Child Related Policies in Japan

National Institute of Population and Social Security Research

Preface

This small booklet is a part of the fruits of two-year collaborative work by project members of Studies on the Effects of Child Allowance, Taxation and Childcare Services on Familial Households, which received grants from the Ministry of Health, Labour and Welfare from 2001 to 2003. While the core outcome of the project has been published in the form of papers in academic journals and reports, this booklet is written to provide basic information for foreign researchers as well as general readers about institutions and policies targeted to families with children in Japan. The concern over lack of even introductory readings accessible for foreign researchers on the issue of policies for families with children has become acute among the project members, especially after participating in the international workshop on Low Fertility and Social Policies held in Tokyo on November 21–22, 2002. Seeds of this booklet were sown when project members saw that demographers at the workshop were eager to get some information about policies designed to improve welfare of families with children, childcare system, and cash benefits to families with children in Japan. As project members, we hope that this small booklet will be a comprehensive guide to institutions and policies for families with children in Japan.

March, 2003

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Chapter 1 Toward Population Declining Society

Recent Trends in Fertility and Marriage in Japan

Introduction

Population growth at the national level is determined by fertility, mortality, and international migration. In general, fertility is the primary engine of population growth and it is no exception in Japan. Because Japan admits relatively few immigrants, natural growth or the difference between the number of births and deaths accounts for nearly all of the country's population growth. In this chapter, we present data on fertility trends and childbearing patterns of women by various measures. We will show that the number of births is declining since the mid-1970s and the average number of children women will have in her life time are also showing declining signs. In addition, we take a look at factors that contributed to the below-replacement fertility in contemporary Japan and the implications of these trends for future population prospects.

1. Toward Population Declining Society

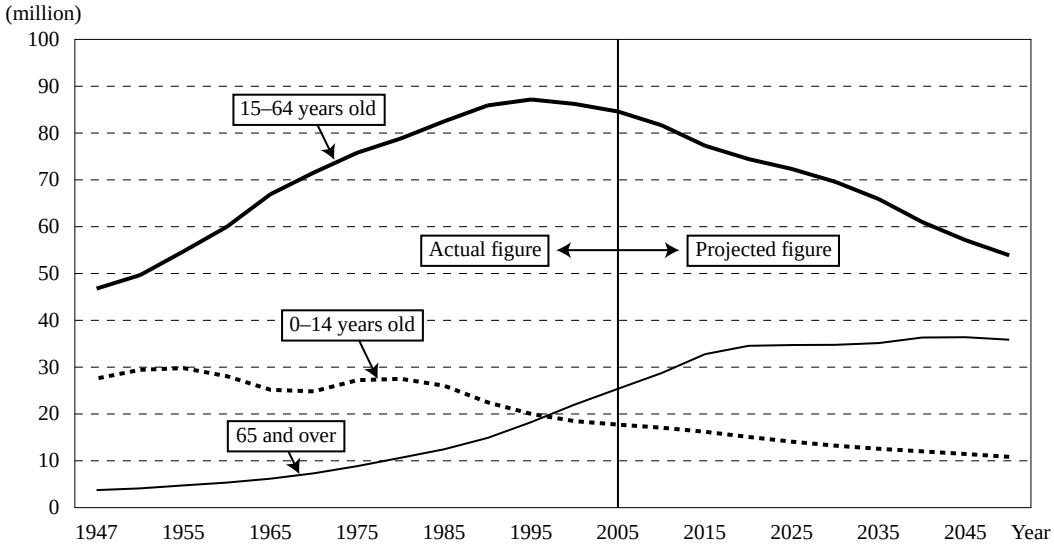
1.1 Changes in Age Composition

The total population of Japan in 2000 stood at 122.7 million. According to the latest population projections by the National Institute of Population and Social Security Research (2002), the population of Japan is expected to peak at 127 million in 2006, and is projected to decline beginning in 2007.[1]

The age composition of Japanese society also is expected to change drastically. In 2000, child population (aged 0–14) was 18 million, accounting for 14.6 percent of the total population (see Figure 1.1). Since 1975, child population was already showing a decreasing trend and this tendency is expected to continue in the future. In 2010, the share of this group is projected to decrease further to 13.4 percent. The population aged 15–64 has increased consistently after the war peaking at 8.7 million in 1995, which accounted for 69 percent of the total population. However, the population of this group has started to decline thereafter. By 2020, the share of this group is expected to be as low as 60 percent. In contrast to the younger population groups, the number of population aged 65 or older has shown a rapid increase. Historically, the number of children (aged 0–14) was always higher than that of the elderly (aged 65 and over). Because of the declining number of births, however, the number of those aged 65 and over finally surpassed that of children (aged 0–14) in 1997. In 2000, the elderly population was 22 million, accounting for 17.3 percent of the total population. As the post-war baby boomers (individuals born between 1947–1949) age, the number of the elderly is projected to increase rapidly, reaching over 30 million in 2013. With the decline in total population, the share of the elderly is expected to increase, reaching over 20 percent in 2006.

In the near future, Japan will turn itself from a population increasing society to a population decreasing society. In 1947, the share of children out of total population was about one-third (35.3 percent), which was higher than that of the elderly (4.8 percent). Completely different picture is expected to emerge in 2050. It is projected that the share of children will be about one-ninth (10.8 percent), while that of the elderly will be one-third (35.7 percent) of the total Japanese population in 2050.

Figure 1.1 Population by Major Age Group: 1947–2050 (Medium Variant)



Source: NIPSSR, *Population Statistics of Japan 2003*
NIPSSR, *Population Projections for Japan: 2001–2050*

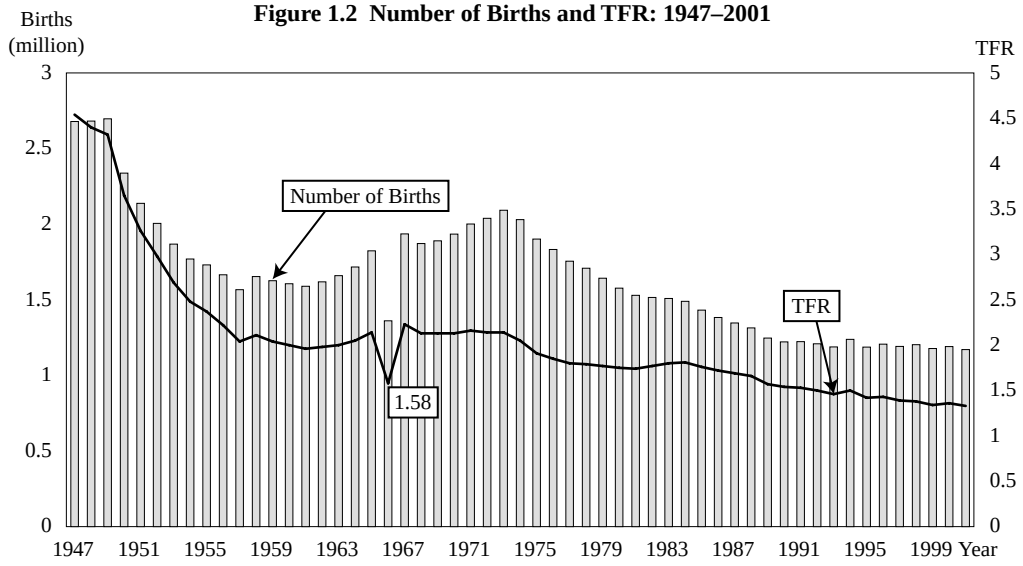
1.2 Number of Births and Total Fertility Rate (TFR)

The post-World War II baby boom in Japan was characterized by its distinct shortness; only three years lasting from 1947 to 1949 (see Figure 1.2). During the baby boom, the number of births reached about 2.7 million annually. The annual number of births in Japan fell rapidly from over 2.6 million in 1947 to 1.5 million in 1957. The number of births slowly rose thereafter till 1973, except for the extremely small number of births in 1966, the year of the fiery horse.[2] After peaking at 2 million in 1973, the number of births decreased gradually, stabilized at 1.1 to 1.2 million births per year in the 1990s. The increase in the number of births in early part of the 1970s was expected, as the cohorts of post-war baby boomers reach reproductive ages. In 2001, 1.1 million births were recorded. Given the increasing number of deaths since the 1980s, the difference between births and deaths or the natural increase, has been getting smaller in recent years.

The total fertility rate (TFR) is an indicator to measure the mean number of children a woman would have given the current age-specific birth rates. In 1947, Japanese women were having an average of 4.5 children over their lifetime (see Figure 1.2). Throughout the 1950s the TFR showed declining trend and plummeted to 2.1 in 1958. The TFR during the 1960s was fairly constant ranging from 1.96 to 2.23, except for the extremely low TFR in 1966 at 1.58. For more than a decade after that, Japan's TFR remained relatively stable at 2.0 to 2.1. However, after reaching 2.14 in 1973, the TFR started to decline again. The Japanese government has shown concern over the declining number of births for the first time after the TFR dropped to 1.57 in 1989, level even lower than that observed in 1966.[3] Despite this concern over declining fertility, the TFR sunk to a record low of 1.32 in 2002.

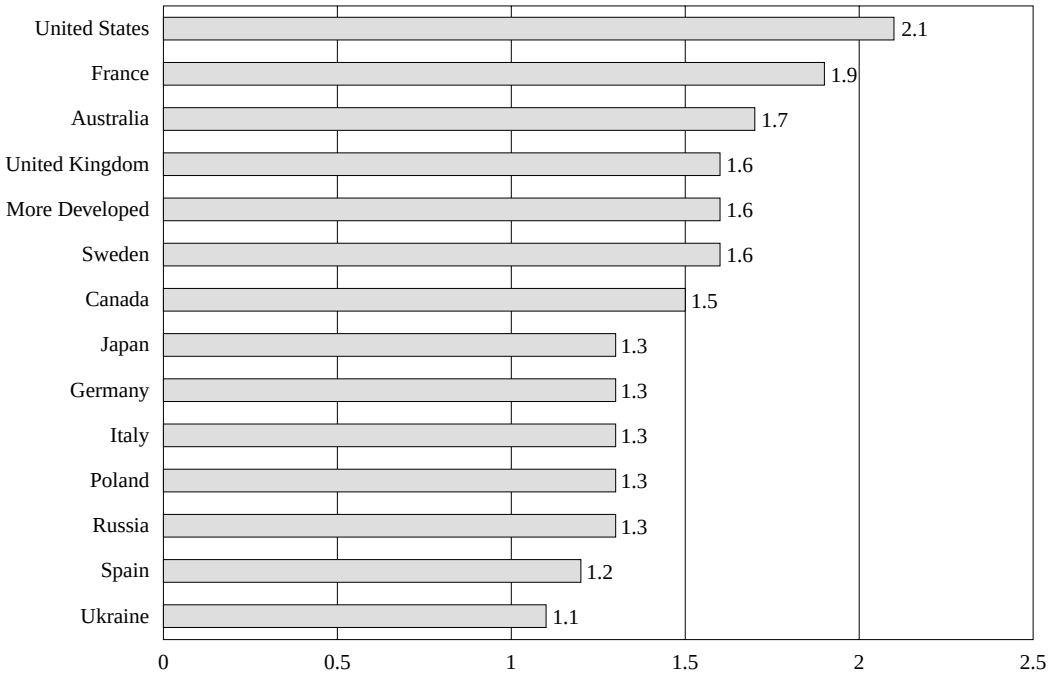
The TFR of 1.32 is one of the lowest in the world.

Figure 1.2 Number of Births and TFR: 1947–2001



Source: NIPSSR, *Population Statistics of Japan 2003*

Figure 1.3 TFR in Selected Developed Countries: 2002



Source: NIPSSR, *Population Statistics of Japan 2003*

For example, the average TFR of developed countries[4] is 1.6 (see Figure 1.3). Currently, the TFR of Japan is about the same level with Germany, Italy, Poland and Russia.

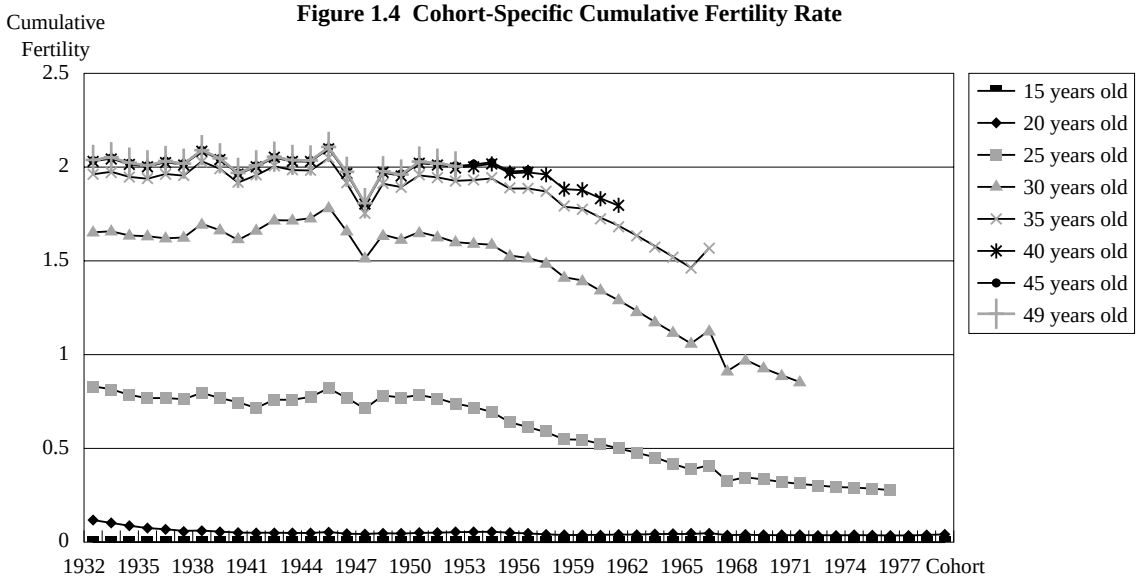
1.3 Completed Fertility Rate (CFR) and Cohort Fertility Rate

The TFR measures the average number of children a woman would have, assuming that the woman will live through her reproductive years (ages 15 to 49) and bear children at rates observed in a particular period at each age. Of course this assumption is not valid because real groups of women will never give births exactly with these particular rates. To gain a more realistic picture, it is necessary to look at the completed fertility rate (CFR). While the TFR describes the imaginary experience of women, the CFR measures fertility based on the actual experience of women. The CFR is defined as the average number of births a 50-year old woman has had, assuming that women will finish bearing children by age 49.

However, for those in their prime reproductive age, this indicator is not available. Instead, the cumulative fertility rate is used for these women to measure the average number of births a woman has had so far.

Figure 1.4 shows cumulative fertility rates for groups or cohorts of women who were born between 1932 and 1979. The CFR is available for groups of women who were born between 1932 and 1952 (or groups of women who turned 49 to 69 years of age in 2001). Figure 1.4 indicates that except for a significant dip in the CFR for the 1948 cohort, the rate was relatively stable at 2.0 for these groups of women. The cumulative fertility rate at age 40, however, shows a declining trend from the 1958 cohorts. In a similar fashion, the cumulative fertility rate at age 35 and age 30 are also declining from the 1958 cohort. These findings imply that the CFR may also decline for groups of women who were born in the 1960s.

