

Japan

Key facts and issues

Japan is a unitary country with a population of 126.8 million. Subnational governments are responsible for 40% of public expenditures, ranking Japan the 13th most decentralised country in the OECD. It is one of the most urbanised countries in the OECD, as 57% of its population live in predominantly urban areas. Tokyo alone was responsible for 40% of the country's GDP growth between 2000 and 2013.

At nearly USD 37 400, Japan's GDP per capita is 9% below the OECD average. Regional disparities, measured by the Gini index for TL3 regions, are among the lowest in the OECD. The gap narrowed after the crisis, as poorer regions outperformed richer regions in terms of GDP per capita growth. Except for the gender gap in labour force participation, other indicators such as GDP per worker, educational attainment, disposable household income, life expectancy and the unemployment rate all experienced a reduction in inter-regional gaps. Japan has a strong employment performance: its average unemployment rate is half the OECD average and its worst performing region still performs better than the OECD average. However, ageing is a challenge for Japan. The share of the population 65 years or older is the highest in the OECD at almost 30%; with some regions ageing faster than others. The elderly dependency rate is the highest in the OECD. Rural areas in particular are affected by ageing, as the dependency rate is over 50%, against around 40% in urban regions.

Japan: regional, urban and rural development policies

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	National Spatial Strategy (National Plan and Regional Plans) (10 year period), based on National Spatial Planning Act (1950, largely revised in 2005)	Demographic change is high on the agenda, as well as infrastructure, sustainability, competitiveness, innovation and resilience	Ministry of Land, Infrastructure, Transport and Tourism
Urban	City Planning Act (1968) Urban Renaissance Special Measures Law (2014)	Resilience is high on the agenda, as well as a "systems of cities" approach and governance improvements to make the National Spatial Strategy work	Ministry of Land, Infrastructure, Transport and Tourism
Rural	The Basic Policies for Food, Agriculture, and Rural Areas (5 year period) based on the Basic Law on Food, Agriculture and Rural Areas (Act No.106, 1999) ²	Heritage, environmental protection, tourism, agricultural production and innovation, as well as tackling population shocks are high on the agenda, notably for rural-urban demographic patterns	Ministry of Agriculture, Forestry and Fisheries

General policy approach

The National Spatial Strategy (NSS) National Plan is the comprehensive and long-term strategy on regional development, which has been adopted by the government. It was followed by an intensive exercise in inter-ministerial co-ordination and consultations under the aegis of the National Land Council, which brings together parliamentarians, academic experts, representatives of the private sector, elected officials from the cities and regions, and others. Numerous other national laws reference the National Spatial Strategy, stipulating that their provisions must be implemented in harmony with the National Spatial Strategy. Many other key plans on regional development in both urban and rural areas drawn up by ministries and other bodies are to be coherent with the National Spatial Strategy. On the basis of the National Plan, the central government and the relevant prefectural governments work together to formulate Regional Plans for eight broad regions defined in the legislation. The NSS adopted in 2015 focuses on issues of depopulation and regional revitalisation, as well as disaster resilience and environmental sustainability. The new plan also places particular emphasis on competitiveness and innovation.

