

Local Authority Housing Policy in Japan: Is It Secure To Function As Safety Net?

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1. Introduction

In the post-war period, Japan experienced rapid economic growth and public bodies spent large amounts of money on large-scale developments of community facilities and motorways. Public bodies for housing, such as local authorities or the Housing and Urban Development Corporation (HUDC) and the Government Housing Loan Corporation (GHLC) provided housing and financial assistance, took significant roles in housing provision at that time.

However, due to changes in the social and economic conditions of the country since the 1990s, these policies are no longer suitable for many people in meeting their housing needs. As a result, Japanese housing policy is now in a phase of major changes.

Consequently, the Panel on Infrastructure Development, which is a consultative body for the Ministry of Land, Infrastructure and Transport (MILT), proposed a *New Concept of Housing Policy* in September 2003 and published the *Interim Report for the Institutional Framework of New Housing Policy* in December 2004. In addition, coalition government parties have begun formulating a new basic act for housing. The Japan Federation of Economic Organizations has also made a concrete policy proposal and recommended the

formulation of a basic act for housing and the built environment. In accordance with the interim report and movements in political parties and business circles, the MILT published the *Outline of Housing Policy Reform* and begun considering major issues concerning housing policy and new reform policies.

The fundamental point of the new policies would be a market-driven housing industry that would limit public controls as much as possible. The goal of the new policy is to rely solely on the market and to relinquish government control of the housing market.

The government documents emphasize four strategic fields:

1. development of a new housing financial system based on the free market
2. improvement of the function of the private housing market
3. reform of the public rented housing system towards restructuring a housing safety net¹
4. regeneration of the built environment for urban areas.

This paper focuses on the third strategy as mentioned above which prominently reflects the direction of Japanese Housing Policy. The first part of the paper will show how past policies have made the public housing

system dysfunctional through illustrating the transformation of policy on public rented housing. The second part will illustrate the new policy and discusses the thesis that it will never bring improvement in the public housing system.

2. Transformation of the policy for public rented housing

The Public Housing Act was formulated in July 1951, and has been one of the three pillars of Japanese post war housing policy². The purpose of this Act is to contribute to stability in people's livelihoods and to promote welfare by developing and allocating low-rent housing to people with low incomes in order to ensure healthy and cultured living. The Act defines the system of local authority housing. The central government subsidizes the construction costs of local authority housing that meet the uniform criteria under the Act.

At the time of enactment, there were two types of income criteria and two corresponding subsidies. Tenants with income lower than 10,000yen who were able to live in a small house received government subsidies for two-thirds of all construction costs. Tenants with incomes between 10,000 yen and 20,000 yen who were able to live in a slightly bigger house received subsidies to cover half of their

¹ Housing safety net means function to secure living for people who find it hard to get it in the market.

² The three pillars were the Local Authority Housing (Public Housing Act), the Government Housing Loan Corporation and the Housing and Urban Development Corporation (currently renamed to Urban Renaissance Agency).

construction costs. At that time, the average income for working class men was approximately 13,000 yen. Under these income criteria, 80% of all households were entitled to local authority housing (see Figure 1).

The central government made a 3-year construction plan, to be implemented between 1951 and 1966. Local authorities were required to implement the plan. During the first fiscal year, 27,436 units were built and after that local authorities built 50,000 to 60,000 units annually. In 1961, the Housing Construction Plan Act was formulated. This Act required the central government and local authorities to make 5-year housing constructions plans and to set the numerical target for housing construction during the designated period³. As a result, the provision of local authority housing was promoted but its actual contribution to the plans was insignificant. For example, local authority housing accounted for approximately 7 % of the total number of houses actually provided under the first 5-year plan (1966-1970). The

