

**Study on Interrelationships between Urban Policies and Employment
Policies
Summary**

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2. Study Period

Fiscal year 2005

3. Objectives of Study

In the present century, more than half of population lives in urban areas as urbanization evolves on a global scale. Japan is facing with “urbanization era”, in which two-thirds of population lives and works in urban areas. Economic development for 60

years after the World War II has realized rich and highly-educated society where half of younger generations enter university.

The urbanization process has evoked creation of world-class urban functions through voluntary activities. In an 80-year life-span, people are required to pursue adequate jobs at their each life stage for their high educational background. Accumulation of personal careers will play an important role to help to create knowledge-based economy and society. Urban activities will build urban functions to cultivate productivity and cultural activities, and at the same time expose various urban problems inherent to urbanization such as employment issues. We need urban policy focusing employment and labor policy closely-intertwining with urban policy.

The past urban policies gave their priorities on infrastructure development and land use. Although a viewpoint of urban activities is recognized as an important and fundamental issue in urban labor policies, cross-sectoral policies have rarely yet been seen. Since employment and human capital is one of the most important elements in urban functions, urban policies should be developed into a new stage, where job creation is positioned as an effective policy instrument for regional revitalization and sustainable economic development and the primary role is conducting comprehensive strategies. At the same time, labor policies should address new labor problems, such as regional disparity of employment, unemployment, and low wages due to economic fluctuation of regional industries. In Japan, interrelations between urban policies and labor policies are now required to shift Japanese society to knowledge-based economy and society.

This study is trying to clarify interrelations between urban policies and employment policies. Focusing on Tokyo whose urbanization has been most developed; we analyze various phenomena in urban areas concerning employment and present strategic challenges of urban employment policies applicable to all regions across Japan.

4. Main findings

(1) Functions of Tokyo in the 21st century

A. Urbanization Era

Japan has come into an “urbanization era”; in other words, an era for knowledge-based economy and society through IT under globalization, of lower migration, of diversified culture and lifestyles in urban areas, or the era of linkage of urban networks. In the 21st century, Japanese people pursue daily life with high quality and working life with desired jobs. This means that Japan has come into a period where everybody is pursuing his most basic rights, which a strategic hundred-year ground

design should address.

Urban employment policy in the 21st century should seek for a new framework linking both employment policy and urban policy. In establishing such a new framework, it will be more important to expand an ability to design and implement policy to solve intricate urban problems in “learning process”.

(A) Evolution of urbanization and ways of life and work

a. Urbanization

Since the past half century, Japan has come through a country of poverty after World War II, over-population, a major economic power, and now experienced a falling birthrate and aging population. According to UN estimation, Japan will experience further population concentration in urban areas through an urbanization era. Traditional territorial policies might be replaced by urban policies focusing on evolution of urbanization. New studies on ways of life and work in urban areas should be analyzed from two policy aspects of larger cities and smaller cities.

b. Competition among cities

Looking at the above-mentioned situation from a different angle, full competition among Japanese cities on a nationwide scale in terms of ways of life and work have begun upon completion of infrastructure networks, such as “Shinkansen/ bullet train” (super express railways) and motorways, integrating four islands into one. Proper choices of lifestyles and jobs by every citizen will lead to improvement of productivity in Japanese entire society and contribute to further economic development.

There is a potential that rapid development of ICT industry and knowledge industry may transform Japan into a knowledge-based economy and society. These typical urban-type service industries are based on urban agglomeration. In addition, such industries can be further benefited from more urbanized agglomeration and larger cities can attract more competitive industries. Therefore, competition among cities is getting more severe in Japan, and confliction between winning cities and losing cities is becoming prominent.

Globalized economy will bring knowledge-based society with rapid ICT development and with free movement of goods, capital and labor, developing deeper economic activities. In this way, other major cities in the world may experience the same.

(B) Diversification of cities and urban employment

Further developed urban policies are essential for future economic development in diversified cities. Especially, the priority is to promote urban-type service industries

both in quality and in quantity in urban areas in Non-metropolitan Regions.¹ It is also required to clarify images of urban-type service industries by employment. As the mobility of Japanese people is lessening nowadays, promoting such service industries is expected to diminish regional disparities, such as unemployment.

In the period after the World War II, there were a number of larger cities besides Tokyo and Osaka, and each of these cities played roles in high-speed growth in Japanese economy. After the rapid growth, the economy has now come into a long period of stable (but lower) growth, in which only Tokyo Region and Nagoya are still expanding while other cities seem to lose their power. Entering into the 21st century, linkages among cities have come into a new stage in terms of highly urbanized functions.

