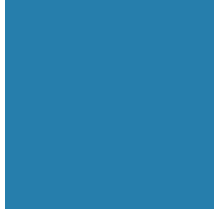


Regional Empowerment for Japan's Growth

Overcoming Population Decline and Revitalizing Local Economies:
Japan's Long-term Vision and Comprehensive Strategy



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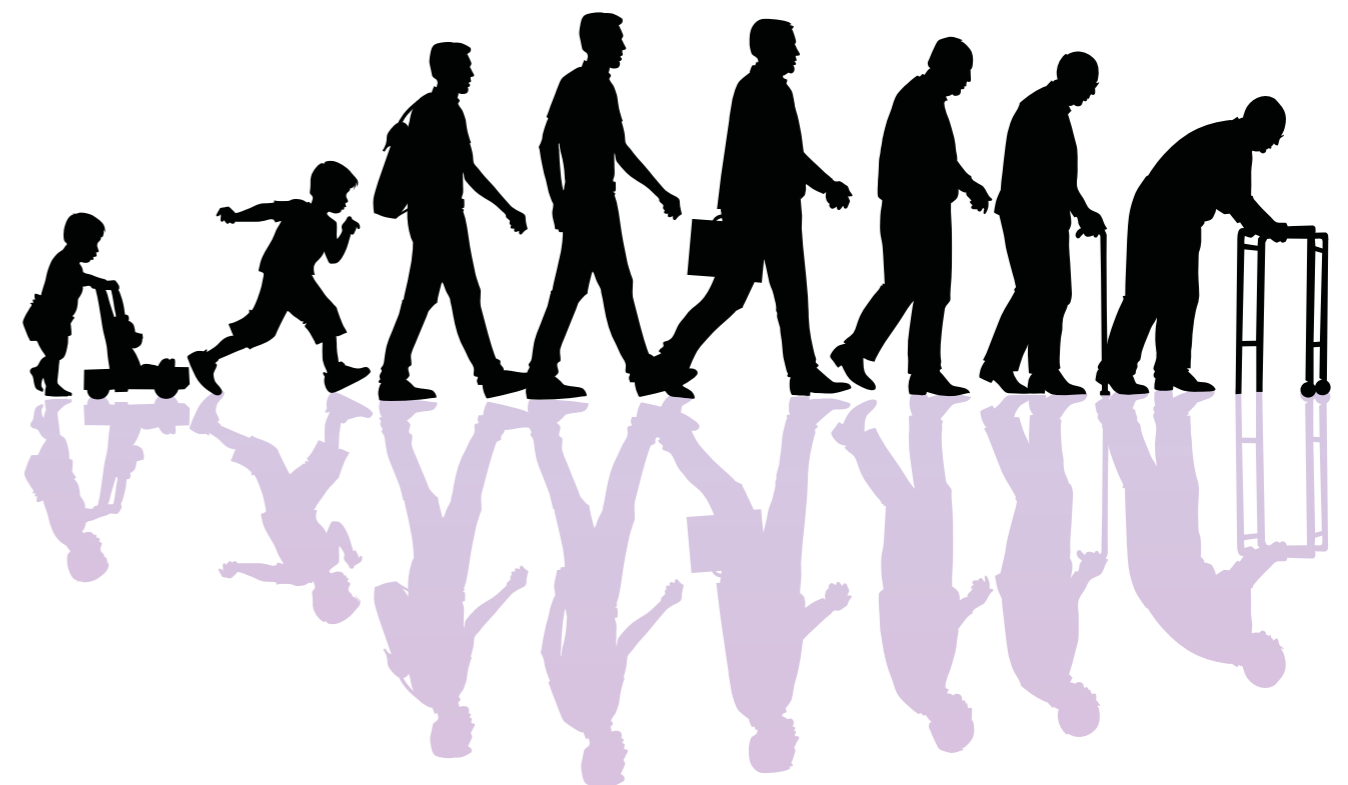
Japan is a frontrunner in overcoming new challenges for future generations

Japan is known as one of the world's super-aging societies and faces a rapid population decline. A decrease in consumption and manpower places a heavy burden on the Japanese economy. To counter this decline, and to maintain the population at 100 million by 2060, the Japanese government has designed a series of policies aimed at revitalizing the local economy, a key factor in overcoming population decline.

These policies are defined by two bills: the "Long-term Vision for Overcoming the Population Decline and Vitalizing Local Economy in Japan" and the

"Comprehensive Strategy", which were approved by the Cabinet in December 2014.

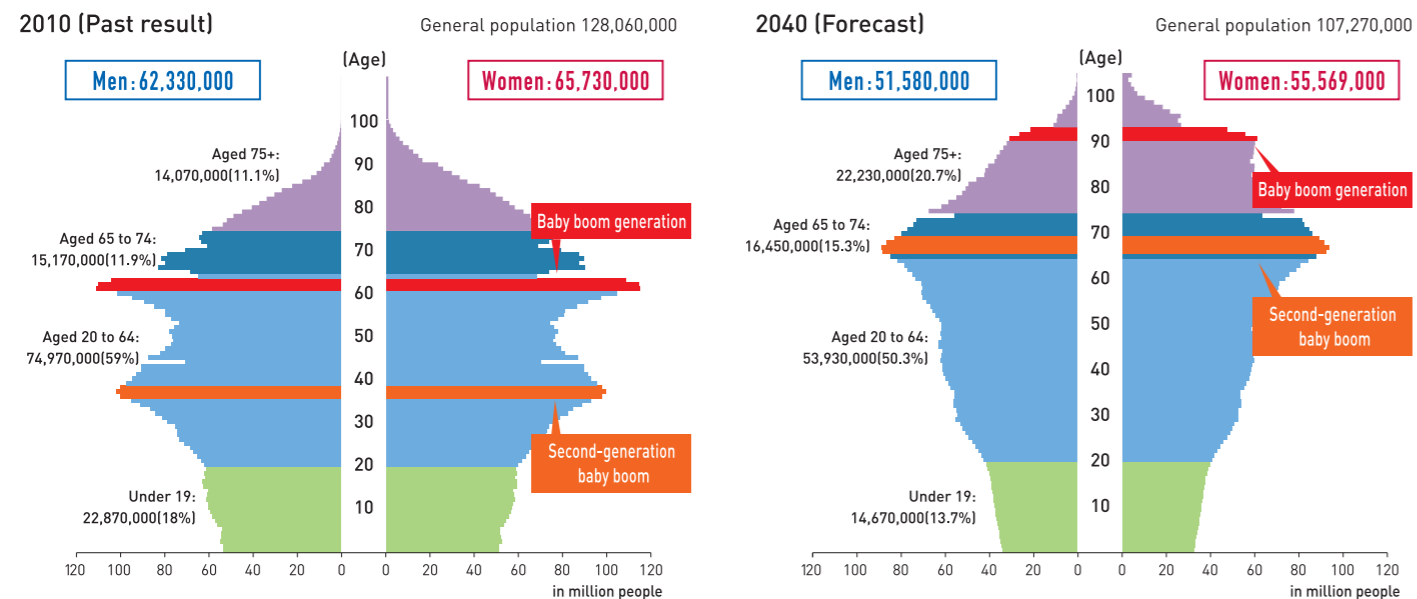
The revitalization of local economies is a key factor of the Growth Strategy, the third arrow of Abenomics. Stimulating the local economy will generate renewed interest in the regions and create a virtuous cycle between communities, people and work. Japan is one of the first countries to face such a rapid decline in its population, which directly impacts the economy. Tackling the problem head-on, Japan will set a global precedent in dealing with such issues that will soon affect other countries.



