

Growth in second tier cities: urban policy lessons from Japan

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Background

Japan, the world's third-largest economy by GDP and 10th largest population, is a unitary state, governed at national level by a Prime Minister and Cabinet largely chosen from the bicameral National Diet. The two-tier local government system in Japan is composed of 47 prefectural governments (roughly akin to a county), each headed by a directly-elected Governor (elected on a four-year term) and 1,719 municipalities, each headed by a directly-elected Mayor (elected likewise).

The nature and role of local government is codified in the Local Autonomy Law (LAL) issued under the post-war Constitution of Japan of 1947, which guarantees local autonomy against the national government, who retain a degree of control over localities through subsidies. Following years of debate, in 1995 a Decentralization Promotion Law (DPL), backed by a standing committee, was passed to make the roles between central and local governments clearer and promote enhanced autonomy, which was intended to promote localisation and prepare for an ageing society. This movement coincided with a voluntary municipal merger process with financial assistance from central government, with a statute aimed at enhancing the administrative capacities of municipalities, which has seen their number decrease from 3,232 as of March 1999 to 1,719 today.

Japan's cities and regions

With the exception of the capital Tokyo and the island of Hokkaido, most prefectural governments are styled in Japanese as 'ken' (e.g. *Hiroshima-ken*, as opposed to *Hiroshima-shi*, the city government), with the two historically significant (as former capital etc.) prefectures of Kyoto and Osaka known as 'fu' (e.g. *Osaka-fu*, as opposed to *Osaka-shi*, the city government).

Of the municipalities, there are several classes of city, with the most basic and numerous class of 'city' broadly enjoying the same powers and status as towns or villages (the designation stemming from its population size, basically more than 50,000 residents). All cities supply residents with water services, waste collection and disposal, public health, social welfare, parks, environmental services, planning/development control, economic development, fire and rescue, elementary schools and adult education colleges.

40 cities with populations of 200,000 or more are known as 'Special Cities' and are entitled to provide some degree of prefectural services (such as care services, health, environmental services, urban planning, teacher training etc.) locally, while a further 41 of 300,000 or more residents are known as 'Core Cities' and can provide further additional services. The 20 'Designated Cities' each have populations above 700,000 (as well as density requirements and 'regional' status) and carry out most services within their jurisdiction rather than under the prefectural government. They are further required to subdivide themselves into 'wards' in order to carry out basic functions such as resident registration and tax collection on a more local level. All such designations must be approved by the Cabinet of Japan following an application by the relevant municipality and prefecture. Tokyo is today unique within Japan as a *metropolis* ('to') rather than prefecture or city level government, with Tokyo Metropolitan Government (headed by a Governor, rather than Mayor) sitting above 23 'Special Wards' in the centre and a further 26 cities, five towns and eight villages in the periphery.

Historically, the Designated Cities owe their origins to the creation of the first local authorities in 1898 in the then principal regional cities outside of Tokyo – Osaka, Kyoto, Nagoya and Kobe. A 1956 amendment to the LAL allowed these cities (as well as Yokohama) in Japan to receive this Designated City status for the first time, with further cities approved by the Cabinet over the decades up to the 20 as of 2013. The Core and Special City designations were created under the 1995 DPL process to recognise the growing importance of the second-tier cities by awarding them an intermediate degree of enhanced autonomy. Some larger Japanese cities, most notably Osaka and Nagoya, have recently expressed their desire to become 'metropolises' themselves through merging the prefectural and city tiers, with a national law passed in 2012 to enable this following agreement among the tiers backed by a local referendum.

Japan's mayoral system

While Japanese mayors are directly elected for four-year terms with no term limits, most candidates prefer stand as independents and are then backed by local chapters of the main national parties. Foreign nationals cannot vote in Japanese municipal elections and all candidates must be 25 years or older (voters must be aged 20 or older). Mayors can be subject to recall through residents' petition, provided basic thresholds are met. City mayors are also assisted in their duties by vice mayors, though any appointment must then be ratified by the city assembly, and in some cases mayors have requested vice mayors be seconded from central government to assist them in policy coordination.

Japan's mayors are represented by the Japan Association of City Mayors, founded in 1898. The association is one of the six local government associations of Japan, which are represented outside of Japan in countries such as the US, UK and China by the Council of Local Authorities for International Relations (CLAIR), founded in 1988.