Five-year cohort population growth from the previous term² using data from the Population Census (Preliminary Results) indicates that, in the period between 2000 and 2005, many younger people from all over the country flowed into and concentrated in larger cities in Metropolitan Regions, such as Tokyo Special Districts (23-ward special area). The data also shows that such younger people are tend to continue to stay in larger cities after completion of their education without going back to their home towns. Then, human resources for highly urbanized service industries, such as IT industry and finance industry are concentrated in larger cities. Their choices of working places have thus necessitated a structural change in larger cities and other areas in terms of high-level urban functions. This structural change will also accelerate migration into larger cities of people, who used to live in or go back to cities in Non-metropolitan Regions (mainly smaller or medium-sized cities). People aged 20's and 30's are expected to support regional development in Non-metropolitan Regions; however, they have migrated and continued to live in larger cities in Metropolitan Regions. Such migration pattern is very similar to the situation before the 1960s (see Charts 5-1 through 5-4) and may have been repeated now. In addition, although 503 cities³ increased their shares of population from 2000 to 2005, only 65 cities among them increased their

¹ Non-metropolitan Regions: all areas other than the three Metropolitan Regions (Tokyo Region, Nagoya Region and Kansai Region).

Tokyo Region: 4 prefectures of Saitama, Chiba, Tokyo and Kanagawa

Nagoya Region: 3 prefectures of Gifu, Aichi and Mie.

Kansai Region: 4 prefectures of Kyoto, Osaka, Hyogo and Nara.

² 5-year cohort population growth from the previous term is calculated by the population of each class of 5 years of age being compared to the corresponding cohort population of 5 years before, which represents an approximate idea of social increase of each cohort.

³ There are 2,217 cities in Japan as of October 1, 2005 (Each special ward of Tokyo is counted as one city).

population by more than 5,000. Among these 65 cities, 32 cities, i.e., about half of them, belong to Tokyo Region. No structure like this has been seen before 1955.

As to migration, the mobility rate tends to decline over a longer period of time. Nowadays, Japanese people do not move to different regions at each turning point of their lives, such as entrance to school, getting employed, marriage, retirement, etc. In other words, mobility decreases in the labor market. In the near future, the mobility is expected to decrease further in general due to synergy of decrease in younger population, whose mobility is relatively higher and rapid increase of aging population who seldom migrates. As Japanese economic society continues to target improvement of productivity, improvement in job quality is necessary, in not only Tokyo Region but also other Non-Metropolitan Regions. The younger generation, such as university graduates, who wishes to find jobs in rural areas, often finds difficulties in finding more attractive jobs and using their full capacities there. The current way of urbanization, which may expand employment disparity in terms of job quality between Tokyo Region and other Non-Metropolitan Regions, should be avoided. The ground design of urban employment policy for knowledge-based economy and society is expected to tackle severer competition among cities. Such policy will require a variety of cities in Non-Metropolitan Regions with potential employment in urban-type service industries exists, which may attract younger generation. Through implementation of such policy, new regional culture may be fostered.

(C) Interrelations of urban networks

Along with development of global economy and knowledge-based society, everybody will pursue better quality of life, which will be offered through urban networks. Responding a demand of urban employment policy in line with urbanization progress, innovation may generate new activities, which are completely different from the current ones. In this way, three vectors, which are from Tokyo to Nagoya, from Tokyo to Niigata and from Tokyo to Sendai, may create, through their superiority of existing traffic and information networks, new world-class urban functions and networks, between Tokyo Region and existing core cities in Non-Metropolitan Regions. This may help form a new civilization or what is called a larger Tokyo area. This also means that relationships between cities and people may change from in terms of employment. The Chapter 4 in the Report analyzes vigorous employment environment between Tokyo Region and “Tokai 2 Region”⁴, which can be an exemplar of a new larger city theory and followed by

⁴ Tokai 2 Region: 3 prefectures of Gifu, Shizuoka and Aichi.

one of the above mentioned three vectors. A new network of a group of smaller cities in the medium-sized in rural areas between Tokyo and Niigata may be created with their healthy characteristics. The areas between Tokyo and Sendai may also be expected to create a new urban network with their rich culture. The creation of these urban networks can be assured by the successful accumulation of a comprehensive living environment including daily life and working life. The urban employment policy should play a greater role especially in this process.