1. Current situation and challenges: Setting a global precedent in tackling the challenge of population decline

- The population decline that began in 2008 will accelerate.
- The resulting decline in consumption and economic strength will be a huge burden on Japan's economy and society.

Change in the Population Pyramid

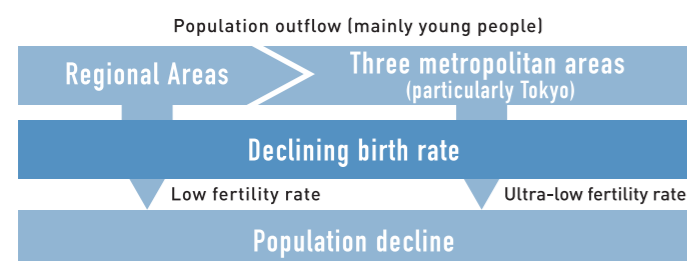


Sources: For 2010: "2010 National Census" / For 2040: "Population Projections for Japan (January 2012)" (Medium variant birth [death] projections)

Reasons behind the population decline

- The situation and causes of population decline differ by region.
- The Japanese population is declining because more young people are moving from rural to urban areas, and in urban areas the total fertility rate is generally lower. This generates a 'vicious cycle' in which the population in regional areas is declining, and

Population Movements



Source: "Strategies to Stop Birthrate Decline and Vitalize Local Areas", Japan Policy Council / Subcommittee on Depopulation Issues

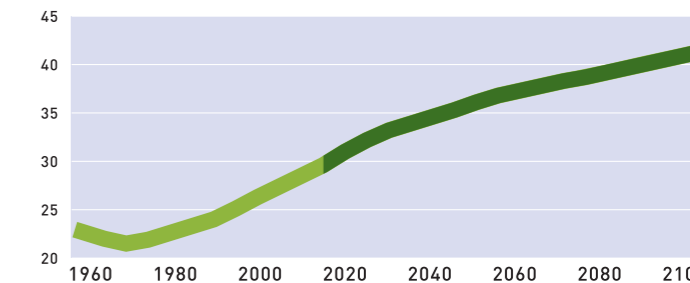
- therefore the population of Japan as a whole also declines.
- Regional divergences are particularly pronounced in Japan where the Greater Tokyo Area (which includes the Tokyo prefecture, as well as the neighboring prefectures of Kanagawa, Chiba and Saitama) accounts for 30% of the Japanese population. Creating greater balance between urban and non-urban areas is necessary to counter population decline.
- We will overcome population decline by rectifying the overconcentration of population in Tokyo, and fulfilling the hopes of the young generation for work, marriage and parenthood.
- Remedies which address the particular characteristics of each region are needed and will be defined in collaboration between national and local governments.

Japan's population decline compared to the world situation

Projections by the UN indicate that only populations in Africa will continue to grow, while Europe's population will begin declining in the 2020s. The populations of Asia and Latin America will then decline early in the second half of the century. In North America and Oceania, immigration could help keep the population number stable, but only just.

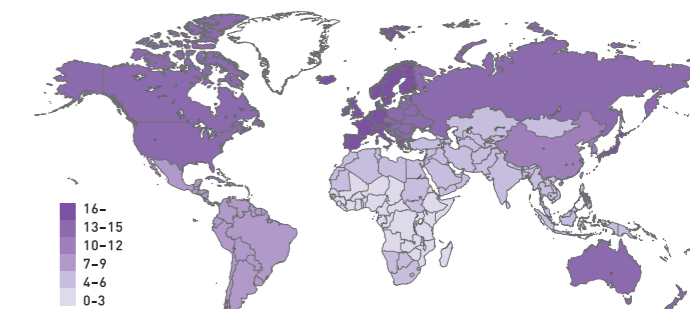
While we are getting fewer, we are also getting older. A threefold increase is expected in the world's over-65 population in the span of 45 years, up to 1.5 billion people will be 65 years old and older in 2050 according to the UN. The world population's median age was 29 in 2013, and is projected to be 41 in 2050. Japan is already facing such changes in its population. In 2013, Japan reached a median age of 45.9 years, and one out of four Japanese people were older than 65 – the highest such figures in the world. This represents a great challenge, and measures must be implemented to counter the negative effects of these demographic trends.

Median Age of the World's Population



Source: "World Population Prospects: The 2012 Revision," medium-variant projections (Population Division, Department of Economic and Social Affairs, United Nations)

The Over-65 Percentage of the Population in 2015 by Region



Source: "World Population Prospects: The 2012 Revision," medium-variant projections (UN Population Division)

Abenomics and Growth Strategy



After launching the first arrow and second arrows of Abenomics: monetary policy and flexible fiscal policy, Abenomics is now tackling the challenges of structural reforms, the third arrow of the program, as outlined in the "Japan Revitalization Strategy", which will implement the growth strategy.