Figure 1.4 Cohort-Specific Cumulative Fertility Rate



Source: NIPSSR, *Population Statistics of Japan 2003*

2. Factors behind Low Fertility

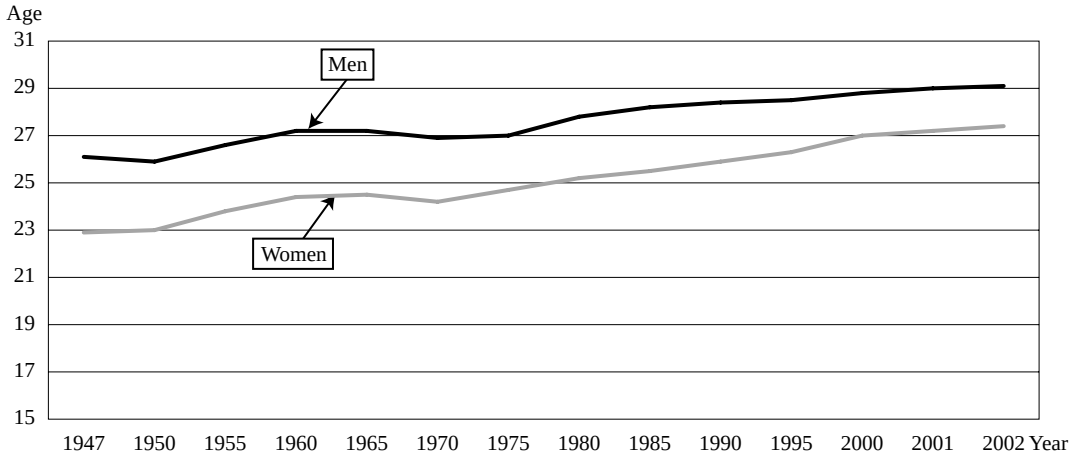
What factors account for declining fertility in contemporary Japan? The factors that influence fertility can be broadly divided into two groups. The first group consists of demographic and biological factors that directly influence fertility. These include marital status, age at marriage, fecundity and use of contraceptives. The other group consists of larger socioeconomic factors that indirectly affect fertility behavior of women and couples. Factors that belong to the latter group include women's educational attainment, women's labor force participation, availability of childcare services, and macroeconomic factors such as economic growth.

Here, the focus is placed on marriage, the factor that has the most significant impact on fertility decline in Japan. Marriage affects fertility in three ways by: (1) a decline in the percentage of those married; (2) a decline in fertility among married couples; and (3) a decline in non-marital fertility. Postponement of child bearing has become conspicuous in many developed countries including Japan since the 1970s. In Japan, postponement of marriage is a direct cause of delay in child bearing, since child births out of wedlock is traditionally considered as undesirable.

2.1 Age at First Marriage

Unlike some European countries, births usually take place among married couples in Japan. Consequently, a decline in the share of those married is the largest contributor of fertility decline (Kaneko 2000). Women's age at marriage is an important determinant of the number of children a woman will have, because it influences the proportion of reproductive years that women are exposed to the risk of child bearing. Usually, women's age at marriage has an inverse relationship to fertility. The data indicate that the mean age at first marriage is rising rapidly for both men and women in Japan, particularly after 1973 (see Figure 1.5). The mean age at first marriage has gradually increased from the beginning of the 20th Century, reaching 24.6 for women and 29 for men in 1940. The mean age fell somewhat after World War II, but started to increase again from 1955. In 2002, the mean age at first marriage was 27.4 for women and 29.1 for men. Compared to the age at first marriage in 1973, the age increased by 3.1 years for women and 2.4 years for men.

Figure 1.5 Mean Age at First Marriage: 1947–2002

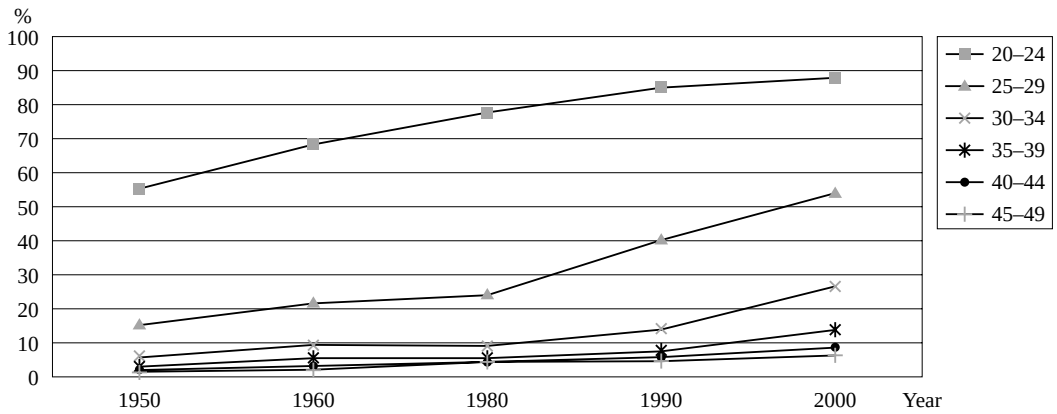


Source: NIPSSR, *Population Statistics of Japan 2003*

Corresponding to an increase in the age at first marriage is the rise in the proportion of never-married men and women, especially at the age of 20s and 30s (see Figure 1.6). In 1947, the percentage of never-married women in the age group 20–24 was about 30 percent. The share has increased substantially since then, reaching 88 percent in 2000. An increase in the share of never-married women is notable in the age group 25–29 as well. In 1920, the percentage of never-married women in this age group was 10 percent. Today, 55 percent of women aged between 25 and 29 are never-married. An increase in the proportion of never-married women in this age group became conspicuous particularly after 1980. Even among women in the age groups 30–34 and 35–39, the percentages of never-married women are as high as 27 percent and 14 percent, respectively.

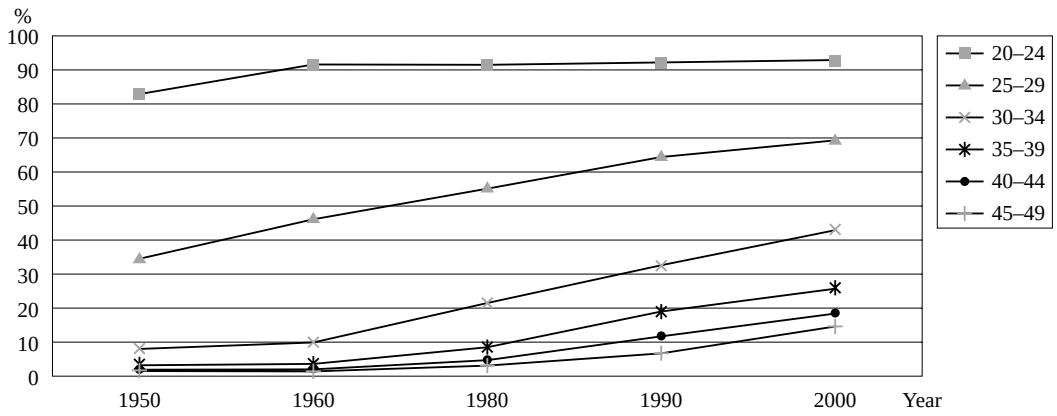
The proportion of never-married men also shows an increasing trend (see Figure 1.7). While the percentage of never-married men in the age group 20–24 has been stabilized at more than 90 percent since 1960, the percentage of never-married men in the age group 25–29 increased from 35 percent in 1950 to 70 percent in 2000. Other age groups also show an increasing trend. Even among those aged 40–44, about one in five are never-married, while one in seven are never-married in the age group 45–49.

Figure 1.6 Percent Never-Married Among Women by Age Group: 1950–2000



Source: NIPSSR, *Population Statistics of Japan 2003*

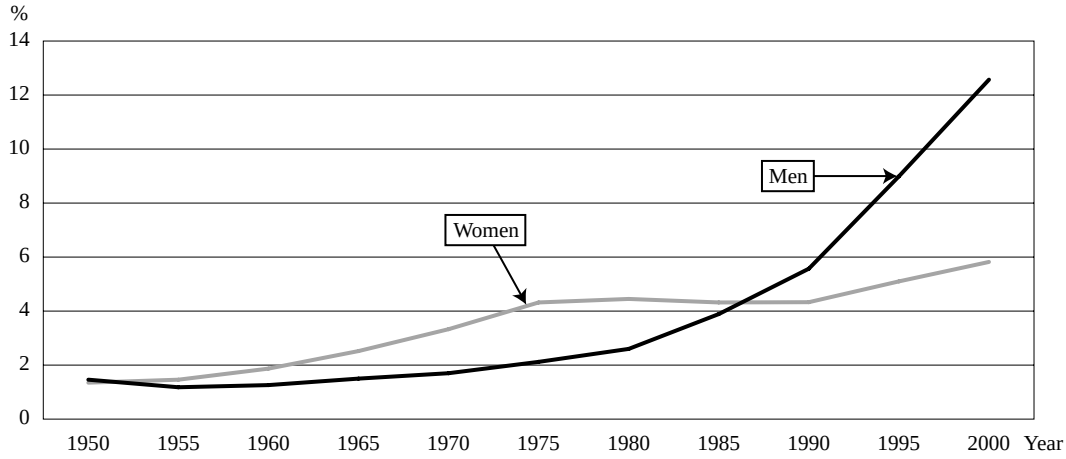
Figure 1.7 Percent Never-Married Men by Age Group: 1950–2000



Source: NIPSSR, *Population Statistics of Japan 2003*

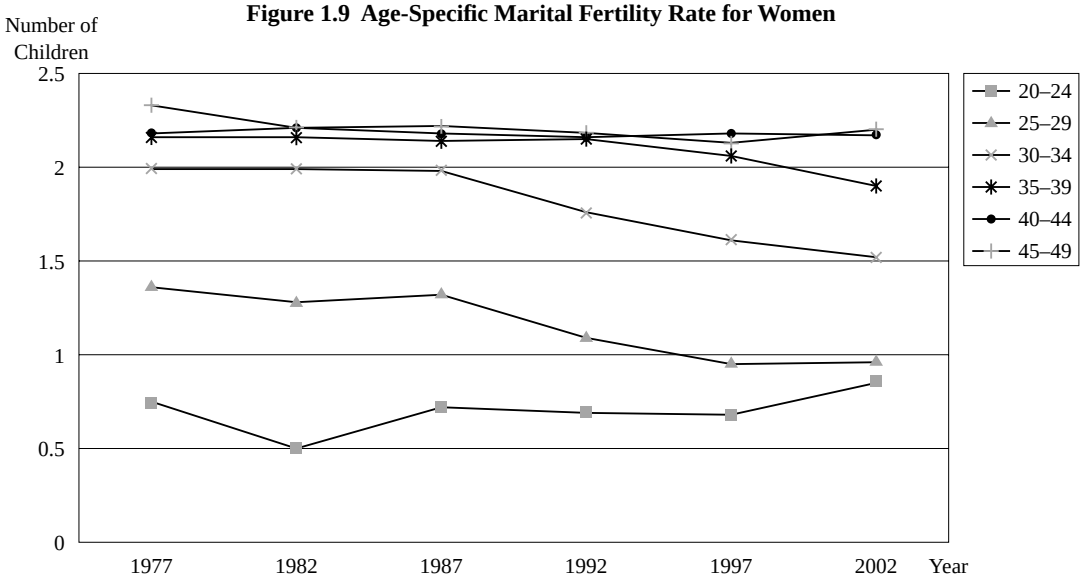
Reflecting the increase in the proportion of never-married men and women in their 20s and 30s, the percentage of never-married individuals over their lifetime has also been rising. Figure 1.8 illustrates the percentage of those never-married at age 50. The Figure indicates that those never-married at age 50 have substantially increased for men, particularly since 1990. The proportion of never-married men at age 50 was only 1.5 percent in 1965. After only three and half decades, the percentage of never-married men at age 50 has reached 12.6 percent. Though not as steep as men, the percentage of women never-married has also been rising. In 1965, 2.5 percent of women were never-married at age 50, while today, 5.8 percent of them are never-married. This indicates that over a 35-year period, the percentage of women never-married at age 50 doubled.

Figure 1.8 Proportion Never-Married by Sex at Age 50: 1950–2000



Source: NIPSSR, *Population Statistics of Japan 2003*

Figure 1.9 Age-Specific Marital Fertility Rate for Women



Source: NIPSSR, *Japanese National Fertility Surveys* (various years)

2.2 Fertility of Married Couples

The second factor that influences birth is fertility of married couples. Completed fertility of married couples in Japan has not changed much, even though the TFR is declining. This is because young adults in reproductive ages started to postpone marriage and subsequent child bearing drastically. For example, a comparison across the Japanese National Fertility Surveys conducted by the National Institute of Population and Social Security Research indicates that the CFR or the mean number of children a woman had over her reproductive years remains unchanged at 2.2 between 1972 and 2002. However, the data from the surveys show a tendency to delay child bearing among married couples in recent years. A comparison across the surveys reveals that the mean number of births by marriage duration is declining for every length of marriage duration. For a couple with marriage duration of 15–19 years, the mean number of births was 2.20 in 1972. The corresponding figure in 1987 was 2.19 and the latest figure in 2002 was 2.23 (NIPSSR 2003). The proportion of married couples with only one child, with marriage duration of 10–14 years has also increased. In 1977, the share of married couples with one child was 11 percent for those with marriage duration of 10–14 years. The share shows an increasing trend in recent years with the rate being 12 percent in 1997, and 16 percent in 2002 (NIPSSR 2003). Moreover, the latest figures from the Twelfth National Fertility Survey present that the mean number of children is decreasing for women in their 30s (NIPSSR 2003). Consistent with these data, a recent study on fertility of married couples also suggests that a delay in the timing of first birth may lead to a decrease in the completed fertility among married couples (Sasai 1998). However, it is still too early to tell whether the slight decline in marital fertility is the matter of delay in timing of child bearing or overall reduction in completed fertility rate.

