

### Section 3 Regional Labour Economy in Terms of Population

During the period of rapid economic growth, young people in local regions responded to the need for labour in the metropolitan cities, leading to a concentration of the population in urban areas. Young workers married, raised a family in the large cities, helped consumer durables to penetrate the market, which in turn led the changes in city-dweller's lifestyles. From the mid-1970s on, the expansion of government-led public projects helped to raise the income level in the local regions and the urban lifestyle spread to the local areas. It is important to note that employment was supported by construction work to a considerable extent.

Today, local regions lead metropolitan cities in terms of population decrease and aging. With the continual reduction in public work, it is essential to foster industries having growth potential and that are self-sustainable in local areas. In the large cities, on the other hand, many workers who moved from local regions are nearing retirement age. Most of these people live in the suburban dormitory towns and commute to city centers. They have close relationships with their colleagues at work but there is a concern that they have a limited connection with their local community.

#### **(Period of rapid economic growth:**

#### **population concentrated in metropolitan region, consumption stimulated by urban lifestyle)**

During the period between the postwar era and rapid economic growth, the population grew significantly. Looking at the increase in population by region, the population increase concentrated in the three major metropolitan regions. The major factor in this concentration is the migration of many people, who were born in local regions, to large cities to attend higher education or find work. This group of people, after having come to metropolitan areas, learned new skills and production techniques in the industrial sector, and supported Japan's rapid economic growth, particularly in terms of production. At the same time, the younger generation who flowed into the large cities built a foundation consisting of new households, which supported the growth of consumption during this period.

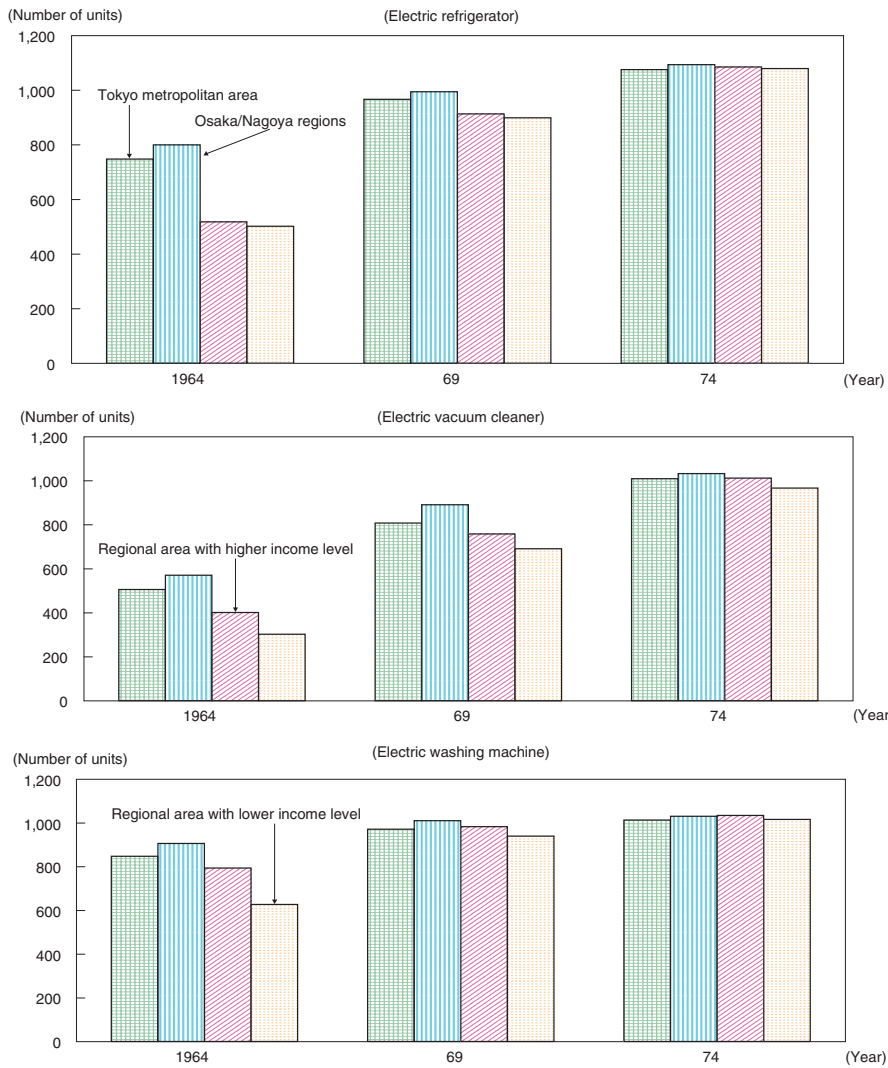
The penetration rate of consumer durables into households rose dramatically during the period of rapid economic growth. However, in the 1960s there were gaps in the rate of increase between regions. The rise in the consumption of durable goods was mainly led by the new households, which emerged in the large cities. In short, urban lifestyles led consumption (Figure 23).

