

## Japan: Designated and Core Cities

### A briefing by Japan Local Government Centre, London<sup>1</sup>

#### 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 1,718 municipalities, each headed by a directly-elected Mayor (elected likewise). Both exist alongside elected assemblies of varying sizes by population (also on four-year terms) which hold mayors and governors to account while concerning themselves with local matters.

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 below 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 1,718 today.

#### Japan's cities

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 were known as 'Special Cities' and entitled to provide some degree of prefectural services (such as care services, health, environmental services, urban planning, teacher training etc.) locally, with a further 41 cities of 300,000 or more residents known as 'Core Cities' which can provide further additional services. The 'Special City' designation was later abolished and merged into the class of 'Core Cities', with the population requirement then lowered to 200,000 for these. The 20 'Designated Cities' each have a population 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. These are further required to subdivide themselves into 'wards' in order to carry out basic functions such as resident registration and tax collection at 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 a Mayor) sitting above 23 'Special Wards' in the centre and a further 26 cities, five towns and eight villages on the periphery.

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<sup>1</sup> Andrew Stevens (stevens@jlgc.org.uk)

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, 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. Further movement has been evident with the formation of Autonomous Settlement Zones (ASZs) between larger cities and surrounding municipalities in order to cope with depopulation (mostly for the provision of healthcare), with 128 such cooperation agreements in place as of 2015. Under the Local Revitalization Law of 2018 it is now possible for municipalities to incorporate their own Business Improvement Districts (known as ‘area management groups’) funded by levies, subject to government and business owner approval.

### Japan’s mayoral system

While Japanese mayors are directly elected for four-year terms with no term limits, most candidates prefer to 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 18 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.

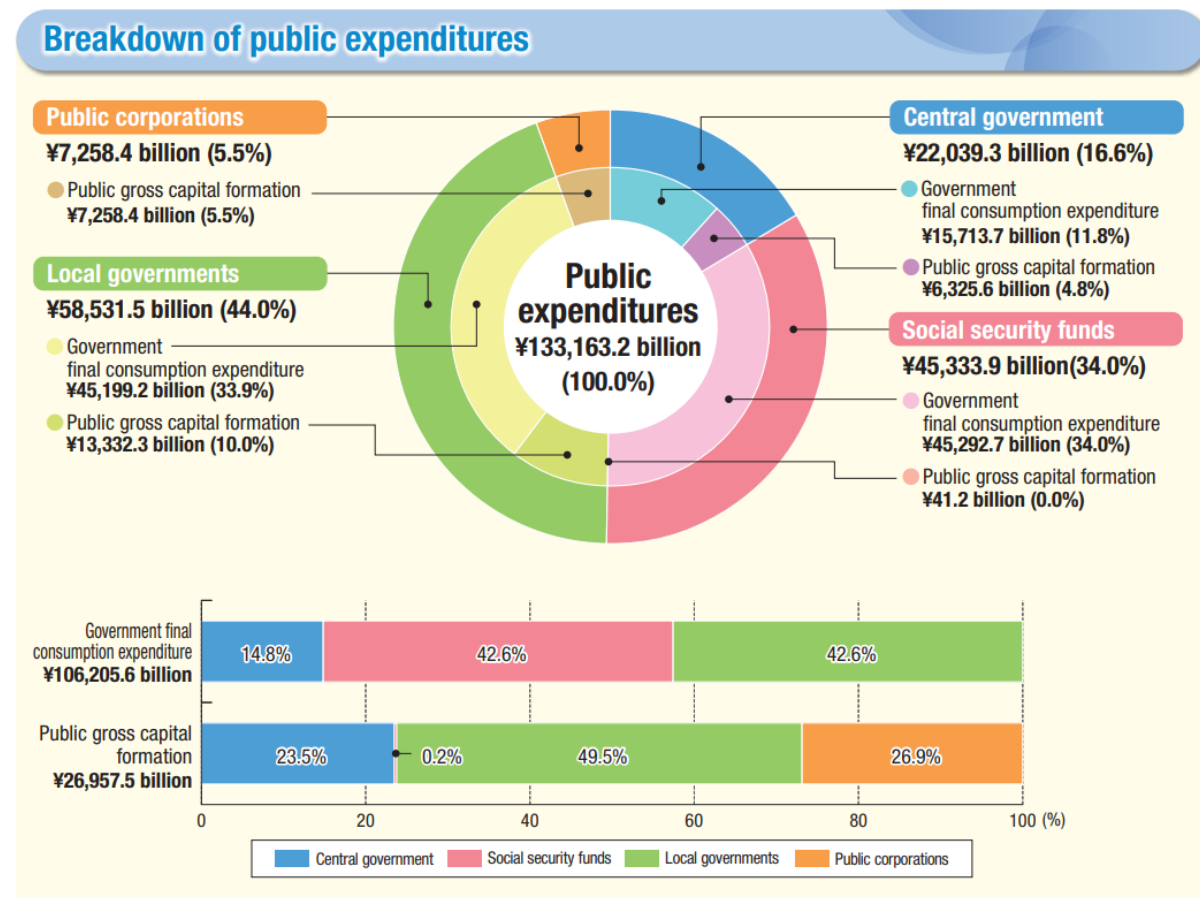
The latest chapter in the on-going decentralization of Japan is the creation in 2011 of the ‘Forum for Consultations Between the National and Regional Governments’, a statutory joint body, where bargaining can take place around proposed national reforms (including subsidy cuts or new burdens) and the standpoints of local government are fed into the parliamentary process.

### Municipal finance

The total size of Japan’s public sector represents roughly 39% of GDP (OECD, 2015), with 58% of this total spend delivered by local government. 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 all saw 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 to 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.



Infographic: Ministry of Internal Affairs and Communications (2018)  
 Source: *FY 2016 Settlement – White Paper on Local Public Finance, 2018 – Illustrated*

Also, the financing of local government is further 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 their respective prefectural governor (municipalities).

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See [www.jlhc.org.uk/en](http://www.jlhc.org.uk/en) for more on Japan's cities