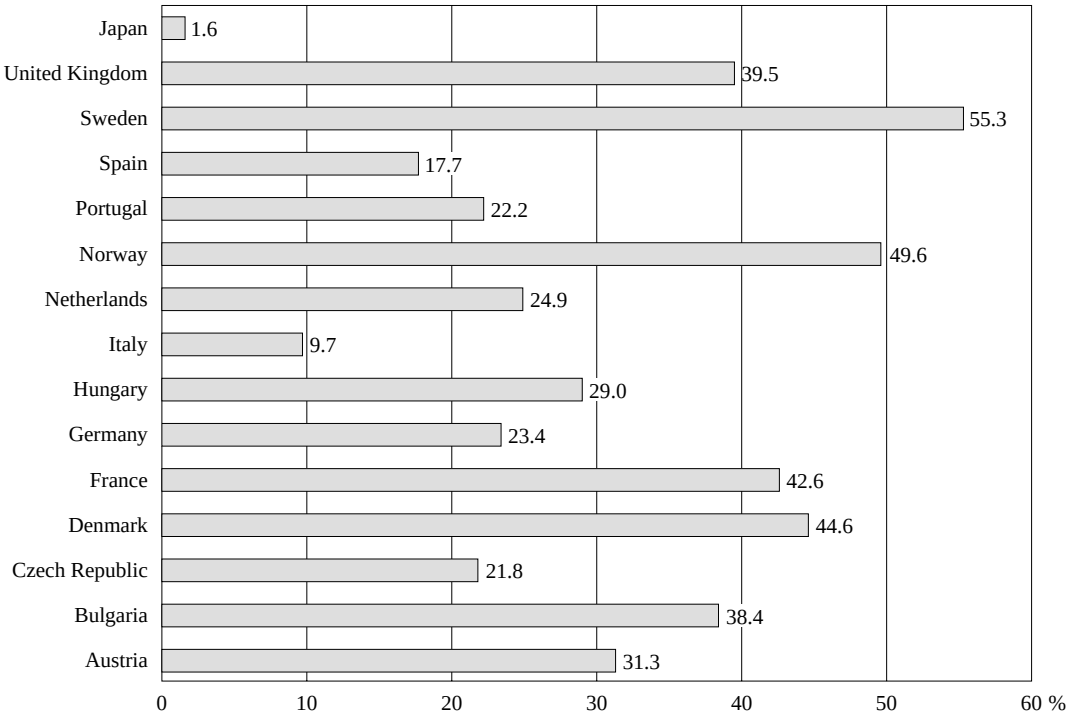
2.3 Non-Marital Fertility and Cohabitation

Although most developed countries are experiencing declining fertility, one of the largest differences between Japan and other developed countries is a low rate of non-marital fertility in Japan. Figure 1.10 illustrates the proportion of non-marital births out of all live births for some developed countries in 2000. At a glance, it is easy to tell that the share is extremely low in Japan. For example, 55 percent of births in Sweden are non-marital births. The share is 43 percent in France and 40 percent in the United Kingdom. Spain and Italy have relatively low percentages but still the share is 18 percent for Spain and 10 percent for Italy. The proportion of non-marital births in Japan is only 1.6 percent.

Although the figure is extremely low compared to European countries, the percentage of extra-marital births in Japan was relatively high immediately after World War II. The proportion was about 3.8 percent in 1947 (see Figure 1.11), but the share decreased throughout the 1950s and 1960s, reaching the lowest level at 0.77 percent in 1978. Although the figure is extremely low compared to European countries, the percentage of non-marital births has been slowly increasing since 1979.

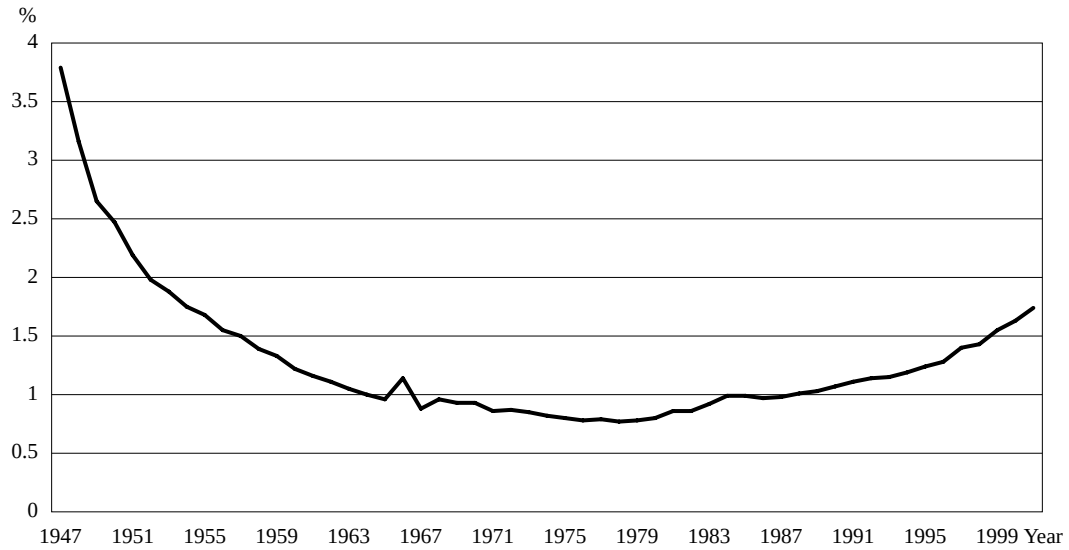
The gap in the percentage of non-marital fertility between European countries and Japan is partly due to the difference in prevalence of cohabitation. In some European countries, young adults enter into a cohabiting relationship first, have their first child, and then proceed to marriage (Lesthaeghe and Moors 2000). Consequently, the relationship between the mean age of first marriage and the mean age at first birth has been weakened in those countries. Figure 2.8 provides the percentages of women aged 20–24 who are cohabiting with their partners without children. The figure confirms that Japan has a very low prevalence of cohabitation. Among young women in Northern European countries such as Norway and Sweden, cohabitation is quite common. Among women in the age group 20–24, more than 20 percent in Norway, and 32 percent in Sweden are cohabiting with their partners. In contrast, only 2 percent in the same age group are cohabiting with their partners in Japan. The

Figure 1.10 Percentage of Non-Marital Births in Selected Developed Countries: 2000



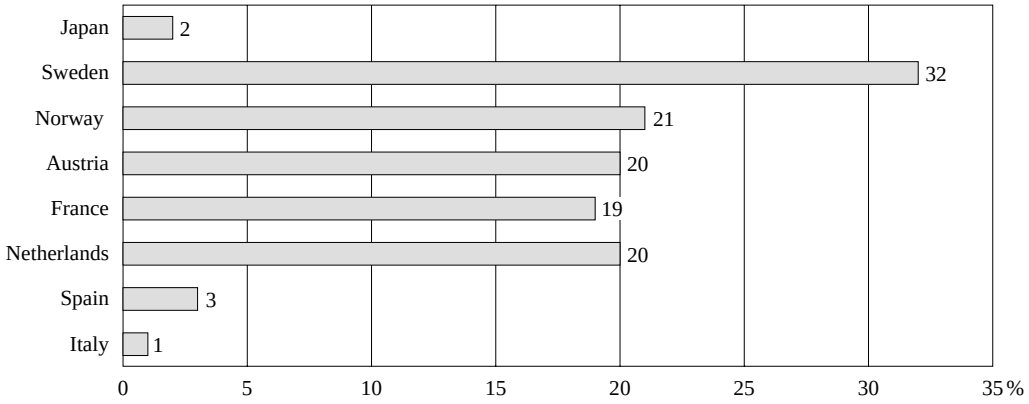
Source: Council of Europe, 2002; NIPSSR, *Population Statistics of Japan 2003*

Figure 1.11 Percentage of Non-Marital Births: 1947–2001



Source: NIPSSR, *Population Statistics of Japan 2003*

Figure 1.12 Percentage of Women aged 20–24 Cohabiting without Children



Source: *Lesthaeghe and Moors*, 2000

frequency of cohabitation for young women is also low in Spain (3 percent) and Italy (1 percent).

According to recent research on cohabitation in Japan, there is no change in the percentage of young women who have partners. However, the proportion of young women who cohabit with their partners has decreased (Iwasawa 1999). For example, the share of women cohabiting with partners in the age groups 20–24, 25–29, and 30–34 have remained relatively stable between 1992 and 1997. In contrast, the percentage of women in each age group who have partners but live separately increased dramatically. For the youngest age group, the share rose from 23.4 percent to 28.6 percent, while for the age group 25–29, it increased from 11.3 percent to 17.2 percent, and for the group aged 30–34, from 2.3 percent to 4.8 percent.

Summary

We have provided an overview of fertility trends and marriage patterns that significantly contributed to fertility decline in contemporary Japan. Although other indirect factors such as women' higher educational attainment and increased labor force participation are considered to be crucial determinants of declining fertility, it is beyond the scope of this chapter. After the mid-1970s, the average number of births a woman would have over her lifetime (TFR) has started to decrease. Behind this declining fertility lies a drastic change in marriage patterns. The most important factor that brought about declining fertility in contemporary Japan is a postponement of marriage among young adults, as indicated by the rise in the age at first marriage. Although it is still too early to tell, there are some signs that the fertility level among married couples is also declining. Given the extremely low level of non-marital births and cohabitation, it is highly likely that the CFR of currently reproductive-age adults will also decline.

Of course, we cannot tell the demographic consequences of the recent increase in the age at first marriage, since the CFR figures can be obtained only after today's young adults in reproductive ages finish bearing children in two or three decades. There is a possibility, however, that those who postpone marriage will eventually marry and have two children, resulting in no change in the CFR. Another possibility is that they will marry but have fewer children on average, not being able to recuperate the delay in marriage. Finally, it is possible that an increase in the age at first marriage will result in an increase in the share of those

never-married for their whole life, contributing to a further decline in the CFR. We do not have the answer until we observe completed fertility rates for those in their 20s and 30s today.

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Notes:

1 The figures are from medium variant of the projection.

2 It is said that women born in the year of fiery horse will kill her husband. It is also said that husbands of the women born in the year of fiery horse die young.

3 The fact that the TFR in 1989 dropped to 1.57, the level even lower than that observed in 1966 (the year of fiery horse) prompted fierce reaction among policy makers, demographers and all the people concerned. The reaction is termed as the 1.57 shock.

4 This classification follows the UN definition. The more developed countries comprise of Europe, North America, Australia, Japan and New Zealand.

Chapter 2 Policies Targeted to Families with Children

Policy Responses to Declining Fertility

Introduction

In Japan, recent policies targeted to families with children especially after the "1.57 shock" in 1990, are closely associated with declining fertility. Increasing awareness on the effects of declining fertility on population structure and socioeconomic institutions finally prompted the government to investigate the causes of fertility decline and to formulate policy measures to cope with population declining society. Since then, declining fertility has become one of the most important policy concerns for the Japanese government. In this section, we will overview policies targeted to families with children, and how declining fertility has stimulated the Japanese government to formulate policy measures to cope with the situation since 1990.

1. Policy Stance toward Declining Fertility

Whether to have children or not is a matter of personal or couple's choice. The government is not explicitly taking pro-natalist measures to halt declining fertility. Japanese public is also sensitive to the government stance toward low fertility because of historical reasons.[1] Government intervention is justified based on an argument that social environment is not supportive enough for women, men and couples to have children even though they wish to have some. Consequently, the government defines policy toward declining fertility not as a pro-natalist policy but as part of a welfare policy that aims to improve environment more supportive for families with children (Atoh and Akachi 2003). Accordingly, although the current level of fertility is viewed as too low, the government takes a stance that no explicit policy measures are taken to raise the level of fertility (United Nations 2001).

The issue of declining fertility and coming of rapidly aging society is well recognized among the public and the government policy stance appears to be supported. According to the Twenty-Fifth National Opinion Survey on Family Planning conducted by the Mainichi Newspapers in 2000, about 80 percent of the respondents answered that "declining fertility is worrisome for the future of Japanese society." With respect to the role of government, 33 percent answered that "the government should take policy measures specifically aimed at raising the fertility level" while 43 percent answered that "the government should concentrate on policies to improve social environment for families" (Atoh 2000). The proportion of respondents supporting policy that explicitly targeted at raising fertility level appears to be on the rise in recent years.

2. Policy Responses to Declining Fertility

Various committees have been established and dozens of reports have been submitted regarding policy measures to cope with declining fertility in Japan since the 1990s. The committees are established not only by the Ministry of Health, Labour and Welfare (abbreviated as MHLW hereafter) and other related ministries, but some are formed by direct initiative of the Prime Minister. The major actions taken by the government between 1990 and 2003 are summarized in Table 2.1.

The government took the first step toward declining fertility immediately after the 1.57 shock in 1990. In

Table 2.1 Major Actions Taken by the Government toward Declining Fertility Rate

TFR	Year	Action
1.54	1990	An inter-ministry committee "Creating a Sound Environment for Bearing and Rearing Children" established
1.53	1991	Childcare Leave Act enacted
1.50	1994	The Angel Plan or the "Basic Direction for Future Child Rearing Support Measures" (1995–1999) formulated. The "Five-Year Emergency Measures for Childcare Services" planned
1.42	1995	Childcare and Family Care Leave Act enacted
1.38	1998	The amendment to the Child Welfare Law enforced
1.34	1999	New Angel Plan (2000–2004) formulated
1.36	2000	Child Abuse Prevention Law enacted
1.33	2001	The amendment to the Employment Insurance Law enforced
1.32	2002	The "Measures to Cope with a Fewer Number of Children Plus One" reported to the Prime Minister
n.a.	2003	The Law for Measures to Support the Development of the Next-Generation, the amendment to the Child Welfare Law, and the Law for Basic Measures to Cope with Declining Fertility Society enacted

Source: *MHLW Annual Report*
n.a.=not available

this year, the government established an inter-ministry liaison committee named as the "Creating a Sound Environment for Bearing and Rearing Children"[2] in the Cabinet. The committee submitted a report that set the basic policy stance and direction for coping with declining fertility. In this report, it was confirmed that declining fertility is intricately associated with private decision of individuals and couples. Thus, the government stance to cope with this new phenomenon is to promote social environment to support individuals who are hoping to marry and establish a family with children (Atoh 2000).

Along with this perspective, the "Basic Direction for Future Child Rearing Support Measures"[3] was formulated in December 1994. This measure is known more commonly as the "Angel Plan." The Angel Plan was formulated under the agreement among four Ministers related to the issue of declining fertility.[4] The Angel Plan painted a broad picture of the direction of comprehensive policies and plans to be pursued between 1995 and 1999. These include supportive measures for: (1) reconciling work and family responsibilities, (2) strengthening child raising function of a family, (3) providing affordable quality housing for families with children, (4) promoting sound development of children, and (5) easing economic burden associated with raising children. In particular, provision of childcare facilities and diversification of childcare services received special emphasis. In order to attain the policy goals depicted in the Angel Plan, the measure entitled "Five-Year Emergency Measures for Childcare Services"[5] was formulated. In response to the growing demand for flexible childcare services, this measure specifically set targets on childcare facilities and services to be attained between 1995 and 1999. The measure included targets such as increasing the slot for children aged 0 to 2 year olds and extending the opening hours. It was also aimed at increasing the number of out-of-school hours care services for elementary school children (see Table 2.2).