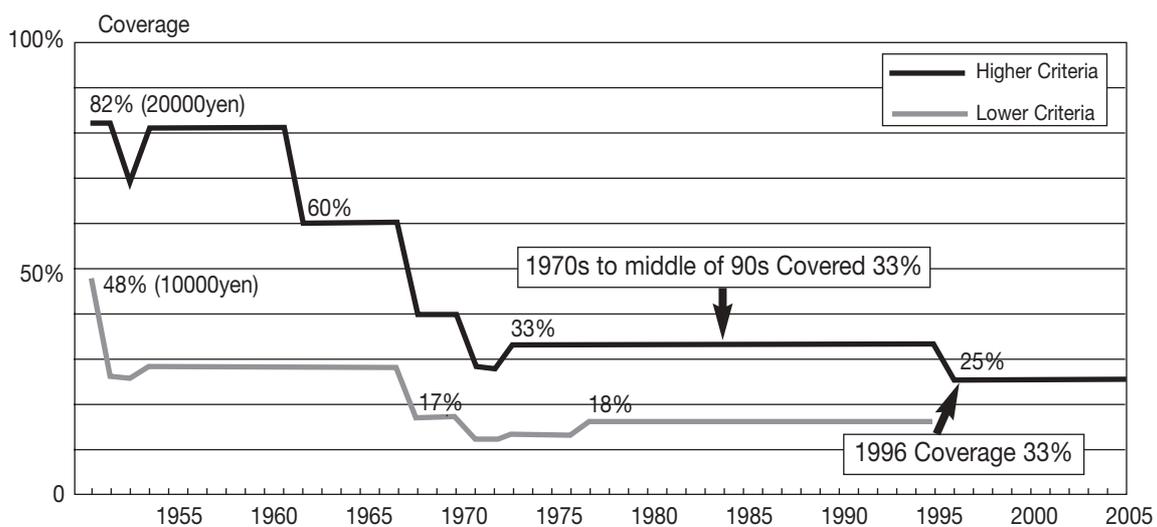
targets set out in the 5-year plans were achieved with the help of the private sector's great efforts. Although it seems that housing policy in the post-war period emphasized the three pillars that provided for public housing and finance, the promotion of middle-income homeowners was actually a more significant issue at this time.

In spite of the 5 year plans, the housing shortage had not been solved. The Public Housing Act 1951 was amended to restrict the entitlement of local authority housing to the lower income group because the amount of public housing provided by local authorities was limited. By 1973, the total number of households had exceeded the total number of houses. Rising land prices and construction costs made it difficult for local authorities to provide houses. As new construction of local authority housing decreased, the system was criticized for promoting inequality between people living in local authority housing and those who are eligible, but not living there. Rents in local authority housing were considerably lower

than private rental rates. Tenants living in local authority housing can continue to live there unless their income grows beyond the criteria. People who were not eligible for local authority housing, had to live in low-quality private rented housing with higher rents, until they won a drawing lot to receive local authority housing⁴. In the middle of the 1970s, the income criteria were changed to allow tenants whose income levels were in the lowest 33% to be entitled to local authority housing.

In the 1980s, the entitlement expanded from family households to single households, but was limited to the elderly, physically and mentally disabled individuals, and welfare recipients. In the middle of the 1980s, rising land prices and the onset of the bubble economy made it very difficult for local authorities to provide housing. However, the increase in income levels allowed people to purchase their own housing. The need for local authority housing shrank and new construction of local authority housing decreased.

Figure 1 – Income criteria for local authority housing eligibility 1950-2005



Source: Sumimoto Yasushi (1997), Ministry of Land, Infrastructure and Transport (2005)

³ The target set out for the first 5-year plan was 6.7million units.

⁴ There has been high competition for living in local authority housing. The number of applicants has been ten times, on average, the number of vacant units even now in metropolitan areas.

Table 1 – The number of new constructions

	1985	1990	1995	2000	2001	2002	2003
PF	776,379	1,201,936	837,959	752,205	805,502	876,671	917,384
GHLC	358,335	409,292	531,661	388,706	279,628	188,734	163,392
LA	44,600	40,978	39,436	28,293	26,876	25,646	22,922
UR	20,082	17,657	16,762	14,872	11,460	9,717	7,888
Other	36,676	37,246	44,512	45,767	50,392	50,248	48,497
Total	1,236,072	1,707,109	1,470,330	1,229,843	1,173,858	1,151,016	1,160,083

PF = private finance [0]

GHLC = Government Housing Loan Corporation

LA = Local Authority

UR = Urban Renaissance Agency (Housing and Urban Development Corporation renamed)

Source: *Housing construction statistics (1991) (1996) (2002b) (2003b)*

In 1996, a major amendment was made to the Public Housing Act. Since then, local authority housing has been provided and managed under the amended Act. There are five significant points in the amended Act. First, the two types of income criteria have been unified and the new income criteria are tighter than in the past. Tenants with income in the lowest 25% are entitled to local authority housing (see Figure 1). There is discretionary supervision for the elderly and disable individuals. The upper limit for them is income in the lowest 40%.