#### **(After mid 1970s: regional income gap contracted, dependency on public investment grew)**

In the mid-1970s, the consumption gap between cities and regions narrowed as did the per capita prefectural income gap between the regions.

One of the factors that stimulated regional economy growth was public investment. Together with a relatively high employment rate in the regions, capital investment contributed to a rise in prefectural income, where the expanded construction industry played a large role in employment. The trend in the public expenditure share of gross fixed capital formation in total prefectural spending suggests that the dependency of the regional economies on public investment lessened in metropolitan areas during the 1970s, while the dependency rate grew in local regions (Figure 24). Again, in the first half of the 1990s, the dependency on public investment rose in local regions. This means that local regions face the challenge of not being too much dependent on public projects but becoming self-reliant.

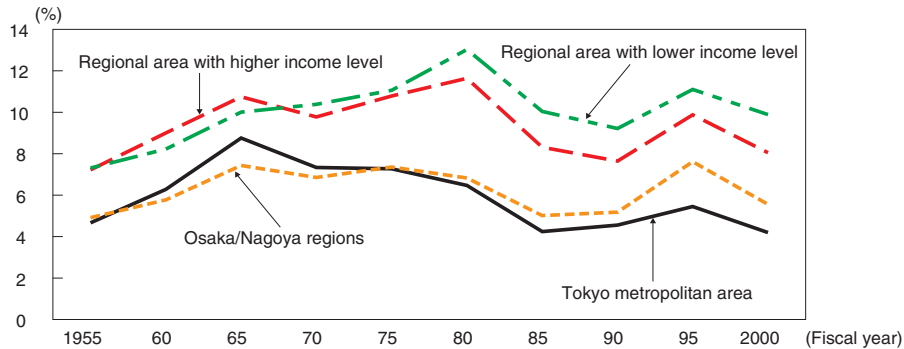
**Figure 23 Number of Electric Refrigerators, Electric Vacuum Cleaners, and Electric Washing Machines Held by Households (per 1,000 household)**



Sources: Statistics Bureau, MIC, "National Survey of Family Income and Expenditure"  
Cabinet Office "Prefectural Accounts"

- Notes: 1) Regional segmentation is the same as Figure 24.  
2) Okinawa was not included in the figures for 1964 and 1969  
3) Figures for electric refrigerators include those for gas refrigerators

**Figure 24 Dependence on Public Investment**  
(proportion of formation of fixed capital of public institutions to total prefectural expenditure)



Sources: Cabinet office "Prefectural Accounts"

Economic Planning Agency "Report on long-term retrospective estimate for prefectural accounting, 1955-1974" (1991)

- Notes: 1) Tokyo metropolitan area includes Saitama prefecture, Chiba prefecture, Metropolis of Tokyo, and Kanagawa prefecture  
2) Osaka/Nagoya regions include Gifu prefecture, Aichi prefecture, Mie prefecture, Kyoto prefecture, Osaka prefecture, Hyogo prefecture and Nara prefecture  
3) Regional area refers to the prefectures other than those specified in 1) and 2) above. They are divided into two groups evenly in terms of population, namely, by per capita prefectural income (2000). The prefectures with higher income levels include Hokkaido, Ibaraki, Tochigi, Gunma, Niigata, Toyama, Ishikawa, Fukui, Yamanashi, Nagano, Shizuoka, Shiga, Hiroshima and Yamaguchi. The prefectures with lower income levels include Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima, Wakayama, Tottori, Shimane, Okayama, Tokushima, Kagawa, Ehime, Kochi, Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, and Okinawa  
4) Figures for the years from 1955 through 1970 are estimates by the Economic Planning Agency, those for the years from 1975 through 1990 are the 68SNA estimates and those for 1995 through 2000 are the 93SNA estimates. Thus, strictly speaking, these statistics are not related to each other.

### **(Challenges Facing Regional Economies: Population and Industrial Accumulation)**

Analysis of the relationship between population density and labour productivity (in the manufacturing industries) suggests that in general, the higher the population density the higher the labour productivity, and that in order to maintain and increase labour productivity, a certain level of accumulated population is required (Figure 25). Given the industrial structure in Japan, there is great potential for added value within the manufacturing industries. The manufacturing capacity is supported by accumulated population and division of labour, consequently Japan must continue to monitor population decreases in the future and deal with the issues of concentration of industrial operations in the regions.