In 1997, the Advisory Council on Population

Table 2.2 Targets Set by the Five-Year Emergency Measures for Childcare Services

Category	Year				
	1995	1996	1997	1998	1999
Expansion in the number of children (age 0–2) admitted to daycare centers	466,000	489,000	512,000	540,000	584,000
Multi-function daycare centers	200	200	300	535	365
Daycare centers with longer opening hours	2530	2830	4000	6000	7000
Daycare centers for non-regular users	600	600	800	1000	1500
Community-based childcare support centers	354	400	600	840	1500
Out-of-school hours care center	5220	6000	6900	7900	9000
Daycare centers for infants recovering from health problems	40	50	100	150	450

Source: *MHLW Annual Report*

Problems presented a report titled "Basic Ideas on Low Fertility - Population Decreasing Society, Responsibility and Choice for the Future"[6] issued by the MHLW followed by the Annual Report in 1997–1998 which focused distinctively on declining fertility. According to Atoh (2000), the government's policy direction toward declining fertility manifested in the Council Report and the Annual Report showed a drastic change from the policy stance before the publication of these reports. Before 1997, the policy was targeted at supporting working mothers to reconcile work and childcare, but it did not refer to any measures to change the traditional employment system still prevalent in the Japanese society or gender-role values in the Japanese family. In these two reports presented in 1997 and 1998, the government has shifted its view to restructure Japanese employment and family systems to a more individual-based, gender-role free society.

In 1999, "Basic Principles to Cope with the Fewer Number of Children"[7] was formulated by the agreement made by six Ministers[8] under the initiative of the Prime Minister. The plan contains more specific objectives and targets in areas of employment, childcare, health, education, and housing. This plan known as the New Angel Plan is being implemented from 2000 till 2004. The policy objectives listed in the New Angel Plan include the following eight measures: (1) making daycare centers and childcare services more accessible, (2) making employment environment more adjustable for workers with children, (3) changing traditional gender-role values and work-first atmosphere in work environment, (4) developing maternal and child health facilities, (5) promoting educational environment based on local community, (6) improving educational environment for children, (7) reducing economic burden of educational costs, and (8) making community function more supportive for families with children through housing and public facilities. As in the case of Five-Year Emergency Measures for Childcare Services, The New Angel Plan has set concrete targets to be attained by the end of 2004.

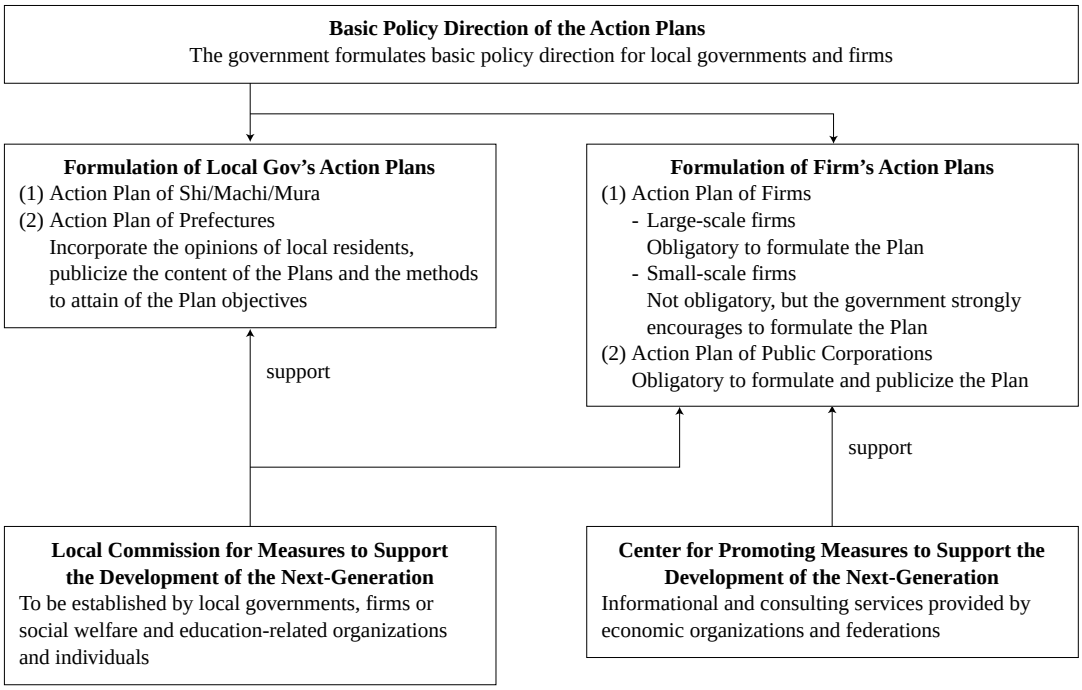
In 2001, the Cabinet has submitted the "Basic Direction for Policies Supporting Work and Childcare Compatible."[9] Compared to previous policies, this measure has put much larger emphasis on the role of firms to provide more flexible work environment so as to make work and childcare compatible for workers with childcare responsibilities. It has five objectives: (1) support and encourage firms to introduce more flexible employment practices so as to make it easier for workers with family responsibilities to reconcile work and childcare, (2) implement the so-called "the Campaign for a Zero Waiting List"[10], (3) provide high quality and flexible childcare services, (4) provide

out-of-school hours care centers, and (5) incorporate local communities in supporting families with children.

In 2002, the so-called "Plus-One"[11] was reported to the Prime Minister. The Plus One is based on two previous Angel Plans but it goes further than the previous plans by recognizing the declining marital fertility rate, as well as the need to transform working patterns including that of men. The Plus One included four specific objectives: (1) change prevalent work patterns including those of men, (2) strengthen community-based support for families with children, (3) increase the awareness among children and youths to be responsible for next-generation, as well as to extend medical assistance to couples who are unable to have children due to infecundity, and (4) promote independence and social skills of children.

In 2003, three bills formulated in response to declining fertility have passed. These are (1) the Law for Measures to Support the Development of the Next-Generation,[12] (2) Amendments to the Child Welfare Law,[13] and (3) The Law for Basic Measures to Cope with Declining Fertility Society.[14] The Law for Measures to Support the Development of the Next-Generation states that the government formulates a basic direction for local governments, firms and public organizations to map out a concrete plan to reconcile work and childcare. Following the basic direction, local governments, firms and public organizations are to make a plan that includes objectives, and specific action plans to attain the stated objectives. The Law also stipulates that business federations to assume a role of the Center for Promoting Measures to Support the Development of the Next-Generation[15] to help firms to formulate action plans. Local governments, firms and public organizations that are working to promote Measures to Support the Development of the Next-Generation are also allowed to organize Local Commission for Measures to Support the Development of the Next-Generation.[16] Figure 2.1 summarizes the content of the Law.

Figure 2.1 Summary of the Law for Measures to Support the Development of the Next-Generation



Source: *MHLW Annual Report 2003*

The amendments to the Child Welfare Law is also passed in 2003. Before the amendment was introduced, the Child Welfare Law has focused on children who lack care providers and those who are required to be under the care of consultants and experts. In the latest amendment, the target of the Child Welfare Law has become more universal. Now, the Child Welfare Law considers the welfare of children even for those who are not lacking care providers. This change was introduced since the government has become aware of the overburden of nonworking mothers who are bearing heavy childcare responsibilities almost exclusively by herself in significantly less-friendly environment for mothers with small children (MHLW 2003). The Law requires local governments to carry out childcare support activities such as; (1) provide consultation services for parents, (2) support childcare services through daycare centers, and (3) support childcare services through child minders.

The Law for Basic Measures to Cope with Declining Fertility Society basically stipulates the establishment of Committee to Cope with Declining Fertility Society[17] under the Cabinet Office. The committee is responsible for formulating comprehensive policies to cope with declining fertility from long-term perspective.

Despite the government efforts to take actions against declining fertility, the budget allocation for expenditure targeted at families with children out of total social security expenditure in Japan is extremely low among developed countries. Although the amount of social expenditure has been increasing, Japan ranks the second from the bottom among OECD countries in terms of the ratio of total social expenditure to the GDP (Katsumata 2000, 2003).

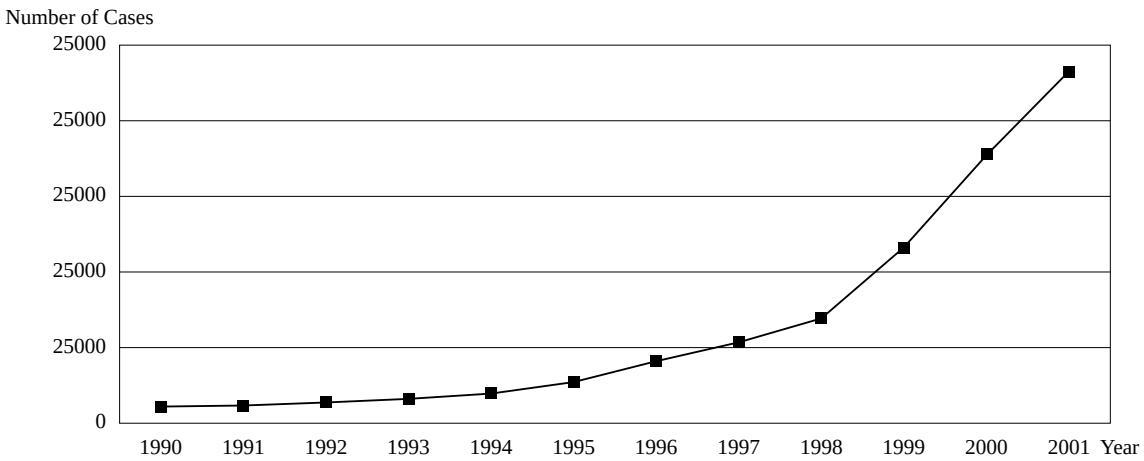
3. Other Issues

Other than policy responses to declining fertility, issues of child abuse and out-of-school hours care centers are worth mentioning given the increasing number of child abuse cases and demand for after-school care for elementary school children.

3.1 Child Abuse

In 2000, the Child Abuse Prevention Law[18] was enforced. Child abuse is defined for the first time by this law. Child abuse is defined as physical, sexual and mental harm inflicted upon children as well as parental neglect to take care of children. The number of cases brought to child guidance centers for consultation has dramatically increased since 1990, and currently reaching over 23,000 cases (see Figure 2.2).

Figure 2.2 Number of Child Abuse Cases Consulted at Child Guidance Centers



Source: *MHLW Annual Report 2003*

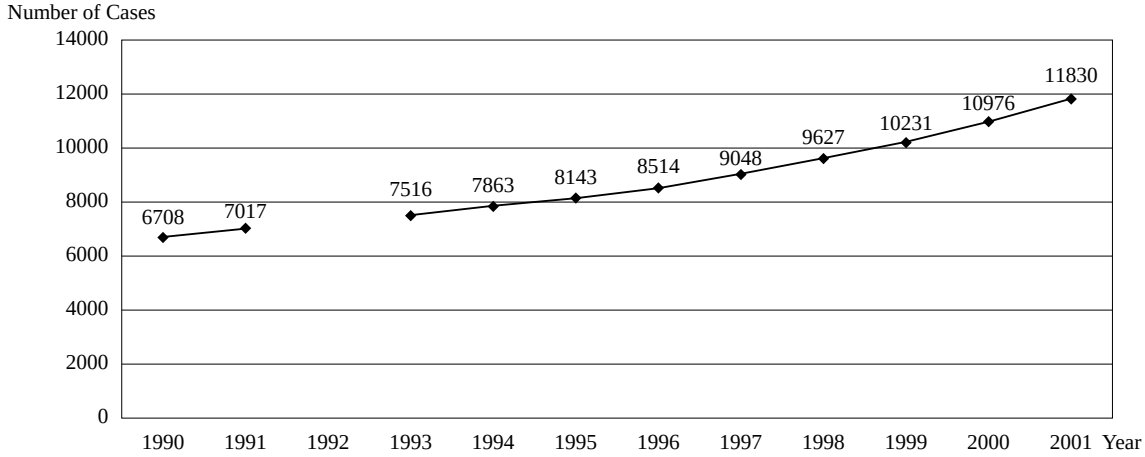
Other than caregiver's mental pathology and worsening household financial situation, it is argued that overburden of mothers who are taking care of children without any help from family members or neighbors, lie behind the recent rise in the number of cases. The recent survey conducted by child abuse prevention centers indicates that the share of abusive mothers is higher for those without any help for childcare than mothers who are able to get some kind of help (MHLW 2003). The Child Abuse Prevention Law also stipulates the government to establish comprehensive measures to detect abused children at the earliest stage as possible as well as to provide appropriate care for these children.

3.2 Out-of-School Hours Care Center

The demand for out-of-school hours care center has been increasing. With the amendments to the Child Welfare Law in 1997, local governments and social welfare non-profit organizations have become able to establish out-of-school hours care center. The number of the centers has been increasing rapidly especially after the amendments to the Child Welfare Law (see Figure 2.3). In 2001, there are 11,830 out-of-school hours care centers located in 3247 local governments (shi/cho/son) in Japan (National Liaison Committee of Child Care Centers 2001). Despite the increasing government concern toward provision of out-of-school hours care centers, there are still many local governments without the provision of centers.

In addition to the unmet needs for the service, the out-of-school hours care centers are facing serious challenges. Most of all, facilities and employment situation of center staff need to be improved. Many out-of-school hours care center facilities are in very poor situation. Some centers are utilizing elementary school classrooms after school that are not designed for children to spend time after school. About 10 percent of the centers are located in old apartments or in dilapidated housing. These centers are facing problems such as complaints from neighbors about the noise and difficulty in paying the rent. To make the matter worse, the majority of centers are not equipped with adequate number of staff. Most of the staff are not permanent and many are having only one-year contract, renewing it on a yearly basis. Because of the unstable working condition, many of the staff working in out-of-school hours care centers quit the job in short-term, making it impossible for the centers to maintain experienced staff members.

Figure 2.3 Number of Out-of-School Hours Care Centers



Source: Institute of Child Care Research, 2001
Data for 1992 not available

4. Policies Supporting Compatibility of Work and Family Responsibilities

Despite the introduction of series of policies for supporting families with children, Japanese fertility continues to decline. The TFR in 2002 dropped to a record low level of 1.32. Although policies targeted at families with children are very comprehensive, the government's major concern is on policies that support working men and women to reconcile childcare and work. A broad set of policies aimed at supporting working mothers and fathers to balance work and childcare in Japan may be classified into three groups. The first group is closely linked with work environment and rights of workers with family responsibilities such as parental leave. The second group consists of a set of support measures in a form of service such as childcare. The third group consists of financial support for family with children such as child allowance. In this chapter, the first set of support system is examined. For financial support to families with children, see Chapter 5 as well as *Social Security in Japan 2002–2003* compiled by the National Institute of Population and Social Security Research. For the details on childcare system in Japan, see Chapter 4 in this booklet. Note that the description noted here is based on the information available as of August, 2003.

4.1 Childcare Leave

Initially, the childcare leave in Japan was very limited in its coverage. The law was first made into legislation in 1975 for women working as teachers, nurses and child minders. While objectives of childcare leave or parental leave in other developed countries are fundamentally on child rearing, Japanese policy has focused more on creating incentives to secure a job and return to work (Tsumura 2002). At the beginning, the Childcare Leave Law[19] was aimed at sustaining smooth operation of schools, hospitals and social welfare facilities by securing women a job that she has experienced in. Other than this law, The Equal Employment Opportunity Law[20] refers to parental leave, but it merely stipulated that firms should make efforts to introduce the leave.

