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The Housing System and Generational Divides: Housing Pathways and Life-courses in Japan

Abstract

While the impact of demographic change in Japan, with increasing longevity, declining fertility and a fundamental shift in the ratio between the retired and working populations has been well documented, the role of housing markets and the property sector, although having significant consequences in the structure of life-courses, has not been so central to debates. The objective of this chapter is to examine the role of the housing system in the emerging divide between younger and older generations in Japan. A central contention is that, in combination with restructuring in employment conditions and welfare sectors, the housing system in Japan is shaping demographic changes and may be considered a driver of both declining family formation and socioeconomic inequality between younger and older cohorts.

Introduction

In the early post-war period, housing production and consumption played a central role in driving economic growth and in the formation of Japanese middle-class mainstream society. The growth of home ownership and the movement of households up a housing ladder rein-

forced patterns of family formation and progression through the life-course orientated around middle-class social identities and a “standard breadwinner family model”.¹ However, in recent decades, the housing system has destabilized with households and movement up the housing ladder becoming increasingly fragmented. Clear gaps have emerged between different generations of household in Japan. On the one hand, significant differences in housing conditions and housing wealth have developed between different cohorts of homeowners based on time of entry and length of tenure. On the other, housing chances in terms of opportunities to enter independent family housing and accrue housing equity in the owner-occupied housing market have fundamentally diminished for younger people. This has been accompanied by a decline in “standard” family households and considerable growth in single only households renting in the private sector or staying on in the family home.² Many of these changes are related to recent socioeconomic restructuring which undermined employment and welfare practices in Japan and drove both a collapse in the housing market and a retrenchment in housing policy. These changes also unfolded as the social, political and economic pressures of an aging population and low fertility became more intense.³

This chapter examines how socioeconomic restructuring has interacted with the housing system in restructuring Japanese life courses and social inequalities. A central concern is emerging divides between

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¹ Cf. Hinokidani, Mieko (2007): Housing, family and gender; Hirayama, Yosuke and Richard Ronald (2007): *Housing and social transition in Japan*, and Waswo, Anne (2002): *Housing in postwar Japan. A social history*.

² Cf. Ronald, Richard and Yosuke Hirayama (2009): Home alone. The individualization of young, urban Japanese singles.

³ See Coulmas, Florian *et al.* (2008): *The demographic challenge. A handbook about Japan*.

different generations structured around differentiated movement up the housing ladder or, as in the case of many young people, failure to do so. The chapter begins by considering the significance of housing systems in life courses, how they influence welfare practices as well as shape socioeconomic transformations. The discussion then turns to the Japanese post-war housing system. While the housing system once helped drive post-war economic growth and stability, the housing market now structures differences in economic security between younger and older households who are experiencing very different housing and economic conditions. This has essentially exacerbated the pressures imposed by the changing demographic balance between young and old, with increasing pressures on working generations to support the income and welfare requirements of older retired, or retiring generations. Essentially, changes in housing conditions have aligned with shifts in employment and policy practices which have further destabilized the security and integrity of “standard” households and disrupted life-course trajectories.

Households and housing systems

How housing is organized in each country impacts the social system at various levels. Tenure systems in particular, have been associated with specific approaches to welfare provision and the role of households in the welfare mix. In understanding differences between countries along the lines of welfare regimes, societies with high home ownership rates are often associated with systems in which the family plays an important role in the welfare mix.⁴ Home ownership provides a basis for

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⁴ Cf. Castles, Francis G. (1998): The really big trade-off. Home ownership and the welfare state in the new world and the old.

intergenerational co-habitation and exchanges of care as well as for economic transfers between generations. In many developed countries in Europe and East Asia where institutions beyond the state have taken responsibility for welfare provision, owner-occupied housing has been promoted by governments as a means to provide families with financial security in the form of housing assets that have accrued in value, as well as to direct obligations for welfare provision onto the household itself.⁵

Characteristic of housing systems geared towards owner-occupation is a particular pattern of spending, saving and consumption over the life-course.⁶ Where home ownership is embedded as the primary tenure, and rental tenure stigmatized, young households are pressured to save a considerable deposit and subsequently take on a sizeable mortgage debt in order to buy a home. Housing costs are highest in the early years of occupation, but diminish over time as the mortgage is paid off and relative income increases. By retirement age most households have repaid their loan which improves the standard of living (with minimal housing costs) that can be achieved on a pension income. Owners additionally have an investment which increases in value, and offsets reliance on other types of saving. People who buy their own homes both consume its services over time and also build up their wealth.⁷ Research in Europe and Japan has demonstrated that households treat home ownership as a form of saving as

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⁵ Cf. Groves, Richard *et al.* (2007): *Housing and the new welfare state. Examples from East Asia and Europe*, and Ronald, Richard (2008a): *The ideology of home ownership. Homeowner societies and the role of housing*.

⁶ Cf. Kemeny, Jim (2005): "The really big trade-off" between home ownership and welfare. Castles' evaluation of the 1980 thesis, and reformulation 25 years on.