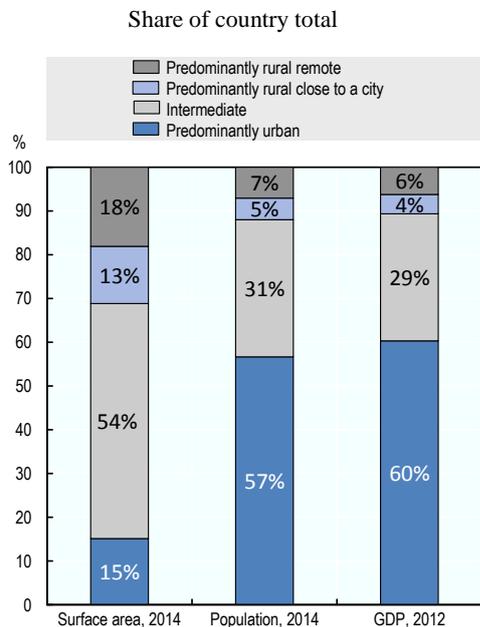
Recent policy changes

- At the top of Japan's agenda is managing demographic changes for the next 30 years, which comes with a necessary adaptation of the size and distribution of infrastructure, and an emphasis on networks of cities and places. Following the Great Earthquake of 2011, disaster resilience has also been prioritised by the government and steps have been taken in that direction.
- Governance changes also emphasise a network approach to regional policies and a common framework for national ministries.
- The main addition is to emphasise a systems of cities as part of regional policies, building on connections and complementarities, specifically between large metropolises and lower tier cities as a potential for the economy.
- Rural policies are set around three main objectives: facing demographic challenges, ensuring thriving yet sustainable rural economies and preserving heritage, also considering the specific challenges of hilly or mountainous rural areas.

Japan: Main regional, urban and rural development policy tools

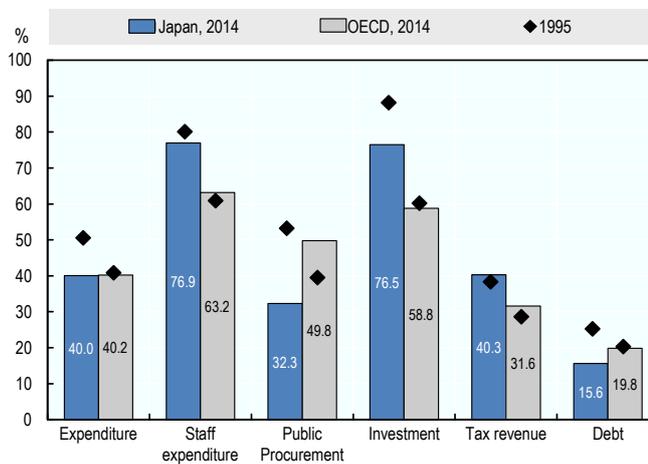
Policy Instrument	✓	Examples
Transport Infrastructure investments and systems of cities	✓	The "National Infrastructure Plan" aims to set priorities of infrastructure investment including transport infrastructure. The main challenges are to adapt the transportation system to the population changes and to depopulation. Also, coping with aging infrastructure is high on the agenda. The government is committed to stable and continuous infrastructure investment, targeted on improving the use of existing rather than new infrastructure
Other Infrastructure investments	✓	The "National Infrastructure Plan" also aims to set priorities of other infrastructure investments, such as public services and health to fulfil objectives of resilience as well as coping with ageing and depopulation
Service delivery (subsidies for public services)	✓	Compact cities (urban areas) and Small stations (rural areas) initiatives aim to ensure the effective and efficient service delivery in the wake of ageing and depopulation threats
Business development/ innovation support	✓	<i>Regional:</i> Regional innovation strategy promotion areas aim at fostering innovation networks by ensuring smooth co-ordination between all stakeholders and streamlining policy
Urban renewal	✓	The Urban Renaissance Special Measures Law (2002) aims to enhance urban functions and improve the living environment, notably through disaster risk mitigation and resiliency initiatives
Urban form and land use	✓	The National Land Use Planning Act (1974) and National Land Use Plan aim to provide concepts for land use, goals for land use by category and by region and an outline of measures, working as comprehensive and fundamental plans for land use. It is designed to protect and develop different types of spaces
Sustainability policies		
Rural-urban linkages	✓	The Basic Plan on Food, Agriculture, and Rural Areas and the Basic Plan for Tourism Promotion aims to encourage exchanges among rural and urban areas
Clusters/technology platforms/ centres of expertise	✓	Regional innovation policy also aims to build capacities for research institutions and other actors, e.g. through the Regional Innovation Strategy Promoting Regions programme
Special economic zones	✓	National Strategic Special Zones aim to promote economic development in the regions through business-oriented regulatory frameworks and tax incentives
Rural landscape preservation	✓	The Basic Plan on Food, Agriculture, and Rural Areas aims to preserve rural landscape and underline the importance of multi-functionality of rural areas
Skills/training programmes		
Capacity building for subnational governments		