Because of the declining birth rates and government's concern to transform work environment more flexible for those working, the more comprehensive Childcare Leave Law was finally enacted in 1991. The law was welcome change for many of the workers, since the law stated that workers have a right to take a childcare leave until the day before the child turns 1 year old regardless of employee's sex. There are, however, some serious limitations. For example, the leave is available only to those in regular employment. In addition, workers in firms with less than 30 employees were exempted from the law until March, 1997.

In 1995, the amendments to the Childcare Leave Law were made and it was renewed as the Childcare and Family Care Leave Law.[21] As the name suggests, workers are able to take leave for childcare as well as care for other family members. This time, the law applies to all firms regardless of the number of employees. However, again, those who are not eligible to take the leave include workers in non-regular employment. As such, a large share of women working as part-time workers or contract workers with specified length of employment is not eligible for the leave. In addition, workers employed for less than a year, and workers who have a family member to look after children regularly, are not eligible to take the childcare leave. However, the latter category of worker is eligible to take the leave up to eight weeks after the child's birth.

Basically, wages are not paid during the parental leave. However with the amendments made in the Employment Insurance Law, employees are paid benefits amounting to 25 percent of the pre-birth wages from Employment Insurance starting from April, 1995. The benefit paid during the parental leave is further increased to 40 percent of the pre-birth wages from 2001. In detail, 30 percent of the pre-birth wage is paid monthly during the leave, and another 10 percent is paid 6 months after returning to work, with an objective to encourage worker's return. In case, if

wages are paid during the leave, the total amount of wage and benefits from employment insurance is not to exceed 80 percent of the pre-birth wage. Thus, if the wage paid during the leave exceeds 80 percent of the pre-birth wage, then the benefits from employment insurance are not paid. It can be said that the system is designed to provide strong incentives for workers to return to the job (Maruyama 2002).

4.2 Work-Time Flexibility Measures

Part-time employment and other flexible working practices such as flexitime are attractive options for parents in maintaining work attachment while taking care of their children. Because it is very common for Japanese workers to work over-time, the Childcare and Family Care Leave Law includes stipulation regarding over-time work. With the worker's request, the worker is exempted from working over-time for more than 24 hours per month, and 150 hours per year. Until the child enters elementary school, the workers are eligible for this over-time exemption. However, as stated in the Childcare and Family Care Leave Law, this stipulation is applicable only for regular workers who have been in the workplace for more than a year. Another protection measure regards overnight work. With the worker's request, the worker is exempted from working overnight (from 10 PM to 5 AM).

The Childcare and Family Care Leave Law also states that firms are required to make work time flexible for workers who have a child aged between 0 to 2 years old. Employers are also encouraged to make similar arrangements for employees with children aged 3 to 6 years old. Firms are to choose either one of the four work time arrangements for workers with children aged 0 to 2 years old. These include; (1) arrangements for shortening the working time, (2) introduction of flexitime, (3) late start or early leave (start work from later-than-usual working time, or leave office earlier-than-usual time), (4) arrangements for not working overtime than the standard, (5) arrangements for daycare centers, or providing some kind of support related to childcare. Firms are also encouraged to make efforts to introduce arrangements for child sickness leave.

The Childcare and Family Care Leave Law is a big step forward for families with children to have more balanced work and childcare responsibilities. Nevertheless, the impact of parental leave arrangements is limited for the moment. It is because still 70 percent of women withdraw from the labor force upon the first birth without utilizing childcare leave (NIPSSR 2000). It is often argued that long working hours of men make it impossible for women to work full time and engage in childcare all by herself. It is also said that the leave is not accessible as it look because of the large number of women with part-time working status. Many of the stipulation on firm's work-time arrangements are just encouragement and not obligation. Gender-role values and work place atmosphere also is said to play a role in making the leave and time arrangements inaccessible.

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Notes:

1 Before the war, the government took strong pro-natalist policy to supply future manpower for military purpose. Some European countries such as Austria and Germany also show resistance to overt pro-natalist policy (Neyer 2003).

2 In Japanese, "Sukoyakani Kodomo wo Umisodateru Kankyo Zukuri ni Kansuru Kankei Shocho Renraku Kaigi" or 「健やかに子供を産み育てる環境づくりに関する関係省庁連絡会議」

3 In Japanese, "Kongo no Kosodate Shien no Tameno Shisaku no Kihonteki Hoko ni Tsuite" or「今後の子育て支援のための施策の基本的方向について」

4 The four Ministries include the following: (1) the Ministry of Health and Welfare, (2) the Ministry of Education, (3) the Ministry of Labour, and (4) the Ministry of Construction. The names of Ministries have changed since then due to restructuring of government organizations.

5 In Japanese, "Kinkyu Hoiku Taisaku to Gokanen Jigyo" or「緊急保育対策等五カ年事業」

6 In Japanese, "Syoshika ni Kansuru Kangaekata ni Tsuite—Jinko Gensyo Shakai, Mirai he no Sekinin to Sentaku—" or「少子化に関する考え方について—人口減少社会、未来への責任と選択—」

7 In Japanease, "Syoshika Taisaku Kihon Hoshin" or 「少子化対策基本方針」

8 Six Ministers include the Minister of Finance, Education, Health and Welfare, Labour, Construction and Home Affairs.

9 In Japanese, "Shigoto to Kosodate no Ryoritsu Shiensaku no Hoshin ni Tsuite" or 「仕事と子育ての両立支援策の方針について」

10 In Japanese, "Taiki Jido Zero Sakusen" or「待機児童ゼロ作戦」

11 In Japanese, "Shoshika Taisaku Plus One" or「少子化対策プラスワン」

12 In Japanese, "Jisedai Ikusei Shien Taisaku Suishin Ho" or「次世代育成支援対策推進法」

13 In Japanese, "Jido Fukushi Ho no Ichibu wo Kaisei suru Ho" or「児童福祉法の一部を改正する法」

14 In Japanese, "Shoshika Shakai Taisaku Kihon Ho" or「少子化社会対策基本法」

15 In Japanese, "Jisedai Ikusei Shien Taisaku Suishin Center" or「次世代育成支援対策推進センター」

16 In Japanese, "Jisedai Ikusei Shien Taisaku Chiiki Kyogikai" or「次世代育成支援対策地域協議会」

17 In Japanease, "Syoshika Shakai Taisaku Kaigi" or 「少子化社会対策会議」

18 In Japanese, "Jido Gyakutai no Boshi to ni Kansuru Horitsu" or「児童虐待の防止等に関する法律」

19 In Japanese, "Ikuji Kyugyo Ho" or 「育児休業法」

20 In Japanese, "Koyo Kikai Kinto Ho" or 「雇用機会均等法」

21 In Japanese, "Ikuji Kaigo Kyugyo Ho" or 「育児介護休業法（通称）」

Chapter

3 *Social Security Expenditure for Households with Children*

Introduction

In the context of inter-generational equity, the distribution gap between the elderly and the young has often been discussed in recent years. According to an estimate of the cost of social security in Japan for fiscal year 2001, 55.6 percent of total social security benefits were paid out for the elderly. On the other hand, only 3.7 percent were paid out for families with children.[1] All of the political parties from right to left state the importance of measures for families with children. But the budget share for families with children has been increasing very slowly in recent decades. The Japanese national budget has already lost its flexibility due to accumulated deficits (i.e. the general government gross debt was 132.6 percent of GDP in 2001).[2] The Ministry of Finance is always reluctant to add new budget resources for family policies. Therefore, scrap and build is the key to implementing new family measures. For instance, a part of the tax credit for a family with children was abolished, and age limits for child allowances were extended and the income ceiling for child benefits was raised, measures which were enacted between 2000 and 2001. There have been various measures and plans for the declining birthrate. From the first Angel Plan in 1994 to the most recently enacted Law for Measures to Support the Development of the Next Generation in 2003, a series of acts have been proposed and enacted. In spite of them, the measures actually enforced are limited to within budget constraints.

This paper presents the Japanese expenditure for families with children with an international comparison.

1. Estimate of the Cost of Child Policy in Japan

In general, it is not easy to estimate expenditure by age groups, mainly because of a lack of data in Japan. We estimate expenditure for the elderly as a part of the cost of social security. But, it is important to bear in mind that this not necessarily reflects the age group comprising the elderly. For instance, pensioners include not only the elderly but also disability benefit recipients without age limits; however, the majority of pension benefits are for old age and the majority of pensioners are the elderly. As a result, the definition of expenditure for the elderly is not strictly attached to the age group. The same can be said of expenditure for children as well. Table 3.1 indicates the expenditure for children and families in Japan between 1975 and 2001. Within family allowances, the child allowance is an income supplement cash benefit for low and middle-income households with children aged six years old and less. In the past, age limits were changed from time to time. At one time the age limit was three years old. The child-rearing allowance is a form of income support for single parent families and households with handicapped children. The maximum age of children is 18 years old for the former and 19 years old for the latter. Child welfare services are mainly day-care services for children of working parents' households. The parent leave allowance is paid through social insurance for employees. A parent can take child care leave for children up to one year old. The income lost during leave is compensated by social insurance. The total of the above are social allowances

for family with children. The sum for 2001 was 25.3 billion yen. Maternity allowance is indicated separately in Table 3.1, because allowances include both compensation for lost income and delivery costs. In Japan, the cost of a normal delivery of a baby is covered by lump sum cash benefits through medical care insurance. Approximately 300,000 yen per delivery is paid for both insured and dependent spouse. In addition, maternity leave allowance is paid to employees for six weeks before and eight weeks after delivery to compensate for lost income. Table 3.1 does not include medical care costs for children. For a better comparison, expenditure for the elderly in Table 3.1 does not include medical care. In the last two columns of Table 3.1, you can compare the two expenditures. Between 1975 and 2001, expenditure for the elderly increased its share of total social security benefits from 25.6 percent to 55.6 percent. On the other hand, the share of child and family expenditure decreased slightly from 5.6 percent to 3.7 percent during the same period. Demographic changes in recent decades explain the increase in elderly expenditure, but the trend for child and family expenditure is not necessarily clear. Hence, after the 1990 expenditure for child and family gradually increased in spite of shrinking young demographic groups. The year was termed "the 1.57 shock year," which reflected the lowest total fertility rate since the war recorded for 1989. The statistical evidence shows that Japan started implementing family measures after that year.

2. Estimate of the Costs of Child Policy in OECD Nations

2.1 The Scale of Expenditures for Child Policy

The OECD publishes a social expenditure database.[3] Within the OECD framework, child policy is equivalent to family policy. In the following sections, the term family policy is synonymous with child policy. Figure 3.1 Total Social Expenditure vs. Family Benefit 1998 indicates the close relation between total expenditure and family benefits. If one nation has a greater share of social expenditure to GDP, it is likely to have a greater share of family benefits to GDP. In European nations indicated within the circle in Figure 3.1, both total expenditure and family benefits are high. In low family benefit nations including Korea,

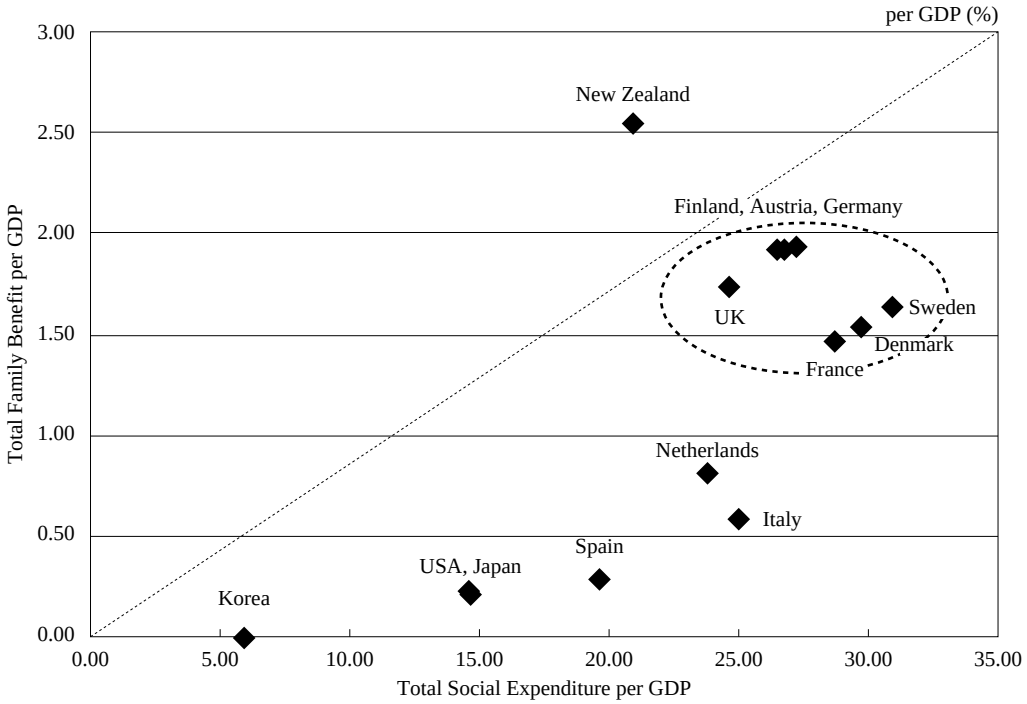
Table 3.1 Social Security Expenditure for Child and Family, Fiscal Years 1975–2001 in comparison with Expenditure for the Elderly

Fiscal Year	Family allowance	Child allowance	Child rearing allowance	Child welfare service	Parent leave allowance	Total	Maternity allowance	Total		Expenditure for the Elderly*
	Hundreds of millions of yen	Hundreds of millions of yen	Hundreds of millions of yen	Hundreds of millions of yen	Hundreds of millions of yen	Hundreds of millions of yen	Hundreds of millions of yen	Hundreds of millions of yen	Ratio to the total Social Security Benefits as %	
1975	1,829	1,444	385	3,549	—	5,378	1,229	6,608	5.6	25.6
1980	3,560	1,778	1,782	5,998	—	9,558	1,639	11,197	4.5	34.8
1985	4,617	1,589	3,027	6,836	—	11,453	3,060	14,513	4.1	41.5
1990	4,449	1,391	3,059	8,532	—	12,981	3,005	15,986	3.4	47.0
1995	5,112	1,612	3,500	11,177	327	16,616	4,753	21,369	3.3	49.8
2000	7,116	2,917	4,199	14,963	721	22,801	4,618	27,419	3.5	54.8
2001	8,574	4,062	4,512	15,875	835	25,284	4,606	29,890	3.7	55.6

Source: NIPSSR, *The Cost of Social Security in Japan FY2001*

Note: * Expenditure for the elderly in Table 3.1 does not include medical care for comparison purpose with child and family expenditure data.