⁷ Cf. Doling, John (2008): *Housing and demographic change, ENHR Working Group Conference, Building on home ownership. Housing policies and social strategies*, 5.

well as an asset on which they can fall back upon in old age.⁸ For most households, their home constitutes their largest investment and significantly impacts other types of saving and how much is available to consume on non-housing goods. It also becomes critical for maintaining living standards in later life as owner-occupied homes tend to be of a higher standard than those affordable if a household were to rent in old age. Housing property assets are also central wealth transfers that are often the focus of family welfare care exchanges and co-habitation arrangements.

Since World War Two, the Japanese housing system became strongly orientated around facilitating the mass expansion of home ownership, as is examined in the following sections. This facilitated a considerable accumulation of housing assets among older people that provided a basis for economic and welfare security. The orientation of public policy towards family self-reliance and residential property ownership become more apparent in the late 1970s as LDP governments began to stress the necessity of “Japanese-style welfare society” in welfare policy restructuring.⁹ The formation of Japanese-style welfare society involved a particular state-society relationship in which the state does not support individual social security directly but rather the family overall as a framework of welfare security provision. More specifically, family self-reliance has been mediated through state assisted home ownership, which sought to reinforce social stability.¹⁰

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⁸ Cf. Cattle, Pietro *et al.* (2004): *Housing markets, wealth and the business cycle*, and Ronald, Richard (2008b): Between investment, assets and use consumption. The meaning of home ownership in Japan.

⁹ Cf. Shinkawa, Toshimitsu (1993): *Nihongata no fukushi seiji-keizaigaku* [Political economy of Japanese-style social welfare].

¹⁰ Cf. Harada, Sumitaka (1988): *Nihongata fukushi shakai no kazoku zō* [The image of the family in the Japanese-style welfare society].

However, in recent decades socioeconomic transformations and realignment in the housing system have created a growing divide between housing-asset-rich and income-poor older generations and younger asset-poor and income-insecure ones. This is proving a challenge to the sustainability of the welfare system as life courses and routes into economic security are, arguably, no longer being adequately reproduced from one generation to the next. There is a fundamental reorientation in life courses and housing career trajectories characterized by a growing inability of younger households to get on the housing ladder or even access housing deemed adequate to raising a family.

The post-war Japanese housing system

During the rapid pre-war urbanization of Japan, the majority of city workers had been accommodated in low quality rental housing.¹¹ The housing situation was then compounded by the wholesale destruction of urban residences during war time bombing, which culminated in a massive housing shortfall of 4.2 million units (around one fifth of dwellings at the time). Post-war governments became proactive in housing policy and sought to promote home ownership as the primary tenure. At first this involved undermining the management basis of the rental sector through rent control and tax levies. In the 1950s new pillars of housing policy were introduced that redirected resources toward establishing a housing ladder up which families could move, accumulating housing wealth. The “three pillars” of housing policy included the Government Housing Loan Corporation Act, (GHLC 1950), the Public Housing Act (PHA 1951), and the Japan Housing Corporation Act (JHC 1950).

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¹¹ See Sorensen, André (2002): *The making of urban Japan*.

Of the pillars of housing policy, the government emphasized the promotion of home-ownership through GHLC loans, which became central to housing finance and government market intervention measures. GHLC loans facilitated a rapid increase in home-ownership rates (from less than 30 per cent urban home ownership before 1940 to 64 per cent by 1965). Of the more than 50 million housing units built between 1945 and 1995, 28.9 per cent were GHLC financed, with 45.7 per cent built from public funds overall.¹² During the economic growth period the government increasingly improved lending conditions through the GHLC to promote housing purchases and stimulate consumption and economic growth. The proportion of houses constructed using GHLC loans increased from 63 per cent in 1971 to 79.5 per cent by 1980.¹³ The provision of public rental housing, alternatively, was reduced over time. The GHLC provided government funds for long-term, low-interest mortgages for middle-income households. Through the PHA a limited amount of subsidized public housing was provided at below market rents for low-income families. Singles were excluded from public housing as the target was younger families saving to enter the private market. The JHC was founded to develop multi-family housing estates for middle-income households in large cities.

The commercial sector may also be counted as a pillar of post-war housing¹⁴ and strongly influenced the expansion of the owner-occupied housing market. Firstly, the large and politically influential construction sector drove a considerable increase in residential hous-

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¹² Cf. BCJ – Building Centre of Japan (1998): *A quick look at housing in Japan*.

¹³ Cf. MC – Ministry of Construction (1995): *Minkan jūtaku kensetsu shikin jittai chōsa* [Survey on the financial situation in private home construction].

¹⁴ Cf. Waswo (2002).

ing output from the 1950s onward. Post-war housing output in Japan has averaged 10 to 14 new units per year per thousand people compared to 3 to 6 in Western Europe and North America. Secondly, government support for home ownership has been supplemented by the company system. The “enterprise society” model rewarded company loyalty with lifelong-employment security and age-based wage increases, but also a raft of welfare goods and services including housing subsidies.¹⁵ Cheap company rental housing provided a means for new family households to save up housing deposits, constituting a steppingstone to home ownership. Companies also provided subsidized housing loans for employees, which supplemented the portfolio of borrowing necessary to get into owner-occupation.

