 or older, the council has discussed the reorganization of the Ministry of Health, Labor and Welfare along with other measures to restore public trust. It plans to hammer out the final report by the end of March.

The council's interim report, released last December, called for the ministry to review its organizational and personnel systems as well as to strengthen accountability, aiming at preventing problems from recurring. Based on the interim report, the ministry announced on Feb. 24 an action plan to overhaul the welfare and labor administration,

but this scheme lacked specifics. As it remains difficult to draw a vision for the future, the council is expected to step into the details.

Many people will likely continue to prioritize savings over consumption out of concern for the future of the health-care and pension systems. However, the current argument over social security seems biased toward securing its financial resources.

Squirreling it away

But if increased resources paid by people are used without reforming the current system, public confidence is unlikely to recover. In order to

deliver social security services that truly focus on the people, it is urgent to reorganize the ministry drastically by using local power and eliminating undue pressure by interest groups.

Even if companies come up with attractive products or offer unique services, it may not encourage demand as long as consumers remain pessimistic due to anxiety about the future. As much as ¥1.5 quadrillion (\$15.7 trillion) worth of financial assets held by individuals would not be tapped, either for consumption or investment.

The review of the welfare and labor administration is thus closely linked with a recovery of the Japanese economy.