Assuming that urbanization is a process over a long period of time, urban networks formed by a variety of cities consisting of a number of bigger and smaller ones will build up the 21st century's civilization. As a result of this process, Japan will have agglomeration of economies, societies, culture and information through networking of regions and cities, which will suit the matured society without excessive dependence on Tokyo and the formulation of a knowledge-economic society. Urban policy should stand on this direction and aim to increase employment and establish higher value-added industry.

Among diversified cities, relatively larger cities should play an important role in creating a virtuous circle: promoting various urban-type industries may multiply employment opportunities. Viewed from a different angle, such urban-type industries can be information-related industries. Relatively smaller cities might adopt their urban employment policy opposite from that of larger cities. In the 21st century people may tend to choose to live and work in such smaller cities, focusing on favorable environment not available in larger cities and matured citizenship in the process of urbanization.

B. Urban policies and employment policies addressing regional disparities in employment

Employment disparities among cities have become clearer due to urban networks and competition of cities. Employment policy coordinated with urban policy should be completely different from traditional one for manufacturing and related industries. New employment policy should emphasize diversity of employment so that everybody can find his/her proper job according to his/her specialties.

Recognizing cities in Non-metropolitan Regions positively as “bases for job creation”, those cities should offer diversified options in Non-metropolitan Regions, which create a number of employment opportunities in urban-type service industries and attract younger generations. In this process, urban employment policy should be implemented so as to reform existing social economic structures in Non-metropolitan Regions which have widened gaps of productivity between that of Tokyo, as is represented by

information-related industries. Metabolizing cities in Non-metropolitan Regions is one of the most urgent and important policy challenges to create employment.

In this context, employment policy and urban policy should be designed and implemented as an integrated policy, which will give a solution to regional employment disparity.

(2) Issues for discussion

This section outlines contents of Chapters 2 through 7 of the Report. Chapter 2 introduces the latest development of territorial policies in OECD member countries and analyzes their trends of enhancement of competitiveness and governance, which Japan can learn from. Chapter 3 explains a necessity of a regional revitalization vision aiming at fostering human resources through coordination between employment policy and territorial policy. It also points out insufficient regional statistical data, especially for small regional units to analyze regional employment policies. Chapter 4 analyzes relationships between Japanese geographical structure and labor market, particularly on (i) regional migration, especially between Tokyo Region and other regions, (ii) unemployment, and (iii) non-labor force. It recommends labor policy to strengthen urban-type service industries along with territorial policy and industry policy. The Chapter 5 addresses information-related industries for vitalizing regions. It also presents a direction for developing information-related industries and urban structure of Tokyo Region coping with globalization of economy and networks between the 3 Metropolitan Regions (Tokyo, Nagoya and Kansai Regions) and other Non-metropolitan Regions. The Chapter 6 analyzes progressive polarization and states that a comprehensive approach is necessary by strengthening systems linking employment policy, educational policy and urban policy. Chapter 7 introduces urban employment in Tokyo as basic materials for this report.

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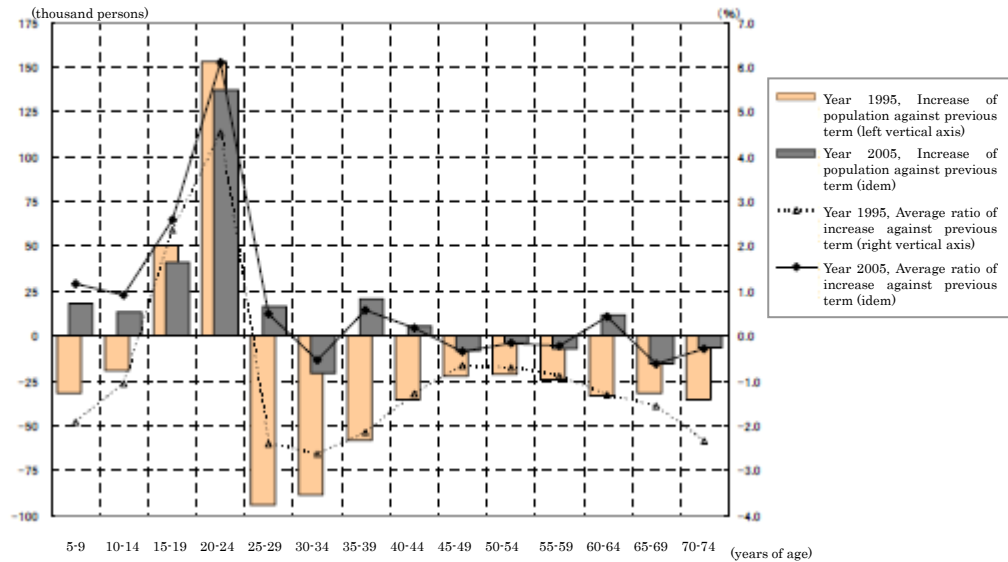
Chapter 5 Trends and Challenges in Regional Employment and Industrial
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5. Selected Figure