Second, the rent calculation system was also changed. The rent level for each household could be set according to their income and housing conditions such as size, location, and age of the house. In addition, local authorities were required to charge market rents to higher income tenants. It was an incentive for them to get out of local authority housing.

Third, the amended Act allowed the local authorities to purchase or lease houses built by the private sector and other public housing institutions and to utilize private sector resources. Three years before the amendment, the specific high-quality apartment programme was launched. This programme allowed the government and the local authority to provide subsidies for private landlords to build high quality housing which were aimed at providing a

portion of the construction costs and rental income. In 2001, another programme was enacted to subsidize well-equipped, high-quality houses, to be built by private builders and landlords for the elderly. The diversification of affordable housing has been desirable. However, the proportion of the housing stock using diversified methods has been insignificant so far. Methods are still not well designed, and local authorities and private landlords are reluctant to implement some of them.

Lastly, although the provision methods were diversified, new housing construction shrank (Table 1). Local authorities no longer provided additional units when they rebuilt existing old housing stock. The minimum ratio of new housing units to existing units changed from 1.2 to 1.0. Local authorities have not necessarily increased the size of the housing stock. Rebuilding without increasing housing numbers has restricted the increase of affordable housing.

While we have looked at several reforms of local authority housing until 1996, it is evident that these past reforms have decreased the provision of local authority housing. As a result, welfare dependent people are concentrated into the local authority housing sector. Although disadvantaged people like low-income elderly and single mother households are concentrated in local authority housing,

intensive housing management and welfare services to tenants have been reduced. The past reforms have already made the local authority housing system dysfunctional.

3. New Policy on Local Authority Housing: is it really new?

The government showed in the official documents that local authorities had been playing the role of providing a housing safety net but their role has been no longer effective because demands have become varied due to social, economic and demographic changes. These changes have brought on a need for reform; the principal aim of the reform is to allocate the limited number of local authority housing fairly and effectively. It appears that the government will implement a new reform for local authority housing to work as a housing safety net.

(1) Change the entitlement for local authority housing

To ensure fair distribution, the target range would be narrowed. In order to narrow the target range, the government indicates the necessity of several measures; besides income reviews, assets and savings will be taken into consideration as well. Additionally, income criteria will be regularly reviewed. On the other hand, relaxing the

entitlement is also considered. It is for individuals who need urgent and short-term housing such as victims of domestic violence or other crimes and families with children under 6-years-old. The main point of the reform is that the local authority housing should be allocated to the most socially and economically disadvantaged people.

(2) Modify the rent calculation system

As stated before, rents have currently been set with tenants' income and housing conditions. The government indicates a need to reflect on regional differences of income and rent levels and to impose much higher rents for tenants whose income is beyond the criteria in order to promote eviction.

(3) Change the subsidy system

Subsidies restricting usage on the construction of local authority housing will be abandoned. Instead, a local housing subsidy will be enacted. This new system provides subsidies for local housing, which will cover not only public housing, but also part of private housing. However, since the new subsidy will be shared between the public housing and private housing, there will be less money to be allocated to public housing. In fact, national expenditures for housing in 2005 were 20% less than in 2004.

However, this development could have a positive effect. Under the new system, local authorities are required to make a Local Housing Plan. The new plan could allow local authorities to have a stronger grip on the allocation of housing provision and related subsidies. The plan mainly focuses on public housing development, but it is possible that local authorities could have a much more significant role in achieving the comprehensive plan for housing development and management.

(4) Promote the utilization of resources in the private sector

Provisions for affordable housing would not be confined to public direct provision. For

example, the Private Finance Initiative (PFI) can be used for providing and managing affordable housing, including local authority housing. In 1999, the Japanese Government passed the Act for PFI which promotes the use of the resources of the private sector (funding ability, management skills and technical capabilities) for the construction and financial and technical management of public facilities. Japanese PFIs are modeled after British PFIs. Concerning public housing, the government has encouraged new development and rebuilding of existing public housing stock by PFI. Local authorities which want to use PFI models for rebuilding the existing housing stock invite private companies to bid for rebuilding projects. However, it is not certain that local authorities can properly control private activities. In Japan, local authorities have relatively weak power when it comes to regulating urban planning and housing development. As stated above, it is a crucial point how the new Local Housing Plan can influence private activities.