Figure 3.1 Total Social Expenditure vs. Family Benefit 1998



Source: OECD, *Social Expenditure Database 2001*

Japan, the USA, Spain, and Italy, total expenditure differs from one nation to another. With the exception of New Zealand, all of the nations are located under the 45-degree line in Figure 3.1. New Zealand allocates a relatively large share to child and family measures compared to other nations.

2.2 Family-Related Expenditure

According to OECD data, family-related expenditures are divided into two policy areas: one is "7. FAMILY CASH BENEFITS" and the other is "8. FAMILY SERVICES." Their definitions are given below.

The categories of (7) family cash benefits and (8) family services include expenditures that support families (i.e. excluding one-person households). These expenditures are often related to the costs associated with raising children or to supporting other dependents. Expenditure related to maternity and parental leave is grouped under family cash benefits sub-category (7.6).[4]

Figure 3.2 Family Benefit and Cash vs. Service in 1998 indicates the relation between two kinds of expenditure, i.e., cash and services. The ratio of family service benefits to GDP is plotted on the Y-axis and the ratio of family cash benefit to GDP is plotted on the X-axis. Five nations, Italy, Japan, Korea, Spain, and the USA, comprise the group providing both family cash and family services, which are relatively small. The two nations of Sweden and Denmark form a group of countries with relatively large family service benefits compared to family cash benefits. New Zealand has a unique position among OECD nations. Its family cash benefits are dominant with few family service benefits. The family cash benefits in New Zealand are family support benefits paid for children from birth to 16 years old. In addition, there are lone parent cash benefits paid to single parent families needing domestic caregivers and helpers.

Figure 3.2 Family Benefit and Cash vs. Service in 1998

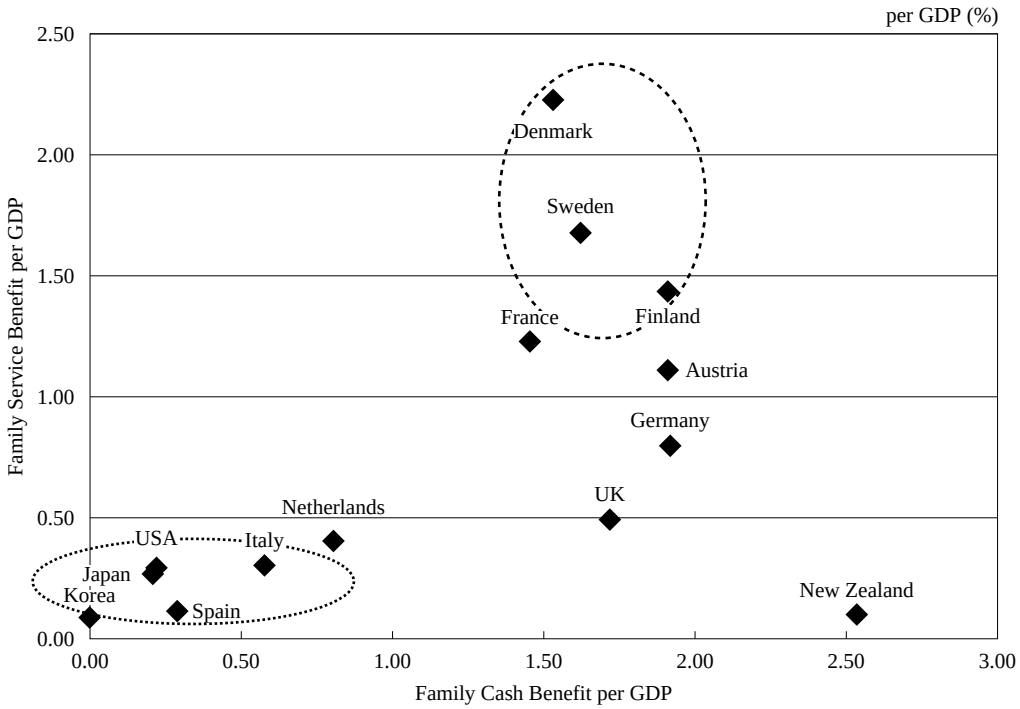


Table 3.2 Relation between Family Cash vs. Family Services in 1998

(%)

	Family Cash per GDP	Family Services per GDP
Austria	1.91	1.11
Denmark	1.54	2.23
Finland	1.92	1.44
France	1.55	1.26
Germany	2.04	0.80
Italy	0.58	0.30
Japan	0.21	0.26
Korea	0.02	0.08
Netherlands	0.81	0.39
New Zealand	2.58	0.10
Spain	0.29	0.11
Sweden	1.63	1.87
UK	1.71	0.49
USA	0.22	0.29

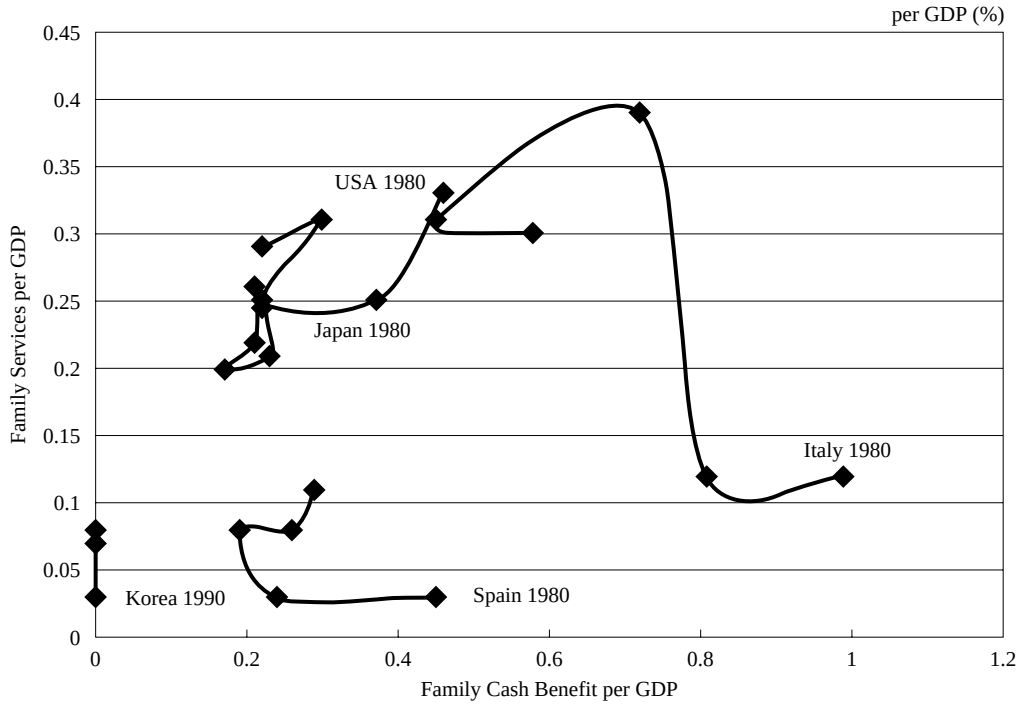
Source: OECD, *Social Expenditure Database 2001*

Both Sweden and Denmark have good childcare facilities and services. For example, 40.9% of children younger than three years old receive day care services in Sweden. Because Sweden has a modest parental leave payment, children younger than one year seldom use day-care centers. A total of 46.5% of one-year old children go to day care facilities and 71.2% of two-year old children go to day care centers. In Denmark, the majority of couples work. One of the unique characteristics of Denmark is that the majority of women choose to work full-time. Approximately 51.2% of children younger than two years old and 86.9% of children between three and five years old receive day-care services in Denmark.[5]

2.3 Trends of Expenditure for Families between 1980 and 1998

In Figure 3.2, two groups of nations are indicated by circles. The first group comprises Denmark, Finland, and Sweden. It can be said that they belong

Figure 3.3 Countries with Low Family Expenditure



to a group with relatively high levels of family policy expenditure both in the form of cash and services. The second group comprises Italy, Korea, Japan, Spain, and the U.S.A. It is obvious that the group has a relatively low level of family policy expenditure both in terms of cash and services.

Figure 3.3 shows trends between 1980 and 1998 observed for the group of five countries with low family expenditure. Italy and Spain have increased family service benefits most in recent years. But, they have a trade-off with reduced family cash benefits. Regarding the USA, the size of family benefits is diminishing gradually, but it is also shifting from family cash benefits to family service benefits. Japan showed little difference between 1980 and 1998. From 1985 to 1995, the size of family benefits in terms of both cash and services decreased, but a declining youth population might be the cause. Regarding Korea, there are insufficient data available to describe trends.

Figure 3.4 shows trends between 1980 and 1998 observed for three Nordic nations. The three nations are Sweden, Denmark, and Finland. In both Denmark and Finland, until 1995, family cash benefits had been growing, but in 1998, a large cutback in family cash benefits was carried out. In Finland, the family allowance for single parents had been rapidly increasing in the early 1990's, but it peaked in 1994 and then started declining. In Denmark, a large cut in parents' leave benefits was made, but formal day care has been increased to cover the cut in family cash benefits. In Sweden, unlike the other two countries, a complicated shift in benefits was recorded. In the early 1980's , family cash benefits were actively introduced, but in the 1990's family cash benefits decreased and day-care centers for childcare services in Sweden were improved. From 1996, local governments took over autonomy of childcare services from the central government and began to make efforts to reduce the waiting lists of children for day care facilities.

Figure 3.4 Nordic Countries with High Family Benefits

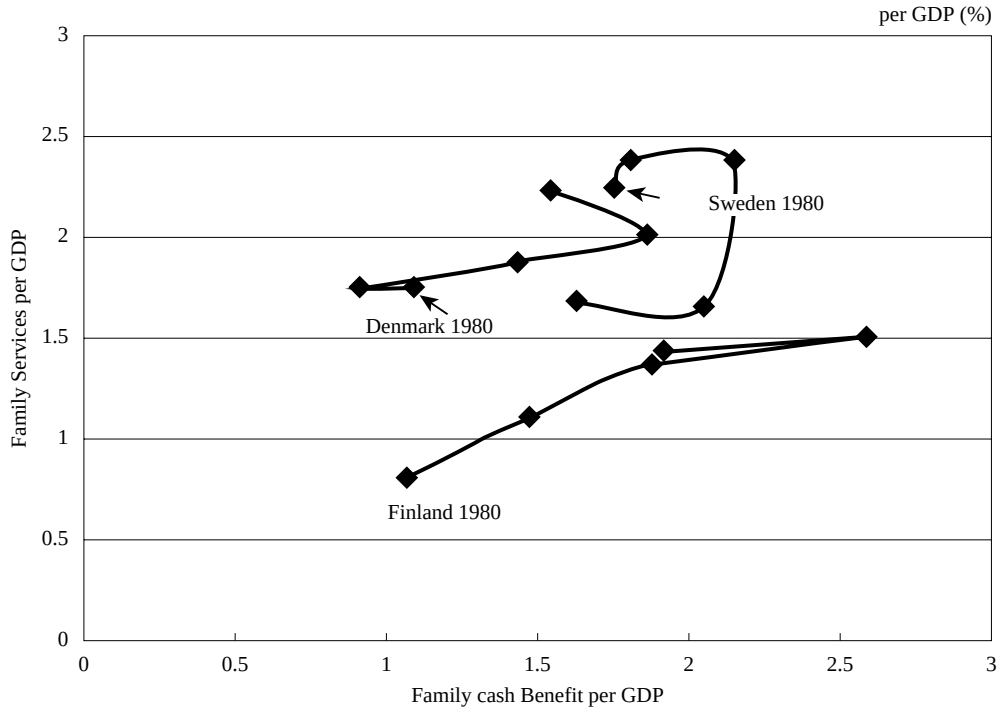
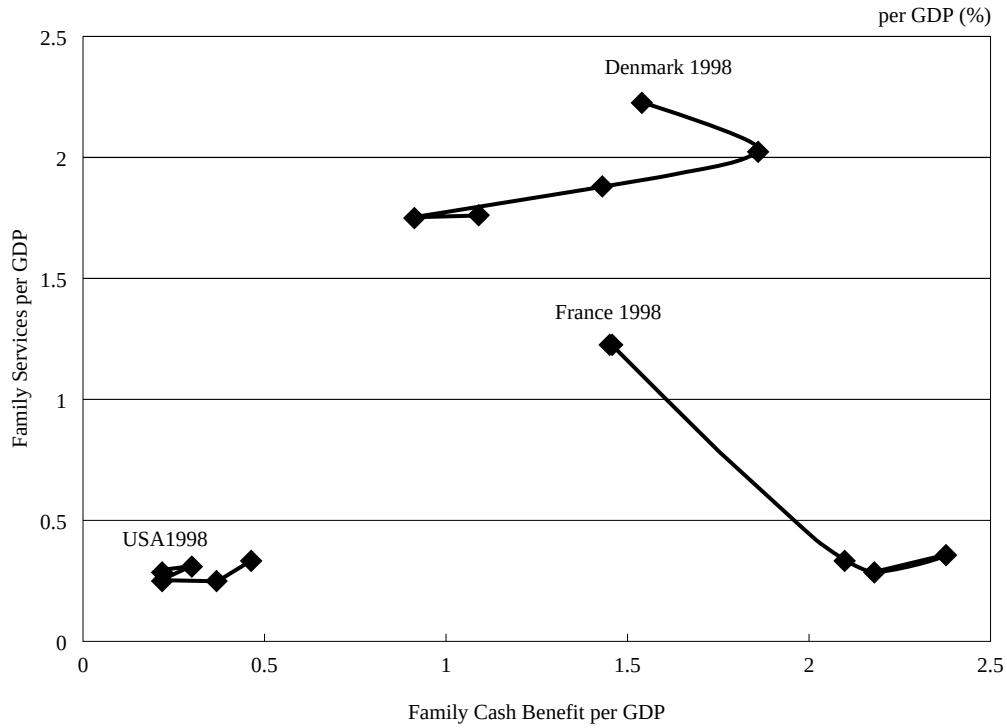


Figure 3.5 Countries with Relatively High or Recovered Fertility



3. The Impact of Child Policy on Declining Fertility

3.1 Why They were Successful in Preventing Further Birth Rate Declines

Figure 3.5 shows three countries with relatively high or recovered fertility. The three nations are Denmark, France, and the USA. Both France and Denmark made a shift from family cash benefits to family service benefits in recent years. The expenditure for families in both countries also increased in the observed period. Regarding the USA, there was little change throughout the five-year period. The USA has no family allowance, but maintains relatively high fertility. The size of family benefits as a whole is very small in the USA and it does not affect people's behavior very much.

Figure 3.6 shows the unique position of the USA. It is too early to draw the conclusion that family expenditure has little relationship with fertility rate; however, it may not have a direct impact. A possible explanation of why the USA maintains a relatively high fertility rate with relatively low family expenditure may lie in labor market flexibility.