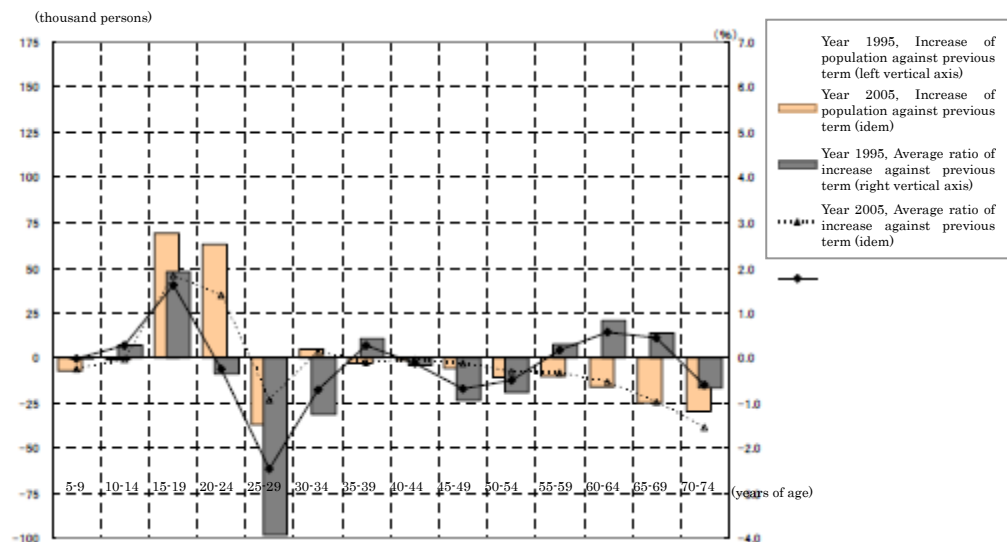
Chart 5-1: 5-year cohort population growth from the previous term (Tokyo Special Districts (23-wards), total)



Source: Ministry of Internal Affairs and Communications "Population Census Report" 2005 (Preliminary Results)

Note: 5-years cohort population growth from the previous term means comparison of population of each class of 5 years of age with the corresponding cohort population of 5 years before (unit: thousand people).
 Average ratio of increase of cohort population against previous term = fifth root of ((increase of cohort population of an age class against previous term / corresponding cohort population of the corresponding age class) + 1) - 1 (unit: %).
 The bar chart shows changes from 1990 to 1995 and the period from 2000 to 2005.

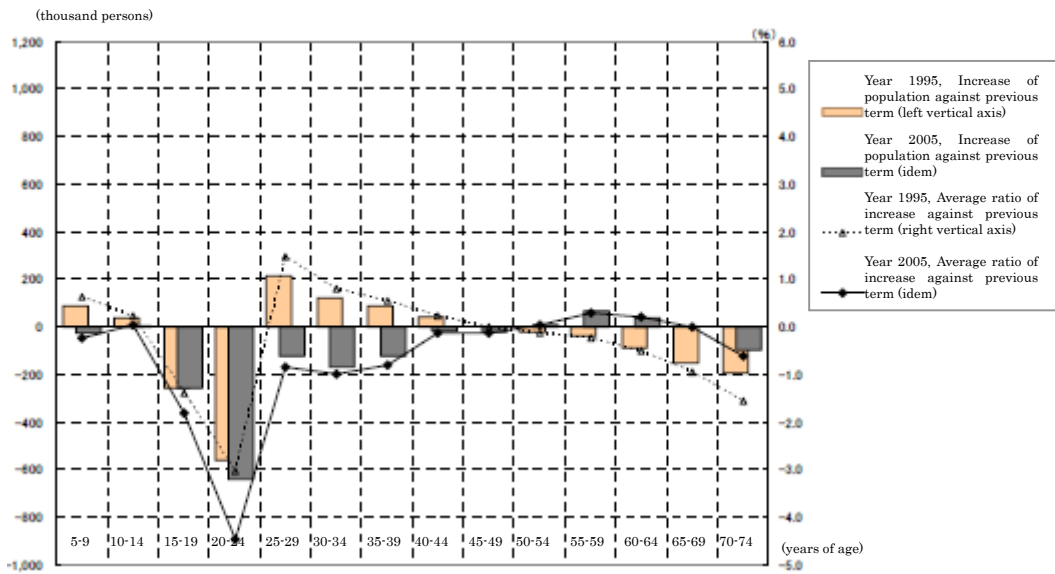
Chart 5-2: 5-year cohort population growth from the previous term (larger cities in Non-metropolitan Regions, total)