The social mainstream and “standard” households

The post-war housing boom was associated with economic growth, which encouraged the government to sustain pro-home ownership policies.¹⁶ The expansion of a home owning middleclass was regarded as important in stabilizing socio-economic conditions and supported the capacity of family self-reliance.¹⁷ The objective of establishing a very broad “social mainstream” of middleclass households also connected housing policy with ideological discourses regarding both social homogeneity and modern society. Hirayama¹⁸ argues that the housing system established a “social-flow” of rental tenants on the

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¹⁵ Cf. Sato, Iwao (2007): Welfare regime theories and the Japanese housing system.

¹⁶ Cf. Miyake, Jun (1980): *Genzai mochi-ie shikō ni tsuite* [Current trends of home ownership].

¹⁷ Cf. Hirayama, Ronald (2007).

¹⁸ Cf. Hirayama, Yosuke (2003): Housing policy and social inequality in Japan, and Hirayama 2007): Reshaping the housing system. Home ownership as a catalyst for social transformation.

outside of mainstream society into the inside via the owner-occupied housing-ladder. The housing-ladder system embedded a life-course pattern orientated around the ideal of *mai hōmu* (becoming a homeowner) with households moving from renting an apartment through to condominium purchase, working their way up eventually to a detached family house. Essentially, the emergent housing-ladder system had a strong hegemonic impact, defining social inclusion and a way of life for those aspiring to form modern middleclass families. By 1955, around 52 per cent of families aspired to buying their own-home, rising to 74 per cent in 1966 and 90 per cent in 1969.¹⁹

Following the nuclearization of households, the “standard-family-model” formed the basis of housing provision, social policies and employment practices. It comprised a breadwinning husband, a homemaking wife and two children. There were subsequent spatial impacts in the organization of residential neighbourhoods with a proliferation of multi-family apartment-block estates in the 1950s and 1960s, associated with modern families and ways of living.²⁰ There was also continued growth in suburban developments and advances in prefabricated and two-by-four construction techniques with the increasing number of families seeking better single-family housing. Demand for owner-occupation also drove house price inflation and, subsequently, the augmentation of property-assets. Buying a home not only seemed to provide security for the current household, it also promised security for future generations who would inherit, with a

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¹⁹ Cf. Tamaki, S. (1974): *Mochi-ie shikō to shakuya shikō* [Tendency to owner-occupied housing and rental housing].

²⁰ Cf. Waswo (2002).

build-up of family wealth over time.²¹ Price increases also fuelled a myth that housing and land were special types of commodity that increase perpetually in value.²²

The generation that bought their own homes in the 1950s and 60s thus experienced a sense of growing wealth during the era of rapid economic expansion. This maintained restrained government provision of public welfare in favour of a system of welfare supported by employment security and corporate-based welfare provision complemented by regulatory and tax incentive measures. The oil crisis of 1973 upset this pattern and also interrupted house price inflation. The state looked to the housing system as a means to stimulate growth and housing policy became more aggressive. In the following years the GHLC improved lending conditions and launched a series of programmes to extend home ownership. These included the Step Repayment System (1979), the Two-Generation Mortgage (1980) and the Supplementary Loan system (1985). These initiatives contributed to housing demand, but were also accompanied by increasing investment in land, considered a “safe” investment and used to secure other borrowing, by banks and corporations.²³ A speculative bubble began to form in which the improvement of lending conditions encouraged house acquisition, expanding demand for owner-occupied housing, boosting housing prices, and driving the further improvement of lending conditions.²⁴

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²¹ Cf. Hirayama, Yosuke and Kazuo Hayakawa (1995): Home ownership and family wealth in Japan.

²² Cf. Mizuoka, Fujio (2004): Japan. The economic consequences of the fetish of space.

²³ Cf. Kanemoto, Yoshitsugu (1997): The housing question in Japan.

²⁴ Cf. Oizumi, Eiji (2007): Transformations in housing construction and finance, and Hirayama (2003).

The disproportionately large cohort born in Japan between 1945 and 1950, when fertility rates reached 4.3 children per woman, began to enter the housing market in the late 1970s and early 80s, which further pressured the market. The 1980s saw the most substantial rises in the prices of properties, especially in metropolitan areas. 1987 and 1988 saw increases in average condominium prices in Tokyo by 22 per cent and 29 per cent respectively. Nationally, the rate was 8 per cent and 25 per cent.²⁵ There was effectively a scramble to get on the housing ladder which appeared to promise opportunities for considerable capital gains. Nonetheless, conditions for those buying in the 1980s were considerably tighter. The demand on incomes was much higher than it had been for Japan's first post-war generations of urban homeowners and required considerably more indebtedness. The government further expanded credit conditions with the amount of outstanding housing loans swelling from 48,229 billion yen in 1980 to 191,203 billion yen in 2000 constituting an escalation in the ratio of outstanding housing loans against GDP from 19.4 per cent to 37.3 per cent.