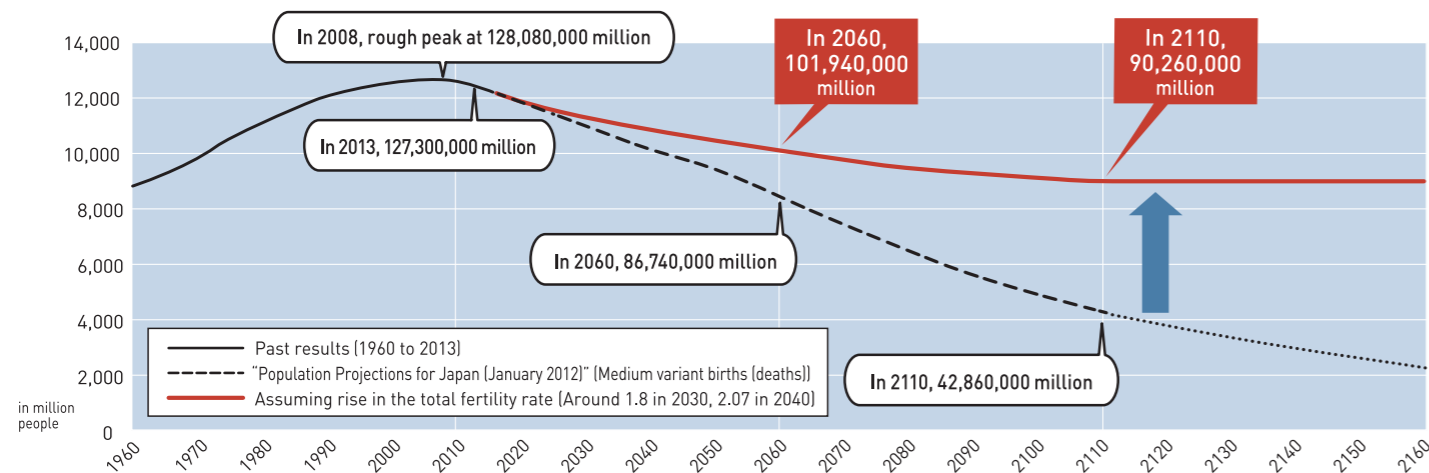
As mentioned in the "Japan Revitalization Strategy", regional revitalization is one of the pillars of the reform efforts of the Abe administration. This strategy announced the creation of a new headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan.

As regional revitalization is dependent on revitalizing regional populations, and the Japanese population as a whole, the Government is implementing a set of measures to tackle these demographic challenges.

2. The long-term vision for overcoming population decline and vitalizing local economy: Our goal for 2060

Our core objective is to stem the decline in the population, to maintain the population at 100 million in 2060. As the graph below shows, this will depend on the maintenance, and increase, of the total fertility rate. Otherwise, projections indicate a sharp decline in the population.

Changes in Japan's Population and Long-Term Outlook



Source: "Population Projections for Japan (January 2012)" (National Institute of Population and Social Security Research) (Medium variant births (deaths))

Basic understanding of the population issue

The era of population decline is approaching.

Basic viewpoints going forward

- The three basic viewpoints are: 1) Rectify the overconcentration in Tokyo; 2) Fulfill hopes of the young generation for work, marriage, and parenthood; 3) Resolve regional issues according to the specific characteristics of each locality.
- The government will make a concerted effort to realize the hopes of Japanese citizens.

Ambition for the future

Maintain a vibrant Japanese society into the future

- Realizing the hopes of the young generation will increase the total fertility rate from 1.43 to around 1.8.
- Stemming population decline will secure a population of around 100 million in 2060.
- The demographic structure will enter a period of rejuvenation.
- Achieving population stabilization, together with productivity increases, will allow Japan to maintain an annual real GDP growth rate of around 1.5%-2.0% in the 2050s.

Structure of Japanese society as a result of overcoming population decline and revitalizing local economies in Japan:



- Ambition for revitalization of local economies
 - Create diverse regional communities utilizing their own local resources.
 - By successfully overcoming population decline and vitalizing local economies, regional areas will take the lead in nationwide rejuvenation.
 - Positive connections with external organizations will provide fresh perspectives to revitalize areas.
 - We will seek to develop the Greater Tokyo Area as an international city open to the world.

The revitalization of local economies is the revitalization of Japan. Effective utilization of the respective strengths of regional areas and the Greater Tokyo Area will drive Japan as a whole.

3. Comprehensive strategy for overcoming population decline and revitalizing local economies

Basic approach

1. Overcome population decline and regional economic contraction
2. Establish a virtuous circle where "work" attracts "people" and "people" attract "work," and reenergize the communities that support this virtuous circle.



Basic principles for policy planning and implementation

1. Five policy principles

Instead of using former measures previously used for the assessment of policy measures (vertical division, nationally uniform, pork-barrel, superficial, short-term), this time measures will be assessed based on five principles: autonomy, future prospects, regional characteristics, directness, results-oriented.

2. Structure for national and local measures, and establishing PDCA

The national and local governments will put in place a structure to formulate and implement five-year strategies, and establish a framework to verify and improve strategies according to KPIs.

How we will realize this virtuous circle:

Objective 1: Generate stable employment in regional areas

Objective 2: Create a new inflow of people to regional areas

Objective 3: Fulfill the hopes of the young generation for marriage, childbirth, and parenthood

Objective 4: Create regional areas suited to the times, preserve safe and secure living, and promote cooperation between regions

Other policies include creating National Strategic Special Zones, changes to the social security system and taxation system, and modifications to the local government finances.

In the following pages, we will explore in detail each of these objectives and related policy packages.

Objective 1: Generate stable employment in regional areas

Present situation and challenges

- Looking at the status of excess resident inflow for 2013, in the Greater Tokyo Area 100,000 people moved to the region, the majority of which are young people in their teens and twenties.
- The demographic shift to the Greater Tokyo Area reflects the disparity in economic and employment conditions. Generating employment in regional areas will serve to rectify the overconcentration of people in Tokyo.
- There is a great disparity between the urban areas and regions in terms of youth population. The greatest disparity in population flow is coming from young people between 15 and 29 years old who are leaving the regions to go to urban areas.
- This also causes disparities in revenues and job-to-applicant rates.