The latest chapter in the on-going decentralization of Japan is the creation in 2011 of the 'Forum for Consultation Between National and Regional Governments', a statutory joint body, where bargaining can take place around proposed national reforms (including subsidy cuts or new burdens) and the standpoints of local government are fed into the parliamentary process. For example, local government succeeded in making central government recognise its role in social welfare services in the social welfare and tax reforms which will start from April 2014. After extensive deliberation through the forum, they achieved a share of 1.54% (¥4tr per year) of the 5% hike of consumption tax (VAT, which would finally be 10% in total from October 2015) in the form of local consumption tax (1.2%) and local allocation tax (0.34%).

Municipal finance

The total size of Japan's public sector represents roughly 15% of GDP (aside from social security funds, which consists of a further 8%), with 74% of this total spend delivered by local government (11% of GDP). This scale of service delivery at the local level is largely unseen elsewhere in the world, except perhaps Canada or Germany.

However, while local government enjoys responsibility for delivery of sub-national public services, the policy framework is densely concentrated on blurred lines of accountability between ministries and subsidies to local areas. This model was largely unchallenged in the post-war era as national growth was predicated on ministry-led policy planning and industrial strategy, with local government relied upon as extended family of the central state as its delivery arm, and local autonomy regarded as less crucial than national standards applied across all 47 prefectures.

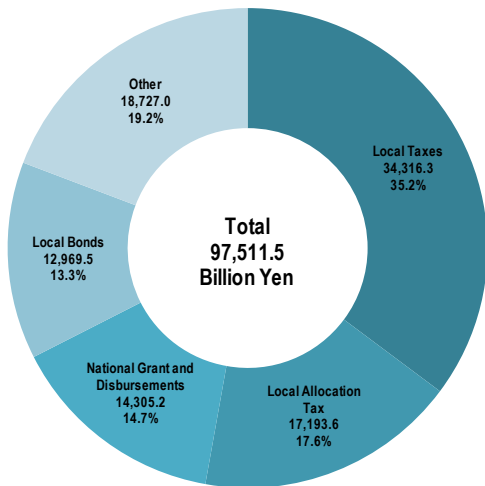
Since 1995 however, economic stagnation, the demographic challenge and globalization have all seen the institutional consensus shattered in favour of an emerging approach more centred on decentralization and regional autonomy. Even so, compared to the UK, the suite of taxes Japanese local authorities levy is expansive enough finance this significant balance of funding away from the centre. While the prefectural tier levies taxes on local consumption (VAT), tobacco sales, business, vehicles (sales and excise duty), fuel (light oil delivery), property sales and residents' income, the municipalities can also draw on taxes against tobacco sales, local development, property assets and local residents' income. In total there are 25 different local taxes, as well as specific city ordinance-created local taxes (either ordinary or earmarked) leviable by local authorities.

Also, the financing of local government is also assisted by the local allocation tax, which redistributes a certain part of national tax revenue to assure the services by local authorities and equitably bridges the tax gap between regions, acting as non-ringfenced general grant, though the total amount is solely determined by central government. Japanese local governments also have the facility to issue local bonds, subject to consultation with the Ministry of Internal Affairs and Communications (prefectures) or the respective prefectural governor (municipalities).

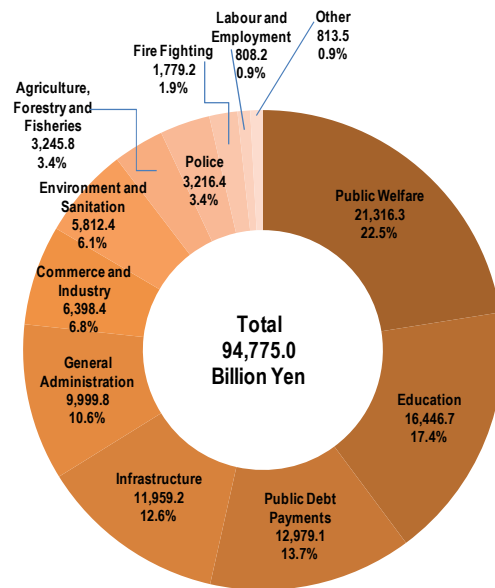
See www.jlgc.org.uk for more on Japan's cities and regions

Financial Structure of Japanese Local Government (FY2010)