When looking at the actual ongoing changes in population concentration by the shift in population density in municipalities over the past 20 years since 1980, the population density of cities, towns, and villages grew even larger, while the population density of municipalities with lower rates declined even further (Figure 26). By category of square measure where the population density was falling, the population density of the 8th 10 mounds of category started to decline in the 1990s. Amid the slowdown in total population growth, those municipalities with declining population density are increasing. Given the high possibility of total population decline in the future, further decreases in those areas with lower population density may be unavoidable.

### **(Outlook for Regional Economies Supported by Industrial Accumulation)**

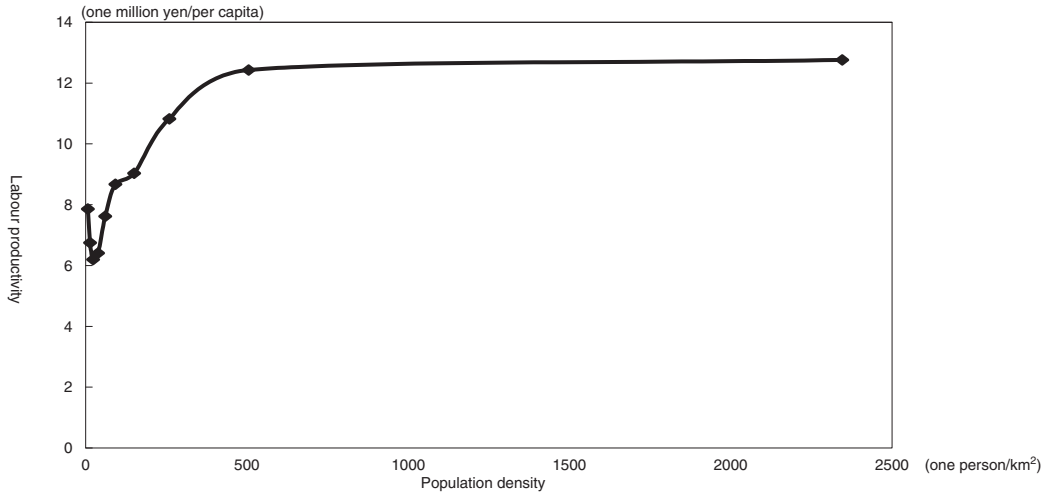
One approach that could be taken to alleviate the effect of falling population on local regions is to take advantage of the accumulation of population and industry in the central cities. From the viewpoint of effective use of social infrastructure, it is useful to have a certain stable group in the residential areas.

Building a rich local community should be based on the development of an industrial infrastructure with a high added-value creative capability. When strengthening industrial competition, it is useful to build up the industrial infrastructure in the core cities of local regions and use them as regional economic centers. There are also regions that can make excellent use of local resources, such as indigenous agricultural products or tourist sites, and offer added value within those areas. Each region is required to have its own future vision that will help it to achieve a self-reliant regional economy, based on their particular traditions and uniqueness. They need to select the strategically important industry in their region, implement a comprehensive approach to the promotion of industry and support of new businesses, and secure and develop human resources. In particular, the municipal government and public employment agency must cooperate in order to secure human resources willing and capable of supporting regional industries. It is also important to enhance the placement function of the public employment agency, through the promotion of wide-ranging employment placements.

### **(Outlook for the Elderly and Local Communities)**

There is a large population of baby boomers (those between 51 and 53 years as of 2000) in the metropolitan cities, especially in the suburbs (Figure 27). It was common among those who had moved to the large cities during the period of rapid economic growth to buy a house in neighboring towns within commuting distance. This enabled them to work in the large cities after they had married and had had children. The retirement process for this group will be starting soon. These areas, which developed as the dormitory towns of large cities, have not been established as self-sufficient local communities. This gives rise to concern over how these retirees will become assimilated into the local community, and in turn how the local community will adapt to them.

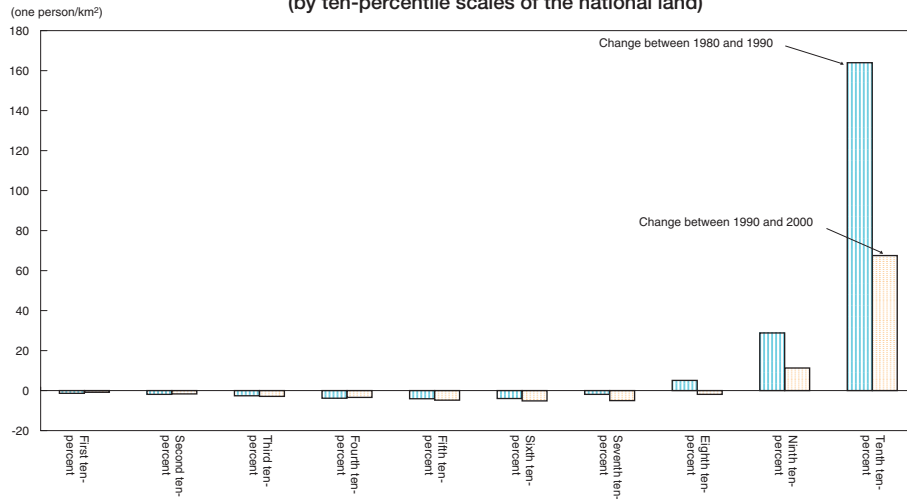
**Figure 25 Population Density and Labour Productivity (by ten-percentile scales of the national land)**