Targets

Create employment for young people in regional areas, a total of 300,000 jobs in the five years to 2020.

- Increase the proportion of young people in regular employment.
- Increase the labor force participation rate of women.

Key Performance Indicators (KPIs)

- Double the balance of foreign direct investment into Japan (¥18trn → ¥35trn).
- Triple the growth rate for labor productivity in the service industry (Average 0.8% → 2.0%).
- Increase the proportion of home-employed teleworkers to greater than 10% of the total labor force.

Policy package

Strengthen competitiveness of regional industries (cross-industry measures)

- Comprehensive support for business startups.
- Support core companies that play a key role in the region.
- Encourage foreign companies to make inward direct investments in regional areas.
- Establish a general support framework combining industry and finance.

Strengthen competitiveness of regional industries (sector-specific measures)

- Revitalize the service industry and enhance added value.
- Make agriculture, forestry and fisheries a growth sector.
- Develop regional tourism and utilize local resources.

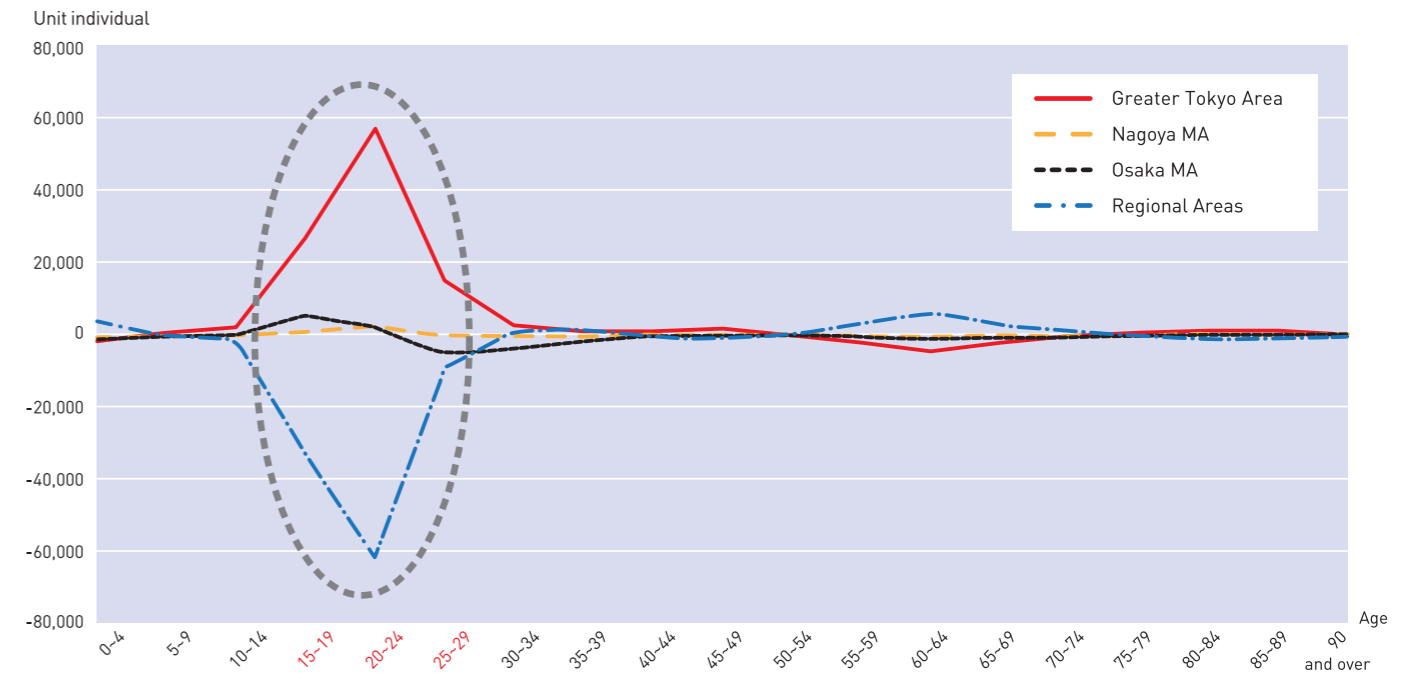
Establish a framework to encourage return of population to regional areas

- Establish and operate "regional work support centers."
- Promote return of professional workers to regional areas.