Total Revenue

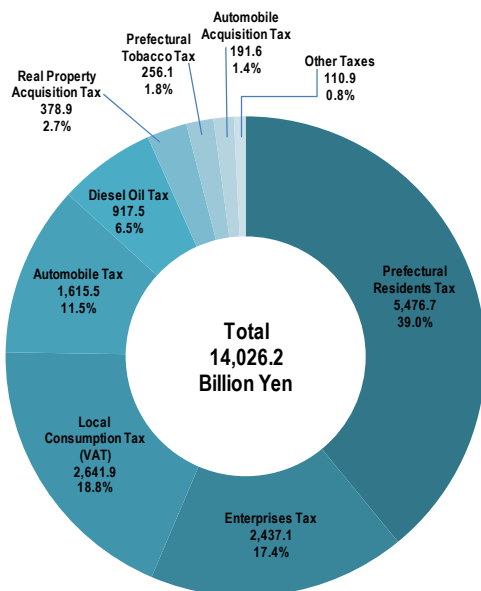


Total Expenditure

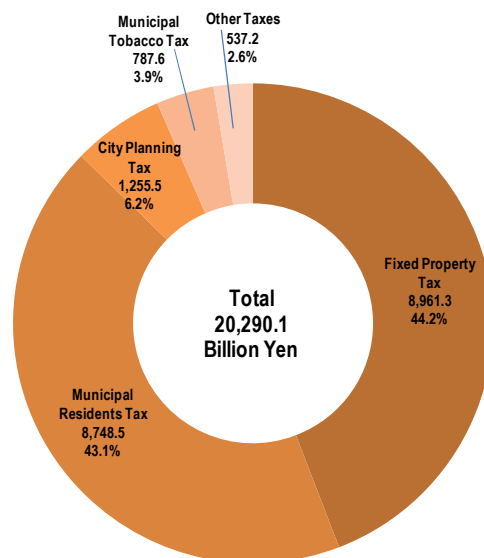


Local Tax Revenue Composition (FY2010)

Prefectural Taxes



Municipal Taxes



Unit: billion yen (1GBP=160Yen as of Nov 2013)

Source: 2010 settlement on Whitepaper on Local Public Finance 2012, Ministry of Internal Affairs and Communications (http://www.soumu.go.jp/iken/zaisei/24data/chihouzaisei_2012_en.pdf)

Case studies

1. Yokohama – political leadership around demographic challenges

Having set a tough goal of zero waiting lists for childcare just three years ago, Yokohama (pop. 3.7m) mayor Fumiko Hayashi was able to declare her target achieved this April. Three years ago however, just one year into Hayashi's first term as mayor, the waiting list for childcare places stood at 1,550, Japan's highest.

City officials worked with the private sector to ensure the construction of more day-care centres – even where this has not been possible, 'pop-up' receptions near train stations can receive children from parents before they are transported to an available centre. The city also worked with the private sector to increase in-house company provision at key companies such as Nissan, with a day-care centre even in its global headquarters. As a former Nissan executive herself, Hayashi's determined political leadership on the issue has been seen as derived from her own experience.

The Yokohama model has been hailed by Japanese prime minister Shinzo Abe as a beacon for other cities to emulate and is keenly awaited in urban centres where women are most in demand for labour force participation, not least as Japan's falling birth-rate and associated demographic challenges mean that a more flexible approach at the local level could have national significance.

2. Hamamatsu – using autonomy to innovate for social integration and growth

Hamamatsu became a designated city in 2007, following a 2005 merger which saw it incorporate 11 other surrounding municipalities to create a new city of 821,000 residents, 3.1% of which are foreign-born (compared to the national average of 1.7%). Hamamatsu's post-war growth was defined by the presence of key industries for which it has become famed, such as for the manufacture of motorcycles (Yamaha and Suzuki are both headquartered in the city), musical instruments and textiles, which saw higher labour demands and simultaneously increased the presence of large Brazilian and Peruvian-born Japanese descendants.

Since the 1990s, several mayors have pursued policies aimed at promoting co-existence in the city, through a more welcoming and intercultural basis for city services in what remains a largely monocultural society. In doing so, Hamamatsu is regarded as having used its constitutional autonomy as a city to pursue innovative policies aimed at better integrating foreign-born residents that not only go beyond national policy but encourage central government to go further themselves.

Hamamatsu mayors Yasuyuki Kitawaki (1999-2007) and Yasutomo Suzuki (since 2007) have pursued policies with vigour in the belief that foreign-born residents should not be seen as temporary guest-workers but as having long term aspirations to reside in the city, with the city's response being to modify local policies to mitigate against national restrictions on non-Japanese citizens. While non-Japanese citizens cannot vote in local elections, a Foreign Residents' Council allows for dialogue and input into the city policy, while the Hamamatsu Foreign Resident Study Support Centre encourages the teaching of both Japanese and Portuguese (for local residents working with the communities).