Sources: Statistics Bureau, MIC "Population Census" the Office of Counselor in charge of Labour Policy, MHLW estimate calculated from "Census of Manufacturers" conducted by METI

- Notes: 1) The ten-percent scales for the national land are listed from towns and villages with low population density to those with high population density, dividing the national land into 10 categories according to population density from low to high density. The category with the lowest population range falls into the first ten-percent and the category with the highest population range falls into the 10<sup>th</sup> ten-percent.  
 2) In Figure 25 above, the first ten-percent category is on the far left and the 10<sup>th</sup> ten-percent category on the far right

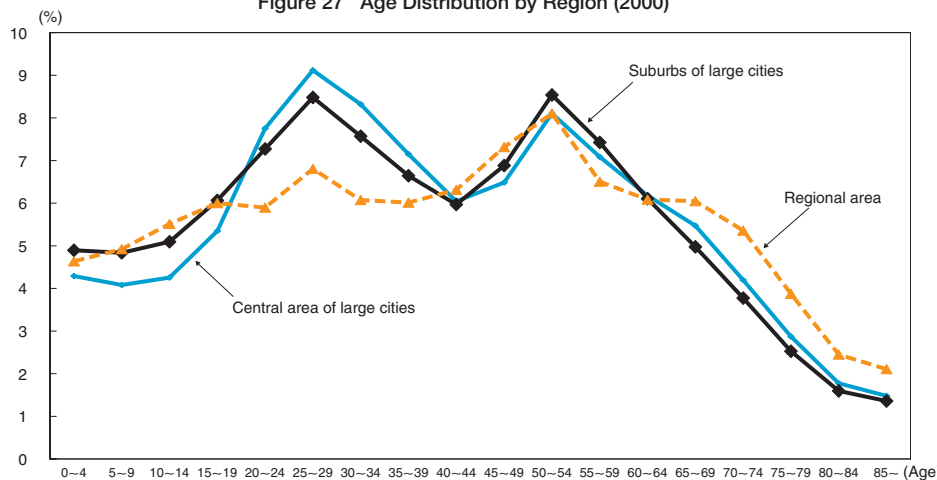
**Figure 26 Changes in Regional Population Density (gap over 10 years) (by ten-percentile scales of the national land)**



Source: The Office of Counselor in charge of Labour Policy, MHLW estimate calculated from "Population Census" conducted by Statistics Bureau, MIC

- Notes: 1) The ten-percent scales of the national land are listed from towns and villages with low population density to those with high population density, dividing the national land into 10 categories by population density from low to high density. The category with the lowest population range falls into the first ten-percent and the category with the highest population range into the 10<sup>th</sup> ten-percent.  
 2) The graphs show changes in population density over the past 10 years in each ten-percent category. The population densities of each category in 2000 are 6.2 per one km<sup>2</sup> for the first ten-percent, 13.0 for the second ten-percent, 21.7 for the third ten-percent, 35.5 for the fourth ten-percent, 56.6 for the fifth ten-percent, 87.7 for the sixth ten-percent, 143.5 for the seventh ten-percent, 249.5 for the eighth ten-percent, 480.1 for the ninth ten-percent, and 2313.5 for the tenth ten-percent per one km<sup>2</sup>.

**Figure 27 Age Distribution by Region (2000)**



Source: Statistics Bureau, MIC "Population of major metropolitan areas" (the edited commentary series no. 10 of Population Census in 2000)

- Notes: 1) Major metropolitan areas refer to three metropolitan areas, including Keihinyo metropolis, Chukyo metropolis and Keihanshin metropolis.  
 2) Regional areas are the regions other than the three metropolitan areas listed in 1) above.  
 3) Central area of large cities refers to the central cities of each metropolitan area, namely, Chiba city, special wards of Tokyo, Yokohama city, Kawasaki city, Nagoya city, Kyoto city, Osaka city and Kobe city.  
 4) Suburbs of large cities are those within three major metropolitan areas in 1) above but outside of central area of large cities listed in 3).