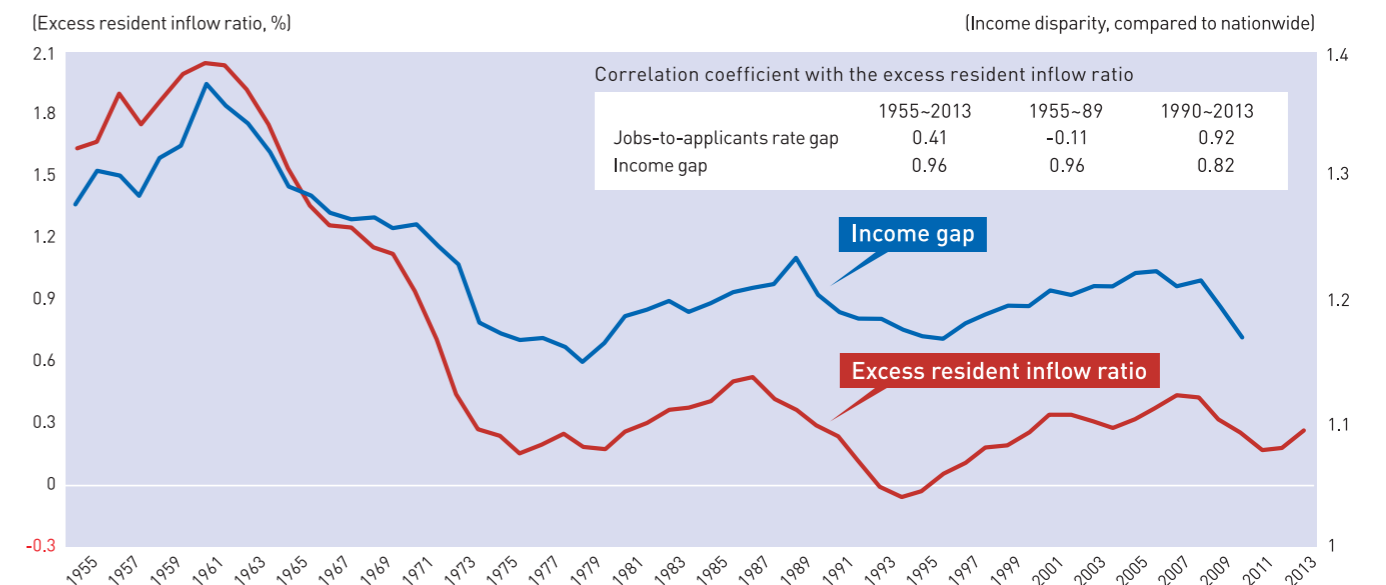


References

Excess Resident Inflow by Age Group (2013)



Population Movement to the Greater Tokyo Area, Income Disparity and Jobs-to-Applicants Rate Disparity



Objective 2: Create a new inflow of people to regional areas

Present situation and challenges

- Population is concentrated in the Greater Tokyo Area due to inflows.
- Even by international standards, the proportion of the population concentrated in the Greater Tokyo Area is high, and is continuing to rise. Currently, over 30% of the population is concentrated in the Greater Tokyo Area, compared to only 16% of the French population concentrated in Paris, or 4% of the German population in Berlin.
- Regional areas are projected to experience a marked decline in population. By 2050, 20% of regional areas could lose all of their inhabitants.

Targets

Stem the current population inflow to the Greater Tokyo Area of more than 100,000 people annually, and achieve equilibrium of population movement between the Greater Tokyo Area and regional areas.

- By 2020, increase the outflow from the Greater Tokyo Area to regional areas by 40,000 people.
- By 2020, decrease the inflow from regional areas to the Greater Tokyo Area by 60,000 people.

Key Performance Indicators (KPIs)

- 11,000 cases of relocation assistance annually.
- Increase in companies strengthening regional branches to 7,500 expansions in the five years to 2020.
- Average 80% of new graduates start work within their prefecture.

Policy package

Promote migration of regional areas

- Establish a "migration information community center" and organize structure to provide information on migration.
- Establish "National Council for Migration to Regional Areas" to promote migration to regional areas and dual-area residence.
- Consider Japanese version of Continuing Care Retirement Communities (CCRCs).

Encourage relocation to regional areas

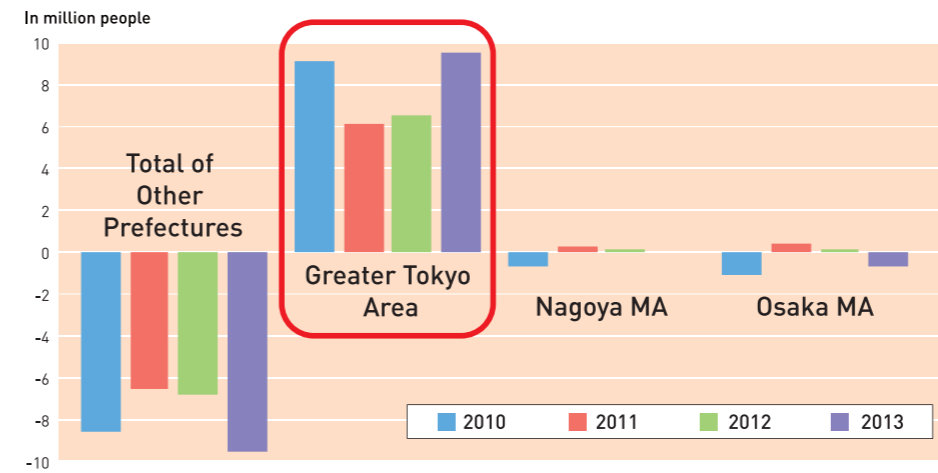
- Strengthen regional corporate branches.
- Relocation of government institutions to regional areas.

Planned five-year revitalization strategy for regional universities



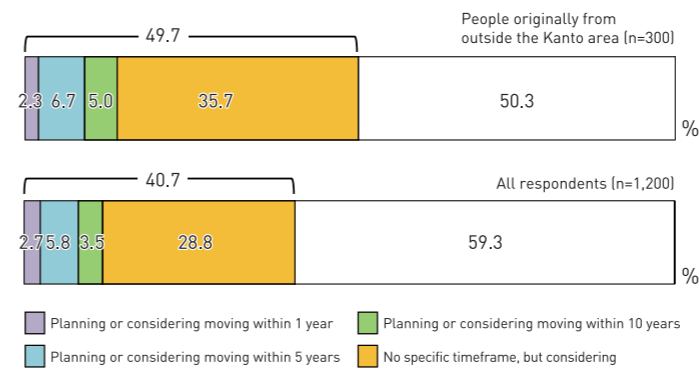
References

Basic Resident Register Excess Resident Inflow/Outflow



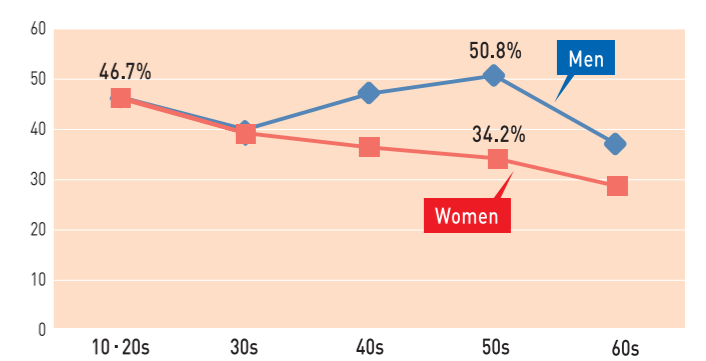
Source: "Basic Resident Register Population Movement Report (2010-2013)", Ministry of Internal Affairs and Communications. Note: The Tokyo metropolitan area is the total of Saitama, Chiba, Tokyo, and Kanagawa prefectures, the Nagoya metropolitan area the total of Aichi, Gifu, and Mie prefectures, and the Osaka metropolitan area the total of Osaka, Hyogo, Kyoto, and Nara prefectures.