Table 3.3 Total Social Expenditure per GDP vs. TFR in 1998

	Total Social Expenditure per GDP[1)]	TFR[2)]
USA	0.51	2.06
New Zealand	2.68	1.91
France	2.81	1.76
Denmark	3.77	1.72
UK	2.20	1.71
Finland	3.36	1.70
Netherlands	1.20	1.64
Sweden	3.51	1.50
Japan	0.47	1.38
Germany	2.85	1.36
Austria	3.02	1.35
Italy	0.87	1.20
Spain	0.41	1.16

Source: 1) OECD, *Social Expenditure Database 2001*
2) TFR of Japan: National Institute of Population and Social Security Research
Other: UN, 1999

Figure 3.6 Total Fertility Rate vs. Family Related Expenditure per GDP in 1998

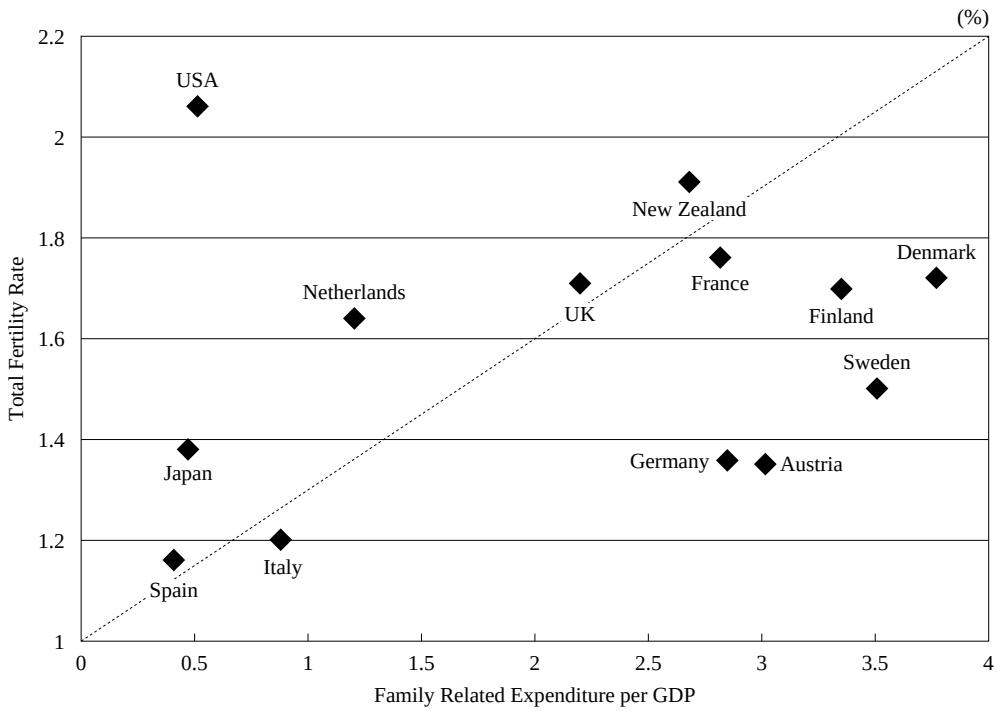


Figure 3.7 Total Fertility Rate vs. Labor Force Participation Rate of Women for Age Group 35–39

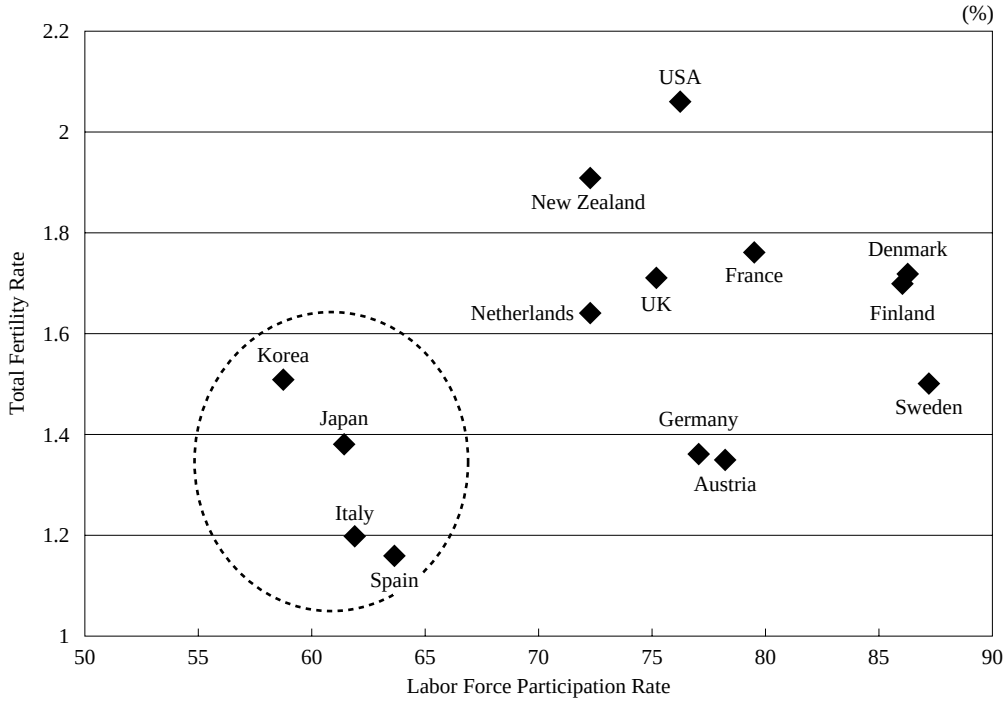


Figure 3.7 shows the relation between total fertility rate of 1998 and labor force participation rate of women aged between 35 and 39. The USA is the only nation whose female labor force participation is higher than that of the European nations. Table 3.4 indicates the labor force participation rate shown in Figure 3.2.

Females aged between 35 and 39 are most likely to be mothers of small children. In Japan as well as Italy, Spain, and Korea, many women quit their jobs during child-rearing. It may be partly due to values and culture that they concentrate on child-rearing, but it cannot be denied that they cannot do both due to labor market conditions and lack of child-rearing support in their societies. According to an OECD review of family friendly policy, about 70 percent of female workers in Japan today withdraw from the labor market after they have children. If they go back to work when their children are older, they often take low-paid, unstable jobs.[6] This clearly indicates the inflexible condition of the labor market in Japan. Regarding

Table 3.4 Labor Force Participation Rate of Women for Age Group 35–39

Country	Year	Labor Force Participation Rate (%)
Korea	1999	58.7
Japan	2000	61.4
Italy	1999	61.9
Spain	1999	63.6
Netherlands	1999	72.2
New Zealand	1999	72.3
UK	1999	75.2
USA	1999	76.2
Germany	1999	77.1
Austria	1999	78.3
France	1999	79.4
Finland	2000	86.0
Denmark	1999	86.2
Sweden	1999	87.1

Source: OECD, *Labour Force Statistics*

the USA, although they do not have as much social support as Nordic countries, most women can handle both work and child-rearing. I assume some flexibility in the labor market in the USA contributes to the high labor force participation rate of women.

4. Findings and Comments

With reference to the analysis of OECD social expenditure regarding families, we identified two groups of nations in connection with family policy and expenditure. One group comprises high-expenditure nations including Sweden, Denmark, Finland, and France. Their social expenditure as a whole is higher than those of other nations. Their expenditure for families is also higher. Cash and service benefits in the group are also modest and high, respectively. The other group comprises low-expenditure nations including Italy, Korea, Japan, Spain, and the USA. Their family benefits are low without exception. Total social expenditure is also low compared to other nations.

Within each group, the nations have relatively similar demographic situations, except for the USA. In spite of low expenditure for families, the USA maintains relatively high fertility rates, unlike other nations such as Italy, Korea, Japan, and Spain. But, if you take labor market flexibility into consideration, unlike the other nations, the USA has a flexible labor market for women.

Inter-generational equity cannot always be judged by the size of social expenditure. In an era with a slowing economy, every nation faces a difficult financial situation in terms of increasing the budget for families with children. An aging society needs more and more resources to support the elderly. But, we must remember that we will have to compensate for deficits in current social efforts in the future. In other words, the phenomenon of a decreasing young population as a result of declining fertility will oblige us to share a heavier burden in the near future. To be more realistic, we must learn various ways to solve current problems. Labor market policy is one of the keys to changing people's behavior.

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Notes:

1 If cost for medical care is included, social security expenditure for the elderly within the cost of social security in Japan for fiscal year 2001 is estimated to be 68.7 per cent, however. Medical care is subtracted to compare with those of families with children. This is due to the lack of data for estimating medical care costs for children.

2 Looking at the percentage of general government gross debt to GDP, many other developed countries have steadily worked towards fiscal consolidation, to flatten or decrease the amount of gross debt. However, our country's indebtedness has rapidly deteriorated, reaching the highest level among developed countries. (see MOF website, http://www.mof.go.jp/english/budget/pamphlet/cjfc.htm)

3 OECD, *Social Expenditure Database 2001 Edition.*

4 *1980–1998: 20 Years of Social Expenditure*, The OECD Database, p.31 (This is a pdf file provided within the CD-Rom of the database 2001.)

5 *Family Benefits and Scheme of Foreign Nations*, Ministry of Health, Labour and Welfare, 2002.

6 *Babies and Bosses*, OECD 2003.

Chapter

4 *Childcare System in Japan*

1. Overview of the Japanese Childcare System

Childcare and educational institutions for pre-school age children in Japan can be classified into three types: (1) licensed daycare centers, (2) non-licensed daycare centers and (3) kindergartens. The number of childcare and educational institutions by type is summarized in Figure 4.1.

Daycare centers provide full-day center-based care for pre-school children aged 0–6 years old regardless of licensed institution or not. Differences between licensed and non-licensed daycare centers lie in standards and availability of government subsidy. Licensed daycare centers, whether they are operated by public or private organizations, fulfill minimum standards set by the government, or more specifically, the Ministry of Health, Labour and Welfare (abbreviated as MHLW hereafter). A set of items that are specified as the minimum standard is mostly what Blau (2001) calls "structural quality." For example, these include the child-staff ratio and the space of the room available per child. In exchange for these regulations, a large share of running costs of licensed daycare centers are subsidized by central and local governments (Figure 4.2).

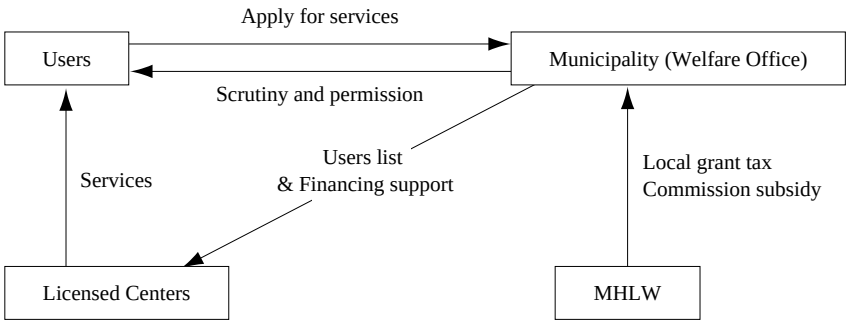
As of March 2003, there are 22,313 licensed daycare centers in Japan. 2.03 million children, or 29% of pre-school children in Japan are enrolled in licensed daycare centers. More than half of the licensed daycare centers are under the direct management of local governments (public), while the rest is managed by private organizations, mostly non-profit social welfare organizations.[1] Licensed daycare centers, regardless of public or private, are subject to regulations and have little freedom in management. For example, it is not licensed daycare centers but the municipality's local welfare office that decides who should be admit-

Figure 4.1 Number of Childcare and Educational Institutions for Pre-school Children by Type

Daycare centers	Licensed*	Public	12,426	(1,028,931)
		Private	9,887	(1,004,969)
	Non-licensed**	In-house	3,534	(51,904)
		Other (including "baby hotels")	6,111	(169,118)
Kindergartens* **		Public	5,869	(370,085)
		Private	8,410	(1,399,011)

Notes: Figures in parentheses show the number of children enrolled.
Surveyed dates: * March 1, 2003, ** Dec. 31, 2001, *** May 1, 2002.
Source: Nippon Keidanren *"Working toward a Better Childcare Environment"*, July, 2003.

Figure 4.2 Mechanism of Licensed Daycare System



ted to licensed daycare centers, or how much the users should be charged.[2] Usually, the admission criteria are based on needs for childcare, such as household income, family structure, and mother's working status. Fee structure for licensed daycare services is uniform within municipality but differs by applicant's household income, age of the child, number of siblings and residing municipality.[3] Fees tend to be lower for older children, and if younger siblings are admitted to licensed daycare centers, they are given discounts up to 50% according to their income level.[4]

In contrast, majority of non-licensed daycare centers are operated either by private organizations or individuals. More than a third (37%) of them are "in-house" or childcare facilities located within firms established by employers for employees with children, as represented by in-hospital daycare center for medical practitioners. About 10% of the centers are so-called "baby hotels."[5] The rest are generally small-scale daycare centers operated by various organizations including not-for-profit and for-profit ones.

Because non-licensed daycare centers are not under the government's strict supervision on standards or financial support, the quality of childcare in non-licensed daycare center is quite varied. With respect to the structural quality, majority of non-licensed daycare centers do not fulfill the minimum standard set by the government, since many of them are much smaller in scale. With respect to the quality of childcare for child development, it is said that some non-licensed daycare centers provide high-quality care services comparable to or even higher than that of licensed daycare centers. On the other hand, some non-licensed centers such as typical "baby hotels" provide very low quality care. In terms of flexibility of services, non-licensed centers are said to be the best. Because of the flexibility of childcare services they provide, some mothers working full-time dare to choose non-licensed daycare centers. After the much publicized child death in non-licensed daycare center in Yamato-city, the suburb of Kanagawa prefecture in 2000, there arose a wide public outcry for strengthening the government intervention on childcare standards, even for non-licensed daycare centers.

Another major concern regarding non-licensed daycare centers is its fee. Because non-licensed daycare centers do not receive government financial support, user's fee can be quite expensive. Of course, no consideration is given for the need of childcare, such as lack of caregiver, household income or family structure. Thus, even non-working mothers are able to utilize their services. Usually working mothers utilize non-licensed centers temporarily, while on the waiting list to be admitted for licensed daycare centers. When the admission is given, parents will transfer children to the licensed daycare center, usually at the beginning of the fiscal year (April).

Kindergartens are center-based pre-schooling educational services for children aged 3–6 years old. Because kindergartens are considered as educational facilities for pre-school children, Ministry of Education,

Culture, Sport, Science and Technology (MEXT) is in charge of running kindergartens. Fees of public kindergartens is generally lower, 6,000 to 7,000 Yen per month, while private kindergartens usually charge 20,000 to 30,000 Yen per month. Since kindergartens operate only for half a day, majority of mothers whose children are in kindergarten are not working or working in a part-time job.

2. Childcare Arrangements of Pre-schoolers: Descriptive Statistics

2.1 Who Are Minding Pre-school Children?

Table 4.1 outlines the primary childcare arrangements in the daytime by mother's working status. According to the results, 44.6% of the working mothers are using licensed daycare centers for childcare in the daytime, and only 4.9% of them are using non-licensed daycare centers. For household with working mothers, grandparents also play an important role as caregivers, especially when the child is under 1 year old. In contrast, 68.3% of non-working mothers are taking care of their children by themselves.