Housing and the “lost decade”

The following decade, known as the “lost decade”, saw the disintegration of the housing-ladder and the integrity of the housing system. In 1989, driven by over-investment in, and the over-inflation of, share and land values, the economic bubble famously burst throwing the economic system briefly into turmoil followed by a prolonged period of downturn lasting until 2002. The 1990s began with a collapse in share values followed by a long-standing decline in the nominal val-

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²⁵ Cf. MC (1995).

ues of housing properties. The stock market shed around 80 per cent of its value between 1989 and 2003, while urban property values dropped by 40 to 50 per cent. Owner-occupiers experienced major capital losses on what was typically their primary asset. For example, the drop in price of an average new-build condominium bought in Tokyo in 1991 generated a capital loss of around 25 million yen, or almost 50 per cent, by 2000.

The economic downturn and collapse of housing values revealed systematic problems, which had been disguised by the prolonged improvement in property values. System flaws exacerbated the economic insecurity of home-ownership and generated fractures between different types of property ownership and cohorts of households. Firstly, despite improvements in building technologies, the construction sector had continued to promote “scrap and build” techniques where housing is rebuilt every 30 to 40 years.²⁶ Research on housing consumption in Japan has demonstrated that housing units are perceived as relatively ephemeral objects, and there are strong prejudices against older units which stimulate rapid devaluation and periodic replacement.²⁷ Furthermore, in order to encourage construction, the GHLC also promoted the purchase of newer properties by excluding loans on dwellings more than 25 years old and providing longer repayment periods for buyers of new-builds. Consequently, housing units dropped rapidly in value once they were erected. Property prices before 1990 had been effectively maintained by increases in land values. However, after 1990, marked fragmentations appeared in the housing market between new-build and existing properties and between condominiums and

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²⁶ See Oizumi (2007).

²⁷ Cf. Ronald (2008b).

detached family houses. Older properties devalued rapidly as did condominiums where land (and rebuilding) rights were more restricted.²⁸

Secondly, as the government considered residential construction an economic pump-primer, when the economy failed in the early 1990s it sought to stimulate the sector by improving lending and promoting policies to stimulate construction. However, despite early post-war shortages, a housing surplus had been achieved by the end of the 1960s with vacancy rates advancing to 7.6 per cent by 1978 and 9.8 per cent by 1993 (around 14 per cent by 2003). There was thus considerable housing market over-supply, which reinforced the erosion of property values.²⁹

Housing and generational divides

In recent decades the number of people following the traditional housing ladder has been in decline, undermining the stable formation of new family households, especially “standard” ones. As the economy entered downturn and owner-occupied housing began generating capital losses, the number of homeowners trapped in negative equity ballooned along with increases in mortgage defaults. While younger homeowners found themselves in expensive properties with little expectation of capital gains, young renters faced greater economic adversity in saving to buy a home and greater insecurity in the housing market. In 1978 over a quarter of those aged 25–29, and nearly half of those aged between 30 and 34, were homeowners. By 1998 this had dropped to one in eight for the former group and around one in five for the latter, whilst the overall level of home ownership (which was

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²⁸ Cf. Ronald, Richard and Yosuke Hirayama (2006): Housing commodities, context and meaning. Transformations in Japan’s urban condominium sector.

²⁹ Cf. Ronald and Hirayama (2006).

expected to expand) stayed about the same (Figure 1). The number of single-only and married-couple-only households respectively increased from 23.1 per cent and 15.5 per cent in 1990 to 29.5 per cent and 19.6 per cent by 2005. Although 46.1 per cent of households were nuclear families in 1975, they accounted for only 29.9 per cent by 2005 (Figure 2, p.15).

Essentially, two major household trends since the 1980s have been declining homeownership entry and the diversification of households including greater fragmentation into couples without children and singles. It seems the housing-ladder system and home ownership aspirations, once central to social mainstream homogeneity, are in retreat. The generation born in the 1970s, who entered adulthood in the 1990s, constitutes a particular generation whose chances to form family

Figure 1: Home ownership rates by age.

Note: Cited from Hirayama 2007, 29.

Source: Housing Survey of Japan and Housing and Land Survey of Japan (various years).

households and move up the housing ladder, or even into independent households, contrasts to the baby boomer and baby busters who came before them. The housing conditions of this generation, named the “lost generation” in public discourses, have been further undermined by changes in employment and government policy changes in the 1990s and 2000s.

Employment and security

Other factors that have reinforced the divide between younger and older generations include the restructuring of the labour market and employment practices, and social policy structures. Family formation and “standard life-courses” before the 1990s integrated both the housing ladder and the employment system. In the Japanese breadwinner

Figure 2: Proportion of households by household type.
Source: Population census (various years).

household model, which formed the basis of company and state policy, it was assumed that male heads of household would enter company employment and move up an income ladder which would reliably advance with age. However after the 1990s economic downturn, companies began retrenching “enterprise society” practices, including those that assisted home purchase.³⁰ A particular break was made between older employees and younger ones. For Genda³¹, corporate restructuring eroded conditions and opportunities for new company recruits. Companies have tended to cut down on job security, pay and training of younger employees, but have maintained the high salaries of older employees.