Survey of Tokyo Residents' Desire to Move Elsewhere (August 2014)



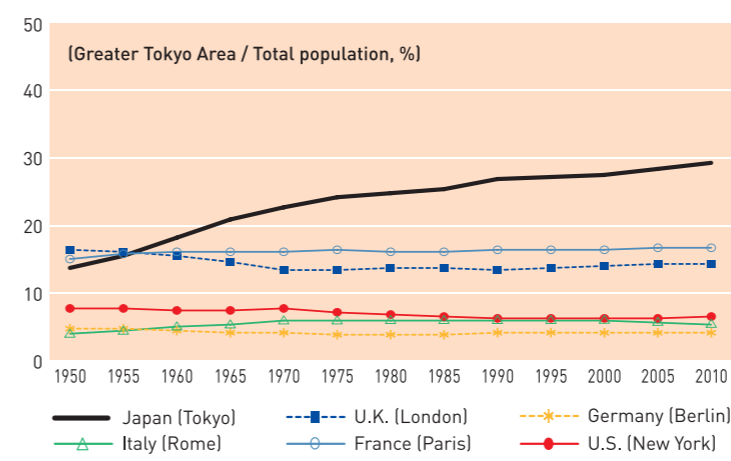
Source: "Opinion Survey on Future Moving Plans of Tokyo Residents" (August 2014), Cabinet Secretariat

Proportion of Residents Desiring to Move by Age Group



Source: "Opinion Survey on Future Moving Plans of Tokyo Residents", Cabinet Secretariat

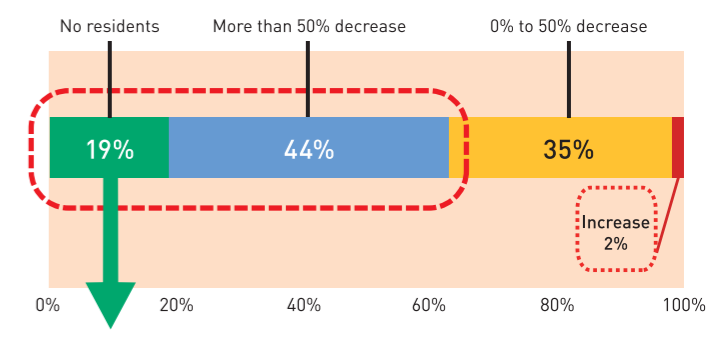
Comparison of the Population Concentration of the Greater Tokyo Area with Western Countries



Source: "Grand Design for 2050" (July 4, 2014), Ministry of Land, Infrastructure, Transport and Tourism, Policy Bureau

Number of Locations by Rate of Population Increase/Decrease (2010 - 2015)

In more than 60% of locations (63%), the population will decline to less than half the current level.



Around 20% of residential areas will have no residents.

Source: "Population Census Report", Ministry of Internal Affairs and Communications; Ministry of Land, Infrastructure, Transport and Tourism, Policy Bureau estimates.

Objective 3: Fulfill the hopes of the young generation for marriage, childbirth, and parenthood

Present situation and challenges

- The number of births has fallen sharply, compared with the post-war period. Japan's total fertility rate reached an all-time low in 2005.
- The manner in which people are employed (i.e. non-regular employment) has a significant effect on whether they have a spouse, and non-regular employment is on the rise.
- The desire of singles for marriage is at a high level of around 90%, and the ideal number of children is two or more. However, the total fertility rate is 1.43, revealing a disparity between hopes and reality.
- It has been observed that various policies in foreign countries have had a positive impact on the total fertility rate. These policies are going to be studied and included in the development of a strategy for Japan.

Targets

Make it possible for younger generations to pursue marriage and parenthood without anxiety.

- Improve the rate of continued employment for women, following the birth of their first child.
- Raise the attainment rate for people wanting to marry.
- Raise the attainment rate for couples planning a certain number of children.

Key Performance Indicators (KPIs)

- Employment rate for young people (20-34 y/o) increased to 78%.
- 100% support rate for expectant and nursing mothers, who require the greatest support.
- Rate of women continuing to work around time of birth of their first child increased to 55%.

Policy package

Implement measures for the employment of youths, implement "Regular Employee Attainment Acceleration Project"

Support for marriage, pregnancy, childbirth, and child-rearing

- Establish "Comprehensive Support Center for Families with Children," and guarantee perinatal care.
- Implement new systems for children and child-rearing, and enhance support for families with multiple children and households with multiple families who live in a single house or in close proximity.

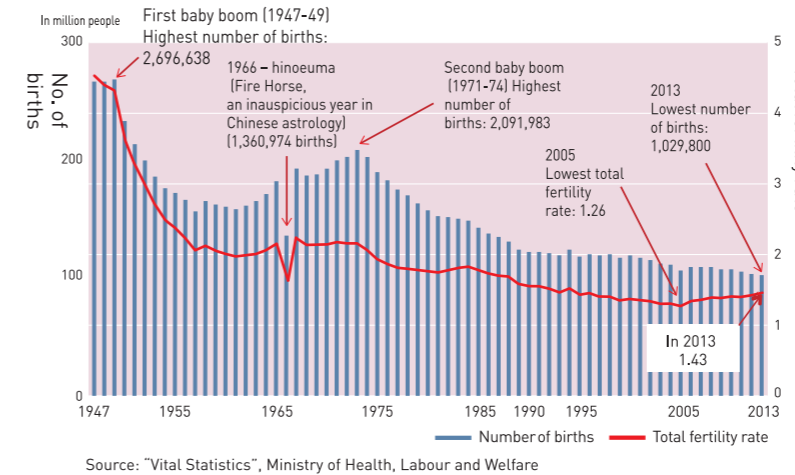
Attain harmony in work and life (work-life balance) ("reform work styles")

- Expand systems for childcare leave, reform excessive work hours and support companies that take a forward-thinking approach toward work-life balance.