(5) Link housing with welfare services

Since there are large numbers of elderly people who live in local authority housing, housing can be combined with welfare service centres to function as day care centres or nursing homes. Part of this idea has already been implemented. However, it cannot be seen that it has solved the problems because services have not always been delivered to people who really need them. There are large numbers of elderly people in local authority housing for whom it would be difficult to deliver detailed services tailored to personal needs. This shows that combining facilities like housing and a welfare service centre is not enough or not suitable for their needs.

In conclusion, it is obvious that the ideas of local authority housing reform fundamentally reinforce the wrong tendencies which were already embedded in the past reforms. It is unlikely that this new reform could improve the housing safety net effectively.

4. Current situations and the priorities of the policy

In the light of the points of the previous section, this section illustrates the problems that have occurred in local authority housing and attempts to examine how the new reform can change the situation.

(1) Concentration of disadvantaged people

The concentration of disadvantaged people is not only a recent problem. It began in the early 1960s with the second amendment of the Public Housing Act. However, it appears that the problem has rapidly progressed. There has been a growth in demand for low-rent housing due to an increase in elderly and single-mother households.

For example, look at the tenants' profile in the case of Osaka Prefectural Housing. There are 138,000 units owned and managed by the Osaka Prefectural Government (OPG) and approximately 128,000 households are occupied. It is the second largest amount of housing stock owned by local authorities in Japan.

According to the statistical documents, 74% of the households are in the lowest income rank (see Table 2). 64% of households in the lowest rank have an income of less than 20,000 yen per month. In addition, the tenants' profile is rapidly aging. Elderly households have increased by 5.5% in the four years from 1998 to 2002. Younger households in the age ranges of 20-30 years and 40-50 years have decreased.

In fact 70% of all households in Osaka Prefectural housing are categorized as in need of special treatment. For example, households including elderly aged over 60-years, disabled individuals, welfare benefit recipients and single mother households are eligible for special categories. This ratio has increased by 10% during the last decade. The same situation has occurring beyond the Osaka Prefectural Housing scheme.

As part of the new reform, it is proposed to expand the entitlement to disadvantaged

Table 2 – Income ranking and ratio of households in 2002, Osaka Prefectural Housing

Income ranking	Income range (yen)		Ratio of household living in houses provided by OPG
	lowest	highest	
I	0	123,000	74%
II	123,001	153,000	6%
III	153,001	178,000	4%
IV	178,001	200,000	3%
V	200,001	238,000	4%
VI	238,001	268,000	2%
VII	268,001	322,000	3%
VIII	322,001	–	4%

OPG=Osaka Prefectural Government

Source: Osaka Prefectural Government Housing Management Report (administrative Internal Information)

households and individuals. By expanding the entitlement, it would help them have access to low-rent housing. However, it is doubtful that the local housing authority will be able to accommodate additional disadvantaged people, because most of the old housing stock is not fitted with accessible features for the elderly and disabled and cannot be linked with welfare service sectors. There are already large numbers of tenants who require welfare services. There is a discrepancy between what tenants need and what local authorities provide. Social isolation and solitary death in apartments have occasionally happened in the public rented housing estates. This happens partly because tenants do not effectively receive services that they need. If disadvantaged populations were concentrated in the public housing sector, more intensive care and services would be needed. It can be said that the link between housing management and welfare services is currently insufficient. Policy-makers have realized these problems, but have not shown concrete measures for achieving solutions. The reform should give highest priority to the issue of establishing a linkage between housing management and welfare services.

(2) Housing Management issues

The most significant issue in housing management is that the tenants' associations are no longer viable. In local authority housing, there are still some tenants' associations. They are self-governed and take on daily management tasks such as cleaning communal areas and parking management. However, there is a lack of personnel for administration of the association and daily management because most of the tenants are elderly or disadvantaged. Local authority housing estates usually do not employ managers in the estates, except 'renrakuin', who distribute administrative notices.