A particular shift in employment practices has been the amendment of the Dispatched Labour Law in 1999, which regulates employment conditions for temporary staff. This has reinforced labour market differences between non-regular and regular workers, while the share of the former, whether casual, part time or despatched, has increased from 20 per cent in 1994 to 34 per cent in 2007.³² Moreover, non-regular employees that often perform the same work average considerably less income per hour. Part time workers, who account for three-quarters of non-regular workers, typically earn 40 per cent of their regular counterparts. The population of non-regular workers is particularly concentrated among younger people. Between 1982 and 2006, while the average increase was from 16 per cent to 33 per cent, the

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³⁰ Cf. Sato (2007).

³¹ Cf. Genda, Yuji (2001): *Shigoto no naka no aimai na fuan* [The vague uneasiness of work].

³² Cf. MIAC – Ministry of Internal Affairs and Communication (2008): *Statistical handbook of Japan*.

rate of non-regular employees aged 20–24 increased from 11 per cent to 41 per cent.

A particular issue is that increasing amounts of younger people are being cut off from employment ladders that facilitate movement through the traditional life-course and housing ladder. The system of Japanese employment has very rigid windows of opportunity for recruitment into regular employment, and those who fail to move through at the right time are often permanently cut off from regular employment conditions.³³ Indeed, the growing number of NEET (not in employment, education or training) and *furīta* (non-regular workers aged 15–34) reflect the growing divide in society between those on the inside and outside of mainstream society. Government figures suggest that there were around 2.7 million NEETs and *furīta* in 2005.³⁴ Failure to get into secure employment may fundamentally inhibit the ability for many young people to form their own family households. There has been a clear correlation between the unmarried rate and economic status. In 2002 the ratio of unmarried men aged 30 to 34 in regular employment was 41 per cent compared to 70 per cent among non-regular workers.³⁵ Attitude surveys have also demonstrated the significance of this relationship. Among singles in full time employment the desire to, and the perceived merits of marriage are much higher for regular workers than among non-regular employees, at 70 per cent compared to 40–50 per cent.³⁶

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³³ Cf. Matthews, Gordon (2004): Seeking a career, finding a job. How young people enter and resist the Japanese world of work.

³⁴ Cf. MHLW – Ministry of Health, Labour and Welfare (2006): *Chingin kōzō kihan tōkei chōsa* [Basic statistical survey on wage structure in Japan].

³⁵ Ibid.

³⁶ Cf. IPSSR – Institute of Population and Social Security Research (2008): <http://www.ipss.go.jp/index-e.html> (accessed 19 January 2008).

In many developed societies government policies and welfare structures provide alternative networks of support and security which facilitate continued family formation among those on low or irregular incomes. In Japan however, welfare policies are orientated around the “male breadwinner model” making it difficult for individuals to receive government support until after they have established an independent family household.³⁷ Women in particular, who are disadvantaged in the labour market (for example, non-regular work accounts for 53.4 per cent of female employment compared to 18.3 per cent for men), have relied on marriage to achieve economic security and get on the housing ladder.³⁸ Government housing assistance has been provided mostly for family households and channelled primarily through subsidies for housing loans that support those already economically secure enough to get on the property ladder. There is no provision of rent subsidies at all. Before 1981 the GHLC did not provide loans to one-person households and until 1988 only to those aged over 40. The restriction was reduced to 35 and then removed in 1993. In 2007 GHLC loan provision was withdrawn. Public spending on the construction for private rental housing has been limited, while public subsidy for social rental housing, which constitutes less than 7 per cent of total housing, has been continuously residualised. Furthermore, subsidised housing is not available to young single people. The prospects for singles in irregular employment of forming an independent household are neither improved by housing nor social policies. Even the situation of family households with regular employment has been

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³⁷ Cf. Yokoyama, Fumino (2002): *Sengo Nihon no josei seisaku* [Public policy for women in post war Japan].

³⁸ Cf. Hirayama, Yosuke and Misa Izuhara (2008): Women and housing assets in the context of Japan’s home-owning democracy.

undermined as public and company housing assistance has been re-trenched.

New housing directions

The combination of changing housing and employment conditions has made it increasingly difficult for young households to get a foothold on the housing ladder. Indeed, it has become a challenge for many younger people to even get out of the parental home. Arguably, the very basis of middle-class formation and the reproduction of family households are under threat from the insecurity that now surrounds transition through the different stages of the life-course involving home-leaving, partnership and family formation, and moving up a housing ladder to more adequate and secure housing. The growth of people under 40 staying on as a “parasite” in the parental home has been the source of considerable debate in recent years. Indeed, between 1980 and 2005 the rate of 25 to 29 year olds staying on in the family home increased from 24 per cent to 43 per cent and from 8 per cent to 24 per cent for those aged 30 to 34.³⁹ Although this development was initially considered the outcome of a feckless Japanese youth, attention has turned increasingly to the economic rationality of young people in the current employment climate and the propensity and ability of baby boomer and baby buster parents, who usually have greater economic security and spacious owner-occupied homes, to protect their children.⁴⁰ There is a strong relationship between em-

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³⁹ Cf. Ronald, Richard and Yosuke Hirayama (2009): Home alone. The individualization of young, urban Japanese singles.