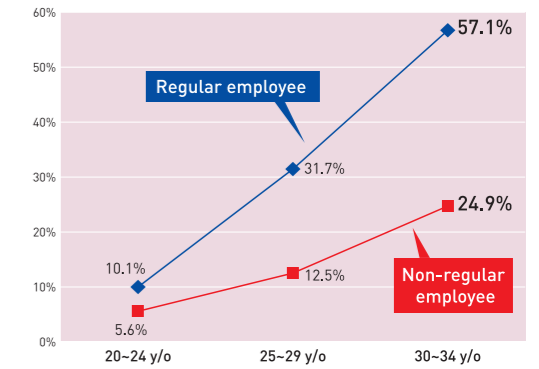
References

Number of Births and the Total Fertility Rate in Japan



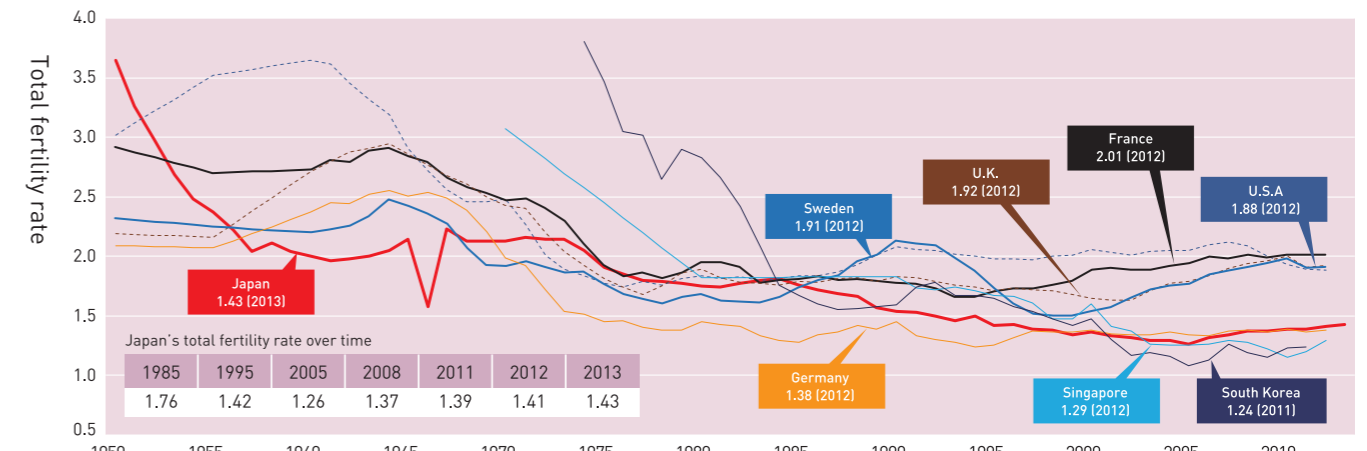
Source: "Vital Statistics", Ministry of Health, Labour and Welfare

Proportion of Men with Spouses, by Employment Type



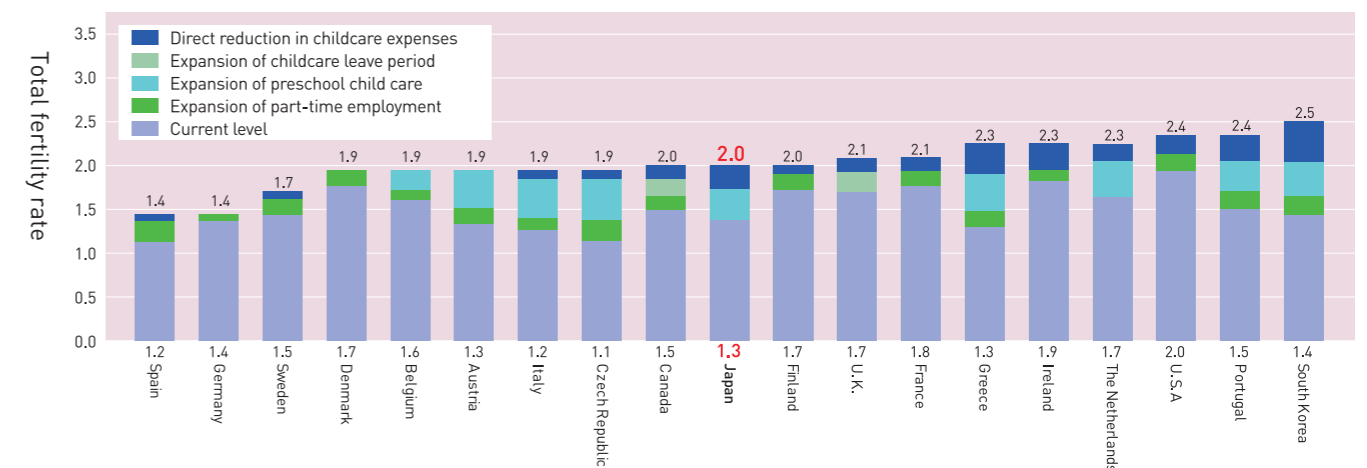
Source: Created from "Current Status of Employment Conditions, Careers, and Human Resources Development for Young People" (2009), Japan Institute for Labour Policy and Training.

Trends in the Total Fertility Rates of Various Countries



Sources: "Vital Statistics" (Japan), "Eurostat" (U.K.), "Bilan démographique" (France), figures for 2012 are provisional, "Statistisches Bundesamt" (Germany), "Statistics Singapore" (Singapore), "Summary of Population Statistics" (Sweden), "National Vital Statistics Reports" (U.S.), "Final Results of Birth Statistics in 2011" (South Korea).

Effect on Total Fertility Rate from Implementation of Various Government Policies



Source: "Trends and Determinants of Fertility Rates in OECD Countries: The Role of Policies" (OECD 2005)

Objective 4: Create regional areas suited to the times, preserve safe and secure living, and promote cooperation between regions

Present situation and challenges

- In mountainous areas and regional cities, measures to preserve and reinvigorate communities, such as providing various daily necessary life and care services such as house cleaning, meal delivery associated with population decline.
- In large cities and towns, address the growing needs for medical and nursing care as a result of an aging population and the increase in single-person households.
- Measures to address aging infrastructure and manage empty houses.
- Measures to revitalize communities and rural towns.