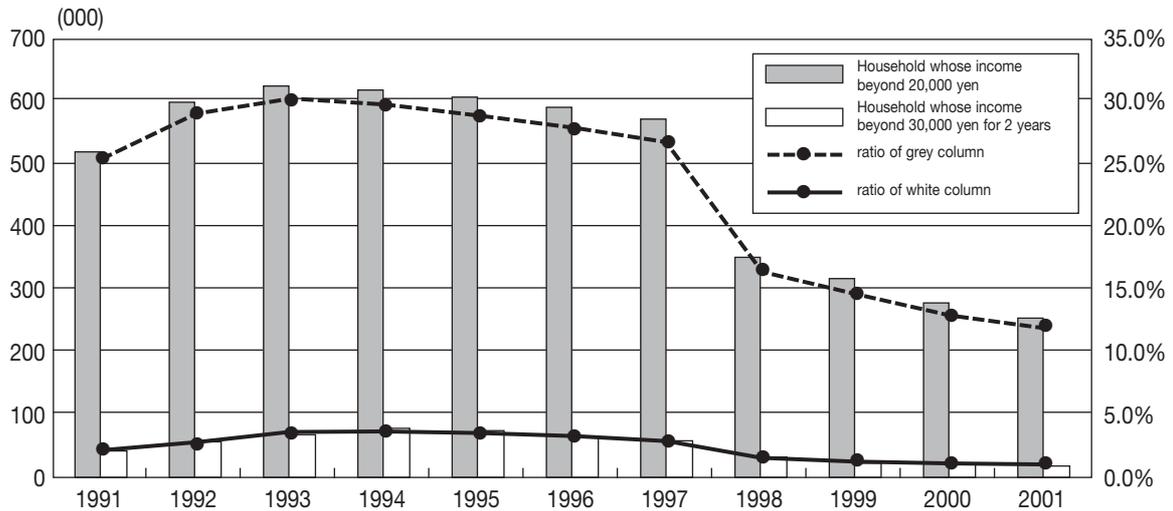
Younger and working households can be expected to take a significant role in communities, although their income is often higher than the criteria. Currently, many of these people are being evicted because they no longer meet the income criteria. The public housing sector is losing human resources to look after the community. See Figure 3 to find the decrease in the number of households whose income has gone beyond the criteria since 1997. According to the amendment in 1996, local authorities have strictly carried out the evictions of

applicable households. The same trend can be found in Osaka Prefectural housing.

Another issue is rent arrears. Figure 4 illustrates the amount of rent arrears and the ratio of rent collection. Since the middle of the 1990s, following the amendment and the economic downturn, rent arrears have increased. The number of evictions carried out on households in arrears is also increasing (see Figure 5). Most arrears are of one or two months. Arrears tend to be seen as personal problems. However, if a rent collector or housing manager contacted and consulted with these households in time, the number of households that have a large amount of arrears for a long time, who would eventually be evicted, would decrease.

Housing management problems that we have seen so far have been generated by inconsistencies of the past policy. The past policy tended to concentrate welfare-dependent individuals without linkages between housing management services and necessary welfare services for tenants. The new policy will again have the same inconsistency as the past one. If local authority housing is provided for welfare-dependent individuals and households,

Figure 3 – Number and ratio of households whose incomes exceed the minimum criterion to be eligible for public housing



Source: Osaka Prefectural Government Housing Management Report (administrative internal information)

intensive management, including housing, health, and social services should be provided together.

(3) Problems related to housing (re)development

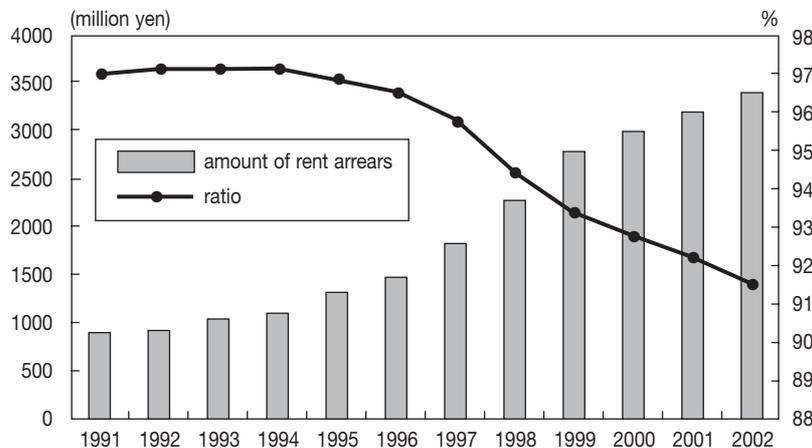
New construction has been restricted by the financial crisis of local authorities and further constrained by the policies that aim to shrink the role of the public sector. In the case of Osaka Prefectural Government,

most of the total units provided by the government are rebuilt units (see Figure 6).