⁴⁰ Cf. Kitamura, Akiko (2001): *Seijin mikonsha no rika to oyako kankei* [Unmarried adults, home leaving and parent-child relations], and Yamada, Masahiro (1999): *Parasaito shinguru no jidai* [The age of the parasite singles].

ployment status and “parasite singlehood”, with 60 per cent of *furūta* living with their parents.⁴¹ Indeed, most non-regular workers have net annual incomes of less than 3 million yen, making living independently, let alone forming an independent family household, very difficult without parental assistance.

Of those individuals who do leave the family home, the common trajectory has been small compact rental apartment units. Between 1983 and 2003 the ratio of independent households aged 25–29 renting in the private sector increased from 53 per cent to 71 per cent and from 34 per cent to 55 per cent for those aged 30–35. This sector is dominated by 1K and 1DK units of less than 29m² which are normally inadequate to meeting the needs of starting a family or even married life. Again, for those in non-regular employment, rent payments can only be maintained by very frugal living (often with extra financial assistance from family) and chances of moving to better accommodation, either alone or with a partner, is low. Even for younger people who do find regular employment and establish a level of financial security, moving from rental housing to owner-occupied housing is still challenging. Despite declines in house prices, housing affordability is still an issue and the average price-to-income ratio in Tokyo, for example, is 5.2 for a condominium and 5.7 for a family house⁴², well above comparative averages and beyond many ordinary young households. For non-regular workers it is next to impossible to get a housing loan or service repayments, especially as deflation or low inflation no longer erode the real cost of repayments.

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⁴¹ Cf. Freeter Kenkyūkai (2001): *Furūta ga wakaruru hon* [A book for understanding temporary workers].

⁴² Cf. MLIT – Ministry of Land, Infrastructure and Transport (2005): *Survey of housing market tendency*.

The housing market and economic situations faced by younger people now are radically different from those faced by preceding generations. The sympathetic alignment of the housing system, family formation and regular life-courses appears to have become disconnected. Government policy has not been conducive in this regard and in many ways has exacerbated disalignment. Deregulation and marketization have become the focus of housing and urban reforms since the 2000, with housing as a specific target. The Housing and Urban

Figure 3: New housing loans (100 Billion Yen).

Note: Cited from Oizumi, 2007, 56.

Source: Government Housing Loan Corporation.

Development Corporation (the JHC until 1981) has been restructured into the Urban Renaissance Agency and no longer supports public rental housing provision, but rather services the interests of private sector development.

More significantly, the GHLC began to be phased out in the late 1990s (Figure 3) to be replaced by the Housing Finance Services Agency (HFSA) in 2007, leaving the private banking sector to fill the

gap in the primary loans market. The HFSA has a similar function to Fannie Mae in the USA, regulating securities in a secondary mortgage market. It is likely that private banks will be more eager to transfer economic risks onto homeowners and will serve the needs of low-income borrowers less effectively.⁴³

Post-war generations received considerable subsidies in their movement up the owner-occupied housing ladder, which have now been withdrawn. Even rental housing has been undermined by deregulation initiatives designed to provide more efficiency in the housing market. The 2000 revision of the Tenant Protection Law introduced a fixed-term tenant contract system which effectively eroded tenure security and rent control in private rental housing. The logic of the change was that tenant protection had impeded improvement in size and quality of rental stock. The private rental sector has now become split between longer term tenants with stable contracts and new, typically younger ones on fixed contracts, often one or two years, with landlords having greater freedom to raise rents or evict. While the impact on rents has not so far been significant, the improvement in the quality and size of dwellings has not improved either.⁴⁴

Housing and family formation

Housing conditions for the young have largely become family unfriendly and arguably support a pattern of very low fertility, reinforcing the features of social ageing. Demographic research has demonstrated a relatively strong positive relationship between becoming a

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⁴³ Cf. Oizumi (2007).

⁴⁴ Cf. Seko, Miki and Kazuto Sumida (2007): Japanese tenure choice and welfare implications after the revision of the tenant protection law.

homeowner, marriage and fertility.⁴⁵ However this relationship is often reversed in situations where homeownership has become a social norm (i.e. considered a requirement for starting a family), but where the owner-occupied housing market has become tight, excluding new entrants.⁴⁶ Couples may choose to postpone marriage or even partnership formation until they can find a secure and adequate home. Breakdown in conduits of transition into owner-occupied housing thus impede the decision or opportunities to bear children.