Targets

Establish “small hubs” and promote regional cooperation

Key Performance Indicators (KPIs)

- Number of “small hubs” formed (Specific figure to be set based on Regional General Strategies).
- 150 municipalities creating optimization plans for land sites.
- Agreements for “settlement and independence areas” concluded with 140 areas.

Policy package

Form and support “small hubs” (multigenerational exchange, multifunction)

Create economic areas and lifestyle areas in regional cities through regional cooperation

- Create compact cities and transport networks with surrounding areas.
- Form “linked central urban areas.”
- Promote the formation of “settlement and independence areas.”

Ensure secure living in and around major cities

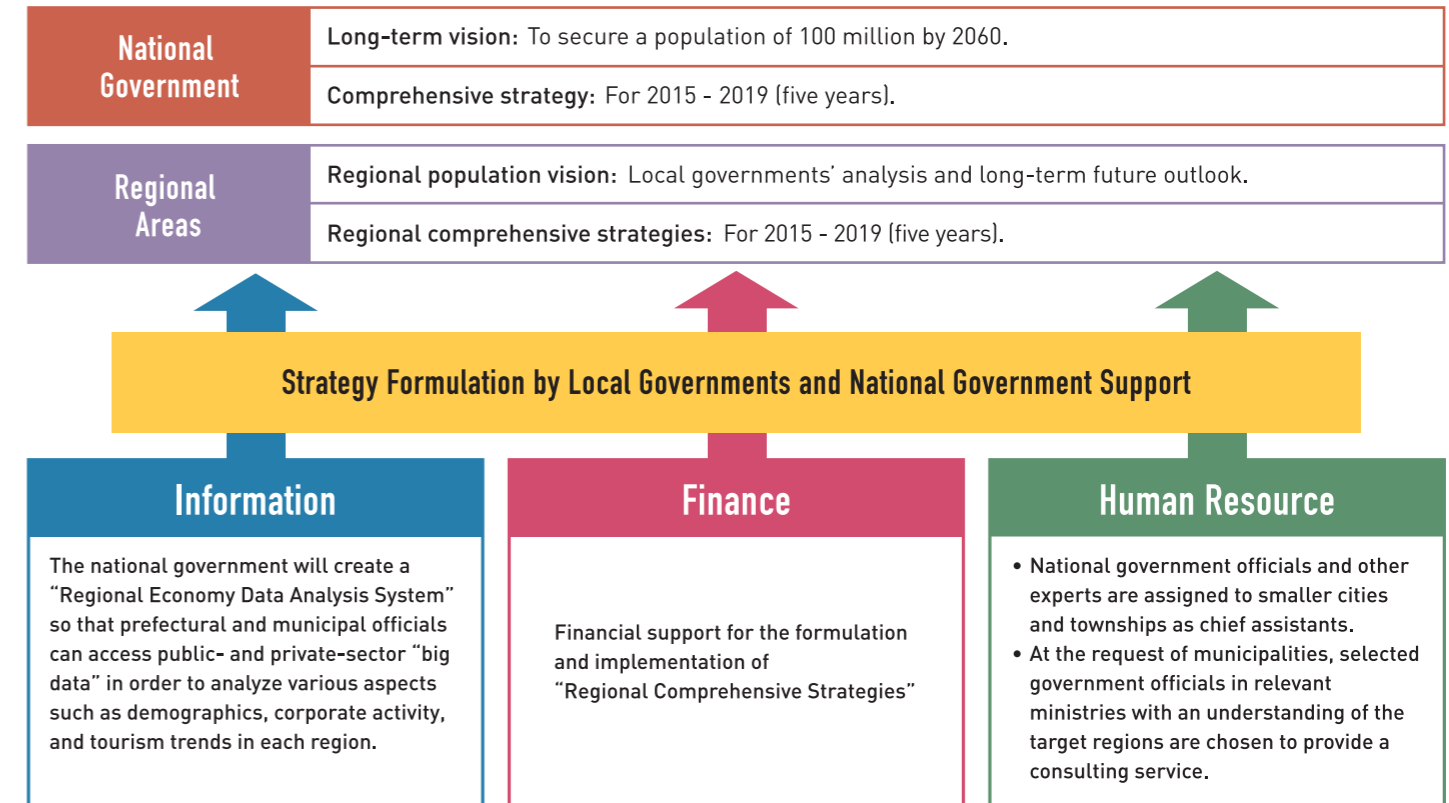
Strengthen management of existing housing resources consistent with population decline

Other accompanying measures

Other measures will accompany and help the realization of the revitalization of local economy in the following subjects:
 State Special Zone System – Taxation – Social Security – Decentralization – Local Finances – Other Financial Support System (new subsidies) – Revision of regulations

4. Problem-solving approach: Seamless collaboration between the national and local governments

A. Structure



B. Key features

- All prefectures and municipalities will make efforts to formulate a “Regional Population Vision” and “Regional Comprehensive Strategy” during fiscal 2015.
- Governments will utilize the Regional Economy Data Analysis System and other tools for effective policy-making that reflects the characteristics of each region.
- Governments will set clear goals and KPIs^{*1}, and will verify effectiveness and make improvements through the PDCA^{*2} cycle.
- The government will collaborate with and encourage the participation of industry, Japanese governmental agencies at the local and national level, academia, financial institutions, labor groups, and the media, including local public bodies, as well as many different segments of the population, such as women, young people, and the elderly.

^{*1} Key Performance Indicator. KPIs have also been set in the Japan Revitalization Strategy (June 2013) as targets for each policy to achieve.

^{*2} Plan, Do, Check, Action. PDCA is a management method that incorporates these four aspects for a never-ending cycle of continuous improvement.

Additional resources

- Prime Minister of Japan and His Cabinet – Abenomics page
<http://japan.kantei.go.jp>
- Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan (in Japanese only)
<http://kantei.go.jp/jp/singi/sousei/>



Japan. Sharing tomorrow.