Three issues should be pointed out regarding the (re)development of local authority housing. First, a large number of houses built in the 1960s and 1970s will reach the end of their infrastructural duration. Most local authorities have faced financial crisis so they are not able to raise additional money for rebuilding those.

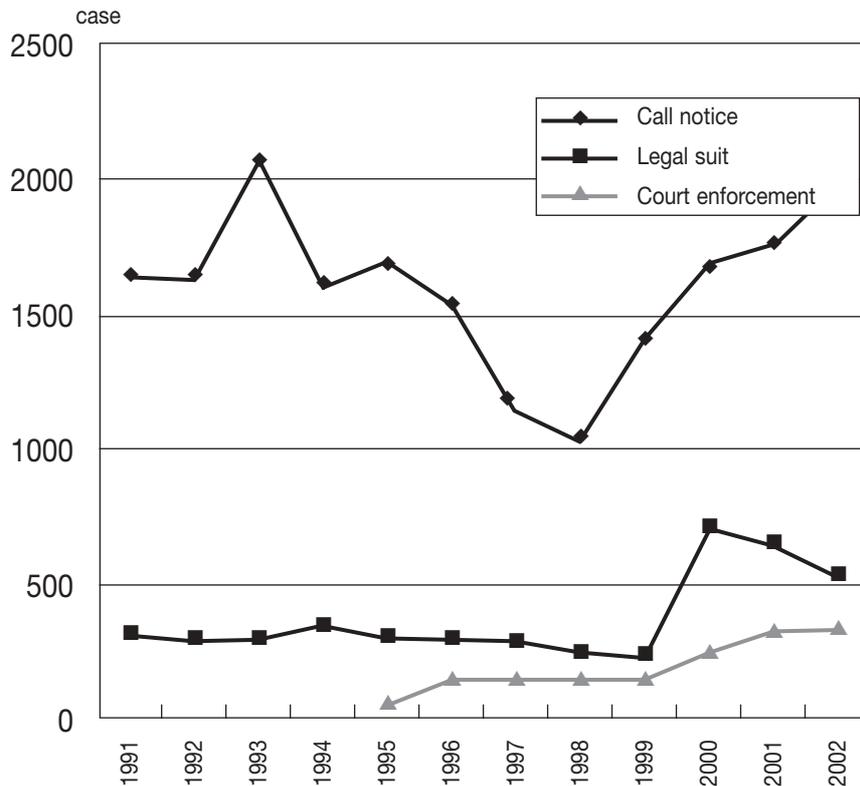
The second issue is a shortage of affordable housing. There are many people paying high rent in low-quality private rented housing, even though some of them are entitled to local authority housing. In the 1980s, the Osaka Prefectural Government estimated this number at approximately 70,000. This is a problem not only for local authority housing, but also for private housing because both sectors cannot provide affordable housing for low-income people. There have been very few effective

Figure 4 – Rent arrears and ratio of rent collection



Source: Osaka Prefectural Government Housing Management Report (administrative internal information)

Figure 5 – Legal suits for rent arrears



Source: Osaka Prefectural Government Housing Management Report (administrative internal information)

measures in Japan for controlling the provision of affordable housing for low-income people. The provision of affordable housing largely depends on local authority housing. Currently, new construction of local authority housing has been restricted and improvement of existing stock has not been sufficiently implemented. It can be expected that the gap between the demand and supply for low rent housing will expand. It is necessary to increase the numbers of affordable houses in a variety of ways in order to meet various housing needs.