In Japan, the erosion of traditional trajectories through the housing ladder brought on by housing market dysfunction, restructuring of employment and welfare relations, and intensified by housing policy liberalization, may constitute a particularly powerful formula for declining fertility rates. Moreover, social policies have tended to neglect the housing dimension in attempting to resolve social issues surrounding fertility. In many societies rental housing provides an adequate alternative for younger couples for starting a life together and bearing children. In Japan however, the rental market is dominated by private rental stock, approximately 30 per cent of all housing, which is characterized by small and poorer quality units. Rental homes are on average 46.3m² and in urban areas where as much as 41 per cent of rental housing is made up of units less than 30m² and 73 per cent less than 50m².⁴⁷ Housing policy has failed to provide either attractive, well spaced rental alternatives for couples to start families in or subsidies to help younger couples rent larger properties. Public rental hous-

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⁴⁵ Cf. Mulder, Clara H. and Michael Wagner (1998): First-time home-ownership in the family life course. A West German-Dutch comparison.

⁴⁶ Cf. Mulder, Clara H. (2006): Home ownership and family formation.

⁴⁷ Cf. MLIT – Ministry of Land, Infrastructure and Transport (2003): *Housing and land survey of Japan*.

ing constitutes between 5 and 7 per cent of all housing, but is a largely stigmatised sector and qualification criteria are restrictive as public housing provision has been targeted at special needs categories of low-income households, especially the elderly.

The trend has been, consequently, for increasing numbers of twenty- and thirty-somethings to stay in the natal home, or, alternatively, rent a small single unit adequate only to the needs of one. Fewer and fewer younger people can afford to buy a home, especially on a single income. Housing situations of young people are also associated with a notable decline in coupling. A feature of contemporary Japanese society has been the tendency to delay or avoid marriage. Between 1980 and 2005, the rate of “never-marrieds” aged 30 to 34 increased from 21.5 per cent to 47.1 per cent for men and from 9.1 per cent to 32 per cent for women. The unmarried rate by the age of 50 reached 15.4 per cent for men and 6.8 per cent for women in 2005.⁴⁸ Housing system developments appear to support the disruption of established middle-class life-course movement into marriage and up a housing ladder that shaped households and family lives for previous post-war generations. Furthermore, where households do become established on the housing ladder, the cost of home purchase and maintaining a mortgage compete strongly with desires and expectations of having children. In national surveys “the cost” is the most common reason given for why married couples have fewer children. This cause is cited in 65.9 per cent of cases of married women and is as high as 83.5 per cent among women in their 20s.

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⁴⁸ Cf. IPSSR (2008).

Housing wealth and the elderly

Declining family formation is essentially contributing to declining fertility rates which are in turn enhancing the imbalance between retired and working populations. Japan's transformation from an "ageing" to an "aged" society, with the share of over 65s increasing from 7 per cent to 14 per cent of the population, took only 24 years. Moreover, older people are living longer (on average 79 years for men and 86 years for women), further unbalancing the ratio between periods of economic activity and inactivity over the life cycle. By 2002 one-fifth of the population was already over 65, and this will likely expand to one-third by 2040.⁴⁹ It is expected that the ratio of workers to pensioners, which was 5.8:1 in 1990 and 3.9:1 in 2000, will increase to 2.1:1 in 2025. This will put considerable pressure on the tax and pay-as-you-go pension contributions of working populations and has already resulted in the restructuring of the pension system around a direct contributions system, since 2004, that demands higher contributions and provides fewer benefits on retirement.⁵⁰ On the other hand, demographic shifts reinforce the significance of housing conditions and wealth. Many among early post-war generations had stable jobs, enjoyed growing national affluence and could build up considerable owner-occupied property assets. This wealth, although not evenly distributed, provides a basis for security for many elderly in retirement. Indeed, housing wealth is playing significant part in shaping life course trends and social inequalities across Japanese society that may

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⁴⁹ Cf. UN – United Nations (2008): *World population prospects*. <http://esa.un.org/unpp/p2k0data.asp> (accessed 16. July 2008).

⁵⁰ See Shinakawa, Toshimitsu (2005): The politics of pension reform in Japan. Institutional legacies, credit claiming and blame avoidance.

be repeated elsewhere as social aging increases, especially in countries strongly orientated towards home ownership.

The post-war growth of home ownership along with periods of rapid house price inflation led to a build up of, and dependency on, housing assets among older generations, especially those born before 1950 who typically bought homes before the 1980s economic bubble. The demographic developments currently underway in Japan, however, mark a particular shift in the balance of housing wealth.

Arakawa⁵¹ has identified that more than half of the nation's domestic financial assets (53 per cent according to the 2000 survey on attitudes towards saving) are contained in the housing property held by those over 60 (Figure 4). Furthermore, the home ownership rate

Figure 4: Asset distribution by age group.

Note: Cited from Izuhara 2007, 99.

Source: Arakawa (2003).

⁵¹ Cf. Arakawa, Tadashi (2003): *Kōreisha hoyu shisan no genjō to sōzoku* [Older people's assets and inheritance].

among this age group is 85 per cent and approximately 20 per cent of real estate assets held by older people include properties other than their own home. There are numerous consequences involving an increasing role for housing in maintaining wealth and living standards in old age.