Hamamatsu's lead in this area has been recognised nationally and globally, founding the Council of Municipalities with a Large Migrant Population of Japan in 2000 and also hosting the Council of Europe's Asia-Europe Intercultural Cities Summit in 2012.

3. Kitakyushu – a green growth model city

One of Fukuoka prefecture's two megacities, Kitakyushu (pop. 983,000) was infamous as one of the most polluted industrial cities in Japan. But now the city is famous as one of the most green and innovative cities driven by a declared aim to be the 'World Capital of Sustainable Development'. Bold ambitions require bold actions however, and the previously heavily industrialized cityscape's transition 'from grey city to green city' has been accompanied by a rapid wave of initiatives and projects to embed both its sustainability and global image, beginning with its presence at the 1992 UN Rio Summit (as one of 12 cities chosen to showcase their environmental programmes) to being chosen in 2011 by the OECD as its first 'green growth model city' in Asia.

The strong political lead given by the city's mayor Kenji Kitahashi (elected 2007) in realising these initiatives builds on earlier work in the 1990s under mayor Koichi Sueyoshi (1987-2007), such as the Kitakyushu Eco-Town Programme (the first in Japan) to implement specific projects such as the recycling of electric appliances, automobiles, plastic bottles and other recyclable wastes, mainly in the Hibikinada district in the north-western part of the city. Furthermore, many facilities conducting research and development on the most advanced waste disposal and recycling technologies, with the cooperation of enterprises and universities, are located in this area; this effort is expected to generate new environment-related industries. In addition, the city is also advancing the programme through a wide range of efforts, including implementation of the 'Policy of Kitakyushu Industrial Eco Complex' to recycle resources and energies and generate new industries as city-wide activities, through the use of industrial infrastructures in the city and the promotion of environmentally conscious activities in all of the city's business activities.

To further its twin ambitions of becoming 'World Capital of Sustainable Development' and 'Technology capital of Asia', Kitakyushu inaugurated its EcoModel City project (as approved by the Japanese government in July 2008). In addition to knowledge transfer of the city's experience in fighting pollution and best practices accumulated through the implementation of the project, it aims to reduce CO₂ emissions city-wide by 50% and throughout Asia by 150% from 2005 levels by the end of 2050. As part of efforts to achieve these goals, the city has established the Kitakyushu Asian Centre for Low Carbon Society, to act as a core facility dedicated to vitalization of local economies through a commitment to carbon reduction projects in Asian societies.

4. Sendai – a city brand leader

Sendai (pop. 1m) in the Tohoku region of Japan was one of several cities to hit the headlines in 2011 during the 3/11 earthquake and tsunami, the city's coastal areas particularly hit by the tsunami itself. Since then, efforts by the city have focused on recovery, particularly promoting itself as a visitor destination. However, Sendai's promotion efforts did not solely follow the tragic events of 3/11 themselves, but have their origins in a carefully worked-up city brand campaign, one of Japan's first.

Using its 'green' place identity, Sendai has long used the city's natural assets as the basis for local development, starting with the 1962's 'Healthy City Declaration' by the municipal government aimed at addressing citizen concerns about the state of the local environment following post-war industrialization and urbanization, inevitably accompanied by pollution and sprawl. Following the central government's designation of Sendai as one of several national 'new industrial cities' aimed at encouraging national growth, local residents began to carefully consider how best to align development policies with an urban character that remained true to the city's pre-war existence as a castle town.

In 1973 the Sendai Developer Committee, associated with the local chamber of commerce, inaugurated the 'City of Trees' plan as a collaborative effort between different tiers of government, local business and academics, based around a shared vision driven by public consultation. The emergence of the 'City of Trees' concept can now be viewed as a 'counter-narrative' owned by the city itself against the more monolithic output-centred policies pursued by national government, one more in keeping with Japanese cultural values of nature and beauty. The plan later became embedded in city policies and projects, and lent itself towards providing local assets in the form of shade and greenery, with tree-lined central precincts retaining their commercial vitality among residents and stimulating the visitor economy also.

Equally, the 'City of Trees' is an all too uncommon example of a city slogan which can be immediately visualised by all, rather than rely on abstract notions, based around a shared vision which has influenced all future development in the city, avoiding some of the more negative facets of urbanization in Japan. As a slogan and embedded concept, the level of distinctiveness communicated by the 'City of Trees' has seen the city retain a competitive edge as being within two hours reach of Tokyo (300km) via its Shinkansen line station.