For that purpose, local authorities will be required to investigate local housing needs accurately and to control housing provision in both public and private sector through

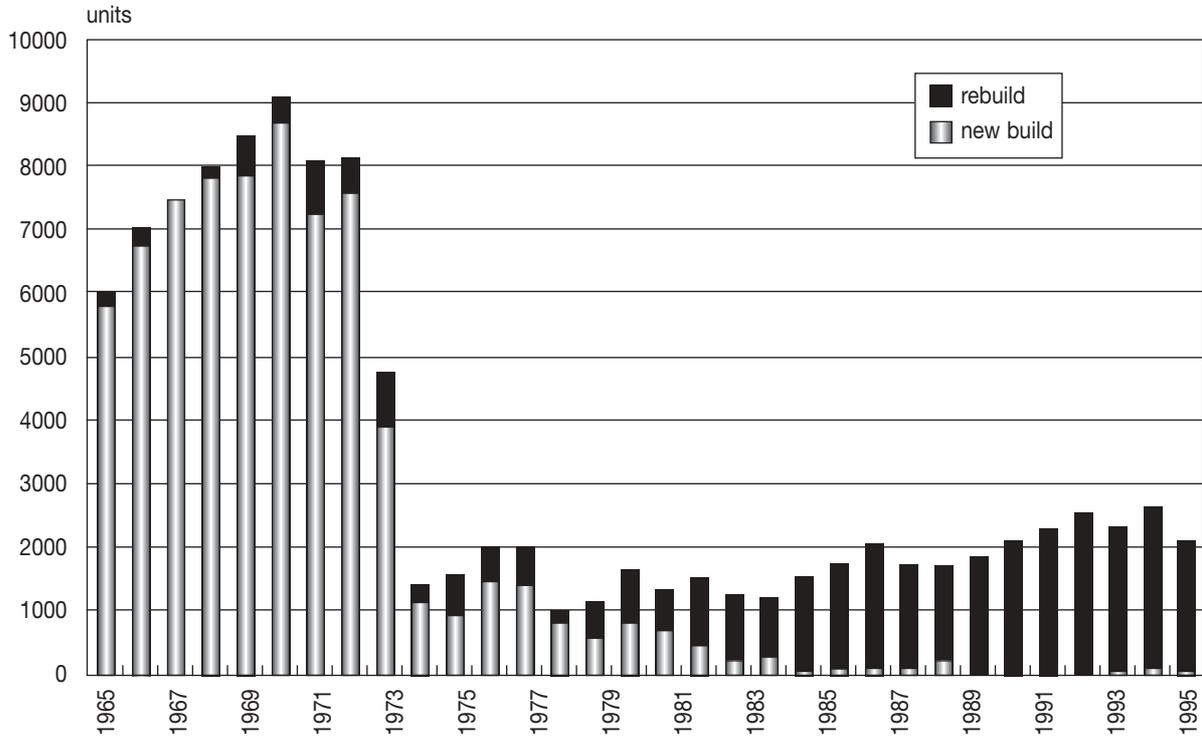
allocating the limited resources effectively. Under the administrative and financial reform, subsidies for construction costs of local authority housing are abandoned and replaced by a local housing subsidy. It seems that new subsidies could possibly be used for a wider variety of affordable housing. At least the government should not decrease the level of the subsidy. It is necessary both to provide public money to private and non profit organizations adequately and to control them to provide and manage good quality of affordable housing. So far, local authorities have not had enough control of private construction activities and of the comprehensive planning of local housing (not only local authority housing but also other tenures). It

is urgent that local authorities consolidate both.

The third issue is high-rise apartments. Many local authorities build high-rise apartments. Due to the financial crisis, they sell a part of the land where the existing stock is located and then use the proceeds from the sale to cover the rebuilding costs. Inevitably, rebuilt housing should be a high-rise structure because the available land becomes smaller and local authorities are required to rebuild at least the same number of units as before (Figure 8). Local authority housing in urban areas tends to be high-rise. However, this does not seem appropriate for a concentration of elderly people.