As the economic pressures of ageing society increase, the ability of retired homeowners to live in better quality housing and pay lower housing costs is likely to become more significant to maintaining living standards over time, meaning tenure and levels of housing equity will become greater determinants of social inequality and poverty in old age. In addition, because of indigenous construction techniques and the limited longevity of Japanese built units⁵², the maintenance cost of individual homes will also become a significant factor in the performance of housing properties as a supplement to retired living costs. It is likely that urban middle-class homeowners in newer properties will enjoy the greatest benefits, while owner-occupiers in poorer or older housing, especially in rural areas where wooden housing still dominates, may even be disadvantaged by the costs of home ownership.

Although intergenerational co-residency has been in prolonged decline, proximity has become a preferred means of facilitating reciprocal care arrangements within families. Modern housing units have been designed to accommodate this. *Nisetai jūtaku* (two generation house) is a mainstay product of the house-building industry. It provides a level of self-containment and privacy for parents and children on one floor of the house, separate from the space of the grandparents on another. Intergenerational housing transfers and cohabitation are

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⁵² Cf. Ronald, Hirayama (2006).

likely to increasingly feature in provisioning for old age.⁵³ This may well enhance social differences based on the tenure, quality and location of parent's housing. Moreover, this may involve intensified negotiation over residential and housing inheritance arrangements, reviving the family in the welfare mix despite the greater socialisation of public health and welfare arrangements in recent decades.

A provision for remodelling homes constitutes part of Long Term Care Insurance programme (LTCI) initiated in 2000. This scheme provides those over 64 access to health and welfare facilities (nursing homes etc.), but also home care services. In practice, the approach of LTCI has become increasingly focused on self-reliance and the family to provide care, with the use of insurance only where it is absolutely necessary. A notable feature of state subsidized services is the provision for improvements in the homes of care receivers.⁵⁴ Since 1993, the Ministry of Land, Infrastructure and Transport and the Ministry of Health and Labour have been assisting in the remodelling of private homes to suit mobility and care needs of the elderly, which has been incorporated into LTCI provision. The government's approach to house remodelling, which extends the self-reliance of the elderly within their own homes, relies considerably on the housing situation of elderly households who are mostly homeowners. Those with large owner-occupied homes are often better able to take advantage of state subsidies and home care, as well as family care. They also retain the wealth contained in their home, which is normally passed on to their

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⁵³ Cf. Brown, Naomi (1996): *The nisetai jūtaku phenomenon. The prefabrication housing industry and changing family patterns in contemporary Japan*.

⁵⁴ Cf. Park, Byung Hyun and Han Oak Lee (2008): A comparative study of housing welfare politics for the elderly between Korea and Japan – focused on the elderly who can live independently.

children. Although LTCI constituted a universal provision (and marked state responsibility) for elderly care, it may well reproduce inequalities based on differences in housing situations in terms of tenure status and property values, with the divide between generations and economic groups becoming more pronounced over time.

Conclusions

Appreciation of housing system and property market changes has largely been absent in the consideration of demographic transformation in Japan. This paper has sought to demonstrate the role of the housing sector in post-war social economic development and how it contributed to shaping standard families and life-courses. In the post-bubble era the housing market and housing ladder were destabilized, which in combination with restructuring in employment and policy has helped further undermine household stability and contributed to the fragmentation of households and life-course trajectories. An emerging issue is the gap in housing conditions and disalignment in life-courses between different generations of Japanese that contribute to the polarization of wealth, insecurity and risk which have destabilized processes of Japanese social reproduction.

This paper has also emphasized the social impact that housing and tenure systems as well as the specific interaction with socioeconomic and demographic developments. While social and economic restructuring in Japan, which has impacted housing markets and influenced household patterns, the housing system itself is also helping to shape new patterns of household formation and movement through the life-course. It appears that the bias toward owner-occupation, which once supported fertility and family formation, is beginning to have the reverse effect. Furthermore, this tendency seems to reinforce the imbal-

ance between younger and ageing populations in terms of economic pressures and residential conditions. A situation appears to be developing in which an “asset-rich, cash-poor” older population, who often hold considerable housing assets and dwell in large homes, relies increasingly on the working population as well as their housing assets in order to maintain living standards in old age. Meanwhile, an “asset-poor, income-insecure” younger generation is emerging that is struggling to access independent housing adequate for starting a family or providing an asset reserve to supplement their own old age. Essentially, the housing system seems to be now exaggerating the effects of an ageing population as well as the significance of differences in housing conditions between households.

It appears that attitudes to family formation, life-course trajectories and housing preferences are being renegotiated among younger people. It is not yet clear how and if younger generations will ascend a housing ladder or what norms will become embedded in terms of partnership formation, childbearing and dwelling practices. It seems they face a completely new set of conditions in which many of the certainties of the post-war social order have melted away. Older people too have to cope with their old age in terms of new social contracts that require renegotiating family reciprocity and the use of their homes as containers and conduits of wealth. Those without housing assets will be particularly disadvantaged, as will their descendants.

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