Source: Ministry of Internal Affairs and Communications "Population Census Report" 2005 (Preliminary Results)

Note: Large cities in Non-metropolitan Regions: cities with a population of more than 500,000, i.e. 12 cities of Sapporo, Sendai, Niigata, Shizuoka, Hamamatsu, Okayama, Hiroshima, Matsuyama, Kita-Kyushu, Fukuoka, Kumamoto and Kagoshima as of 1st October 2005.
 Non-metropolitan Regions = All Japanese regions - the 3 Metropolitan Regions (Tokyo, Nagoya and Kansai Regions).
 The bar chart shows changes from 1990 to 1995 and from 2000 to 2005.
 The terms definitions are the same as in Charts 5-1.

Chart 5-3: 5-year cohort population growth from the previous term (smaller and medium-sized cities in Non-metropolitan Regions, total)

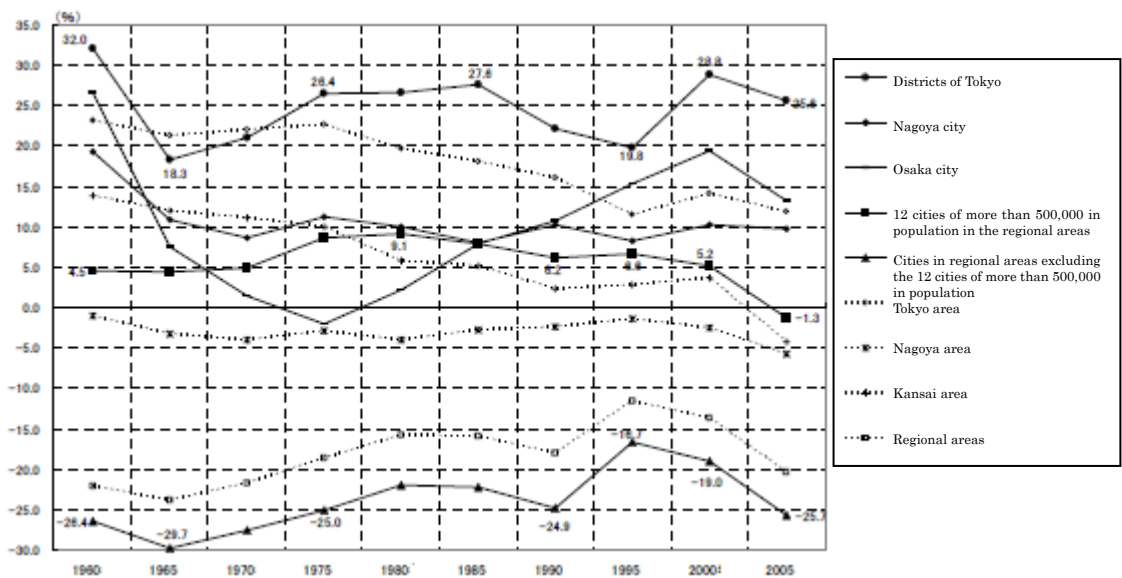


Source: Ministry of Internal Affairs and Communications "Population Census Report" 2005 (Preliminary Results)

Note: Small and medium-size cities in Non-metropolitan Regions: areas excluding the 12 cities of more than 500,000 in population in the Chart 5-2.

The bar chart shows changes from 1990 to 1995 and from 2000 to 2005. The term definitions are the same as in Charts 5-1 and 5-2.

Chart 5-4: Share of 20-24-aged population of ages between 20 and 24 against increase of cohort population against previous term (total)



Source: Ministry of Internal Affairs and Communications "Population Census Report" 2005 (Preliminary Results)

Note: Ratio of population = (increase in the year of cohort population of ages between 20 and 24 against previous term / total population of ages between 20 and 24 in the same year) x 100 (unit: %)

The bar chart shows changes of ratio between 1960 and 2005. The term definitions are the same as in the Charts 5-1.