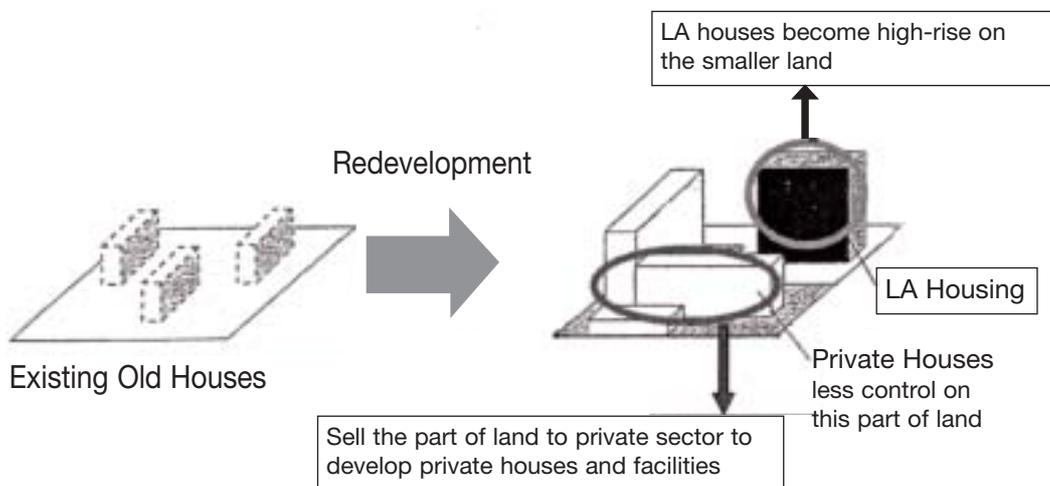
⁵ Housing for the victims of the Great Hanshin-Awaji earthquake has accommodated more elderly people than other local authority housing. The survey was conducted in 2004 by our research group. It was a questionnaire survey to tenants who live in housing built for victims of the Great Hanshin Awaji earthquake.

Figure 6 – Number of new construction and rebuilding units



Source: Osaka Prefectural Government Housing Management Report (administrative internal information)

Figure 8 – Method of existing local authority housing estates



According to a survey of local authority housing for victims of the Great Hanshin-Awaji earthquake⁹, tenants do not prefer to live in high-rise apartments. Young couples with small children feel uneasy about living in high-rises and elderly individuals who live in higher stories are hesitant to go out. Thus, high-rise apartments could be one cause of social isolation and the decline of community.

Despite the decline of community, the concentration of elderly and disadvantaged people, and the lack of housing management and welfare support, rebuilding high-rise apartments is not an appropriate method. The main reason is that, as stated previously, high-rise apartments are not a suitable housing type for the elderly and for young couples with children.

Another problem concerning the rebuilding methods can be found. Local authorities do not always have strict control of land usage after the sale. Redevelopment of the site by the private sector does not necessarily bring about desirable land usage. Weak control should be addressed through the PFI system, which has been implemented to rebuild public houses. In Japan, however, there is less control of urban planning by local authorities and local people compared with Europe and the U.S. Without proper controls, utilizing private resources could worsen the problems stated above. It is necessary for local authorities and local residents to draft a local plan to avoid unsuitable development in their areas. Local authorities should make a more comprehensive plan covering measures for private housing. Although a comprehensive local housing plan has not yet been implemented and local authorities do not yet have sufficient control over private development, it is necessary to make a more comprehensive plan with proper controls. It should help solve many issues within local authority housing and other problems in the housing market as well.

5. Concluding remarks

Local authority housing cannot work well even as a safety net because there is no intensive management provided of services such as welfare provision. Nevertheless, new policies still intend to concentrate disadvantaged people without establishing intensive management provisions.

The problems described in this paper occurred within the local authority housing sector. However, the causes exist not only within the sector but also in housing provision by the private sector. Therefore, it is necessary to look at the entire system of housing provision. In doing so, it is essential to control the private housing market. As stated before, local authorities are facing a financial crisis. Utilizing the market is a reasonable way to provide affordable housing. However, Japanese housing policy has tended to convey controls to private activities. Using various methods for providing affordable housing could relieve the problems within the sector.

Finally, it is expected that the Local Housing Plan could be more influential on wider housing provision. It is not sufficient at present, but it would have the possibility to extend public and residential control throughout the local housing market.

New housing policies on local authority housing are not appropriate for the current problems in this sector. The old policy has not solved the problems, and the new housing policy follows a similar direction as the old one. The new policy would probably not bring any changes but make the problems worse. Japan has pursued welfare state policies in a different way than advanced European countries. Japan has preferred to spend money on urban infrastructure like constructions of motorway, bridges and dams instead of welfare services. In contrast to Europe, housing was of lower importance for Japanese authorities. This attitude could be attributed to the Japanese immature public attitude toward welfare. Contradictions

often appear among socially and economically disadvantaged people. They have no say and have not been in a majority so far. As a result, socioeconomic disparities gradually widen. If contradictions spread out to the whole of society, we could expect a real new housing policy to appear.

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