Land, population and economy in rural and urban regions



Subnational government role in public finance

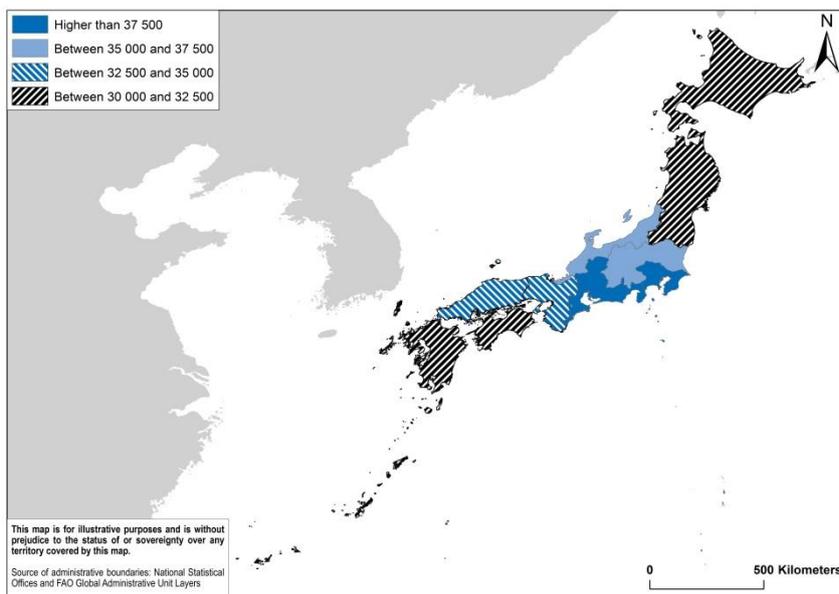
Share of general government



Number of subnational governments

Municipal level	Intermediary level	Regional or state level	Total
1 741		47	1 788

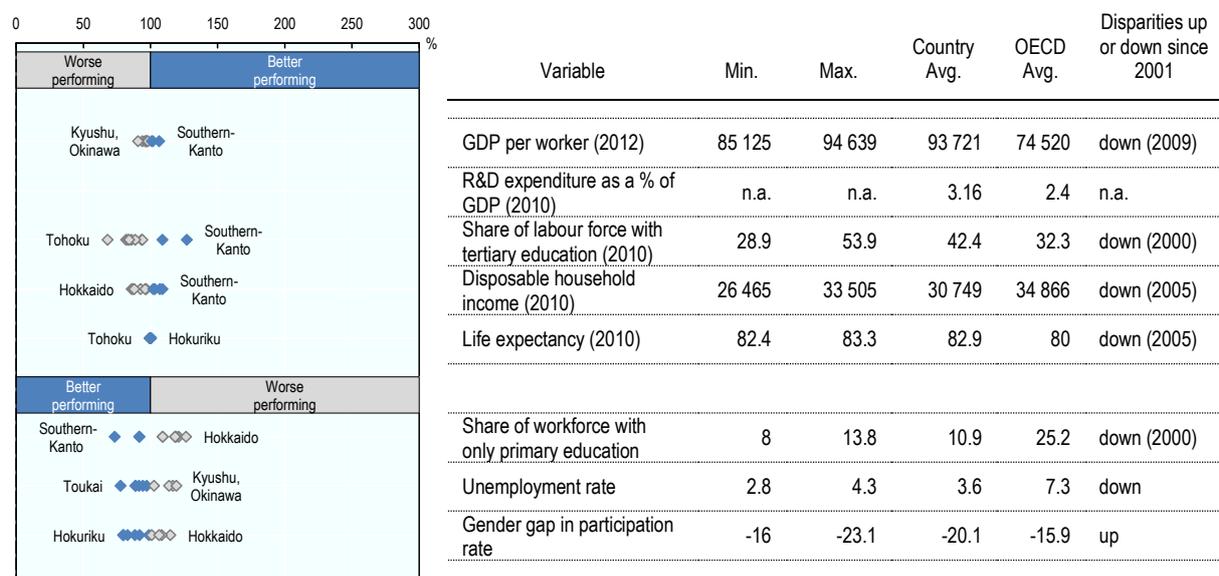
Regional differences in GDP per capita levels, 2012



Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

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Inter-regional disparities (as a % of the country average)

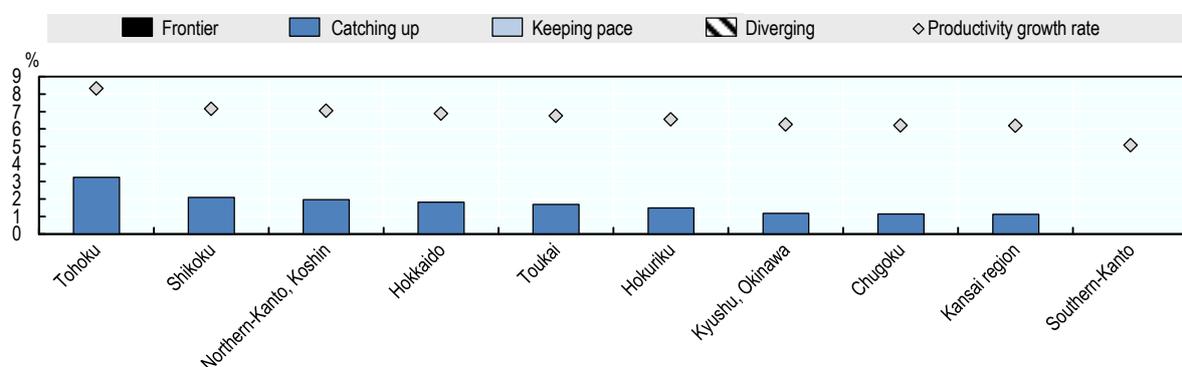


Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.

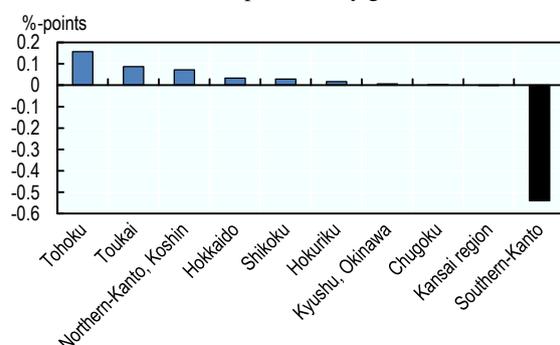
Productivity and catching-up trends among regions

Average annual labour productivity (GDP per worker) growth rate [diamonds] and deviation from the growth rate of the country's productivity frontier [bars], 2009-2012

See country page notes for classification of regions

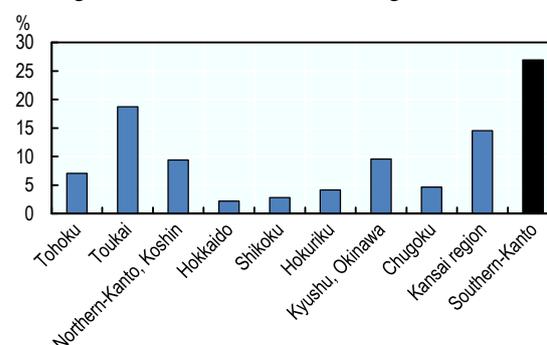


Contribution to labour productivity growth, 2009-12



Note: Difference between national labour productivity growth as calculated with and without the indicated region.

Percentage contribution to national GDP growth, 2009-12



Note: The contribution is the product of a region's GDP growth rate by its initial share of GDP.

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Country page notes

Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km ² grid cell population weighted average of satellite-based estimates of small particulate matter (PM _{2.5}).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016*, http://dx.doi.org/10.1787/reg_glance-2016-en.