Kindergartens account for 16.4 percent of childcare arrangement of all pre-school children, but the ratio is lower for employed mothers (13%). It is interesting to see that self-employed mothers are more

Table 4.1 Primary Childcare Arrangement by Mothers' Working Status

(%) N=3,781

Type of arrangement	Total	Not working	Working		
			Total	Employed	Self-employed, etc.
Parent	49.7	68.3	12.9	8.6	23.5
Grandparent	9.1	5.8	15.5	17.2	11.4
Licensed daycare centers	19.8	7.2	44.6	48.8	34.6
Non-licensed daycare centers	2.1	0.7	4.9	5.9	2.4
Kindergartens	16.4	16.9	15.4	13.3	20.5
Other arrangements	1.1	0.8	1.8	1.9	1.6
Unknown	1.8	0.3	4.8	4.3	5.9
Total	100.0	100.0	100.0	100.0	100.0

Source: Oishi, 2002[6]
Note: 34% of mothers are working and 24% of the working mothers are salaried workers.

Table 4.2 Primary Childcare Arrangement by Age of the Youngest Child

(%) N=3,781

Type of arrangement	Total	Age of the youngest child						
		0	1	2	3	4	5	6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Parent	49.7	78.7	68.4	64.0	36.5	14.4	11.7	12.7
Grandparent	9.1	14.5	13.7	11.7	6.0	2.2	1.4	1.4
Licensed daycare centers	19.8	4.3	12.8	17.8	31.3	31.5	32.5	23.9
Non-licensed daycare centers	2.1	0.9	2.6	3.6	1.5	2.6	1.8	0.0
Kindergartens	16.4	0.0	0.0	0.0	22.5	45.3	47.4	56.3
Other arrangements	1.1	0.8	1.7	1.6	1.3	0.8	0.6	0.0
Unknown	1.8	0.9	0.9	1.3	0.9	3.2	4.5	5.6

Source: Oishi, 2002

likely to use kindergartens than employed mothers. This may be because self-employed mothers have more freedom to arrange their working hours than other working mothers do.

Table 4.2 demonstrates the primary care arrangement by age of the youngest child. In a word, the younger the child, the less likely to be in daycare centers, and the more likely the mothers take care of the child by themselves. For instance, only 4.3% of child under 1 year old are in licensed daycare centers, while more than 30% of children older than 3 years old are in licensed centers.

2.2 The Economic Situation of Households by Primary Childcare Arrangements

Table 4.3 summarizes economic situation of the households by type of childcare arrangements. Household income is the lowest for those using licensed daycare center when adjusted by an equivalence scale. On the other hand, household income for those using non-licensed daycare centers or kindergartens tend to be higher not only in the absolute value but also in the relative value of income adjusted by an equivalence scale.

Turning to the incomes of mothers and fathers, it is clear that fathers using licensed daycare centers earn the least (4.07 million Yen per annum) on average, while fathers using kindergartens earn the most (6.05 million Yen per annum). Although the gap in fathers' earnings between the two types of households is nearly 2 million Yen, the difference in the total household income between the two is not so large due to mothers contribution: mothers using licensed daycare centers earn 1.45 million Yen on average, while mothers'

Table 4.3 Household Yearly Income by Primary Childcare Arrangement

(million Yen)

Type of arrangement		Household income	Household income, EQV adjusted	Father's income	Mother's income
Total	Median	5.90	2.06	4.80	0.00
	Average	6.78	2.30	4.96	0.70
	Std. Dev.	–4.62	–1.43	–3.24	–1.53
Parent	Median	5.40	2.04	4.90	0.00
	Average	6.30	2.23	5.10	0.29
	Std. Dev.	–4.37	–1.26	–2.82	–0.97
Grandparent	Median	7.12	2.06	4.32	0.00
	Average	8.02	2.31	4.30	1.08
	Std. Dev.	–5.25	–1.41	–2.71	–1.63
Licensed daycare centers	Median	6.00	1.96	4.10	0.80
	Average	6.79	2.23	4.07	1.45
	Std. Dev.	–4.54	–1.56	–3.04	–1.90
Non-licensed daycare centers	Median	6.57	2.28	4.46	0.63
	Average	7.20	2.54	4.88	1.57
	Std. Dev.	–5.09	–1.61	–3.74	–2.50
Kindergartens	Median	6.42	2.27	5.73	0.00
	Average	7.36	2.52	6.05	0.58
	Std. Dev.	–4.71	–1.64	–4.31	–1.50

Source: Oishi, 2003

Note: EQV adjusted income = (average household income)/EQV, where EQV = 1+ 0.7*(number of adults –1) + 0.5*number of children.

Table 4.4 Working Status of Parents by Type of Daycare Center

(%) N=26,978

	Licensed		Not-Licensed	
	Father	Mother	Father	Mother
Total	100.0	100.0	100.0	100.0
Full-time	72.8	41.3	79.7	47.7
Part-time	1.0	35.1	0.7	22.0
Self-employed	11.2	8.9	9.2	5.0
Temporarily living separately	1.0	0.1	1.0	0.1
Unemployed	1.0	8.5	1.0	21.3
Not present	12.0	1.5	7.2	1.1
Other	0.3	3.2	0.3	1.1
N.A.	0.7	1.4	0.9	1.7

Source: MHLW, 2000

using kindergartens earn 0.58 million Yen. In fact, median income of mothers using kindergartens is zero, because most of them are not working.

Table 4.4 compares working status of parents using licensed daycare centers and those using non-licensed daycare centers. For both fathers and mothers, the largest share is found in full-time employment in both types of daycare centers, but the percentage working full-time is higher for parents using non-licensed daycare centers. For example, while 41.3 percent of mothers using licensed centers are working full-time, nearly 50 percent (47.7%) of mothers using non-licensed centers are working full-time. For fathers, nearly 80 percent of non-licensed users are working full-time, while 72.8 percent of licensed center users are working full-time. Other differences in mother's working conditions by type of childcare arrangement are found in following characteristics. First, higher share of licensed center using mothers are working part-time, or self-employed than non-licensed center using mothers. Second, the share of single-parent family is higher for licensed center users, while the share of unemployed mothers is about 2.5 times higher for non-licensed users.

The fact that larger share of mothers using non-licensed daycare centers are working full-time suggests the higher flexibility of child care services provided by non-licensed centers. Non-licensed centers are also functioning as a temporary shelter for unemployed mothers while they look for jobs. Though unemployed mothers are qualified to apply for licensed centers, in reality, it is very rare for them to be admitted especially in large urban areas, since priority is placed on already working mothers in need of childcare. Consequently, many unemployed mothers are in dilemma, since without childcare facilities unemployed mothers are not able to look for a job, but licensed daycare centers rarely admit children whose mother is unemployed. Because priority of admission to licensed daycare center is placed on the need for care, higher share of single-parent family is found for licensed centers.

2.3 Distortion in the Labor Supply of Married Women

As can be seen in the Table 4.3, an average income of mothers are quite low in Japan regardless of daycare center users or not, partly because of the tax and social security systems. Specifically, under the current tax system, most wives have strong incentives to work less than 1.03 million Yen per year. Otherwise an income deduction for dependent spouse (0.38 million Yen) will no longer be applicable to their husbands and they must pay income tax as well. Moreover, if she makes more than 1.3 million Yen per

Figure 4.3 Female Part-time Workers and Their Pension Status

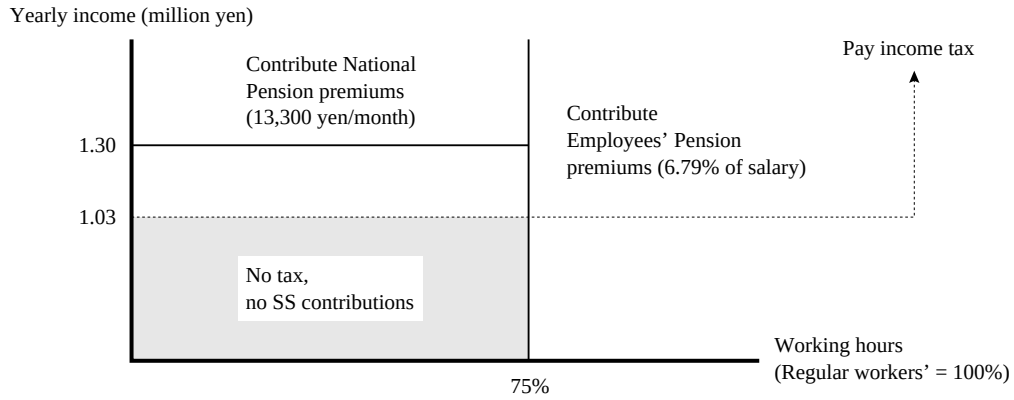
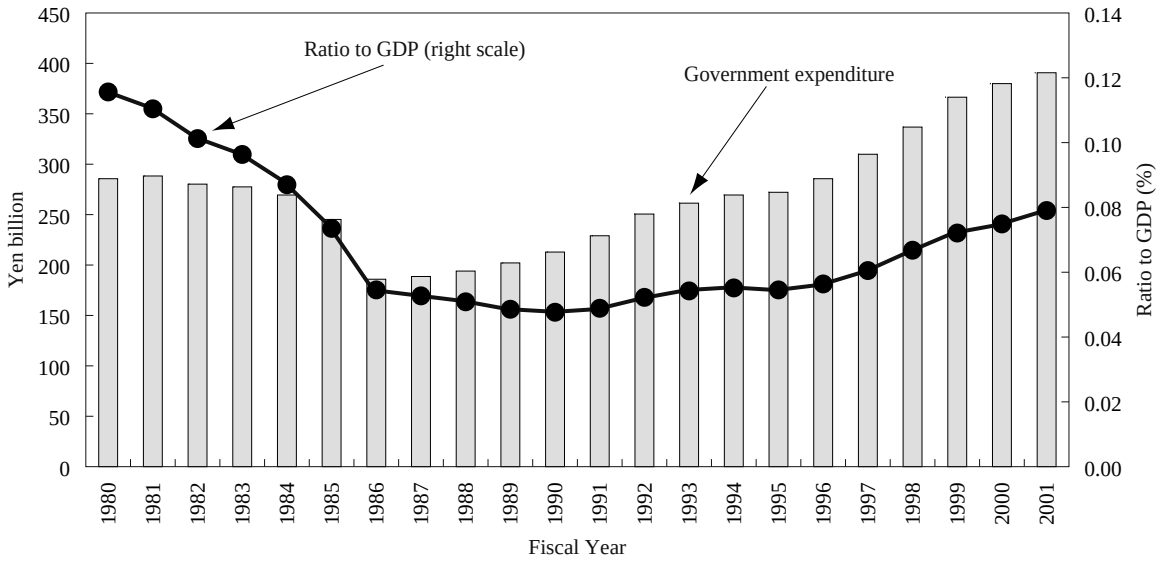


Figure 4.4 Trends in National Spending on Licensed Daycare Centers



Source: *White Paper on Child Care 2002*, p.23

year, or if her working hours reach 75% of the regular workers, she could no longer enjoy an exempt from social insurance premium (Figure 4.3). For fear of losing these tax and social security benefits, many housewives choose to work part-time in Japan.[7]

3. Costs of Childcare Services

3.1 The Shift in Government Expenditure for Childcare Services

Because of the financial difficulty caused by the two oil crises, childcare related spending by the government shrank sharply during the early 1980s. It was not until 1989 when the total fertility rate of Japan renewed the lowest record that the government began to allocate more resources for childcare services (see Figure 4.4).

Along with the declining birthrate, the national budget allocated for licensed daycare centers has been increasing, reaching as high as 407 billion Yen in 2002. However the ratio of childcare spending to GDP (0.08%), is still below the level of early 1980s. In

addition, as will be explained below, only a small portion of total daycare expenditure is financed by the national budget.

3.2 Who Bear the Childcare Costs?

The running cost of licensed daycare centers in Japan is extremely high. Although there is no national level data on the detailed breakdown of childcare costs, labor cost is obviously the largest item in overall expenditure of licensed daycare centers in many municipalities. For example, in Chiyoda-ward, Tokyo, the share of labor cost amounted to 80% in FY2000.[8] Because many of the licensed daycare centers in Japan were established in the 1960s and 1970s, and because most child minders especially those in public daycare centers are on a seniority-based wage system, labor cost rises with the average age of child minders (see Section 4 for details).

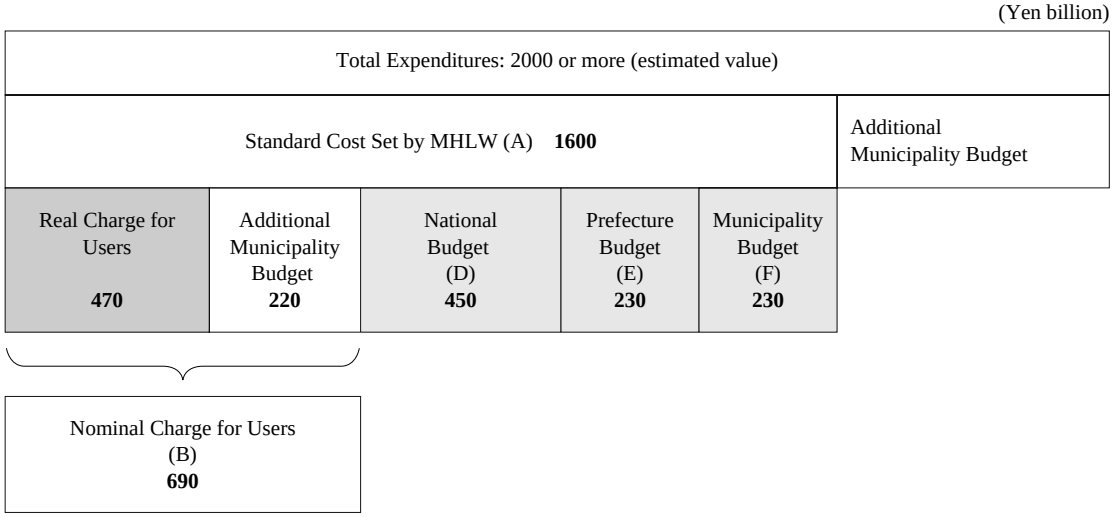
According to the MHLW estimate, total childcare related expenditure for licensed daycare centers in 2001 amounted to 1,600 billion Yen, or 0.32% of GDP. These expenditures are shared among central government, local government and users. Specifically, 50% of the deficits (A–B) are covered by the national budget, 25% by prefecture budget, and 25% by municipality budget (Figure 4.5). The nominal charge for users (real charge for users plus subsidy from residing municipality) can be considered as the amount of cost necessary to run the minimum standard licensed daycare center.

To be emphasized, although the central government (MHLW) has set a standard expenditure criterion for licensed daycare centers, many municipalities have been infusing additional budget to lessen the burden of users and to subsidize labor costs of daycare centers in hiring temporary staffs and improving benefits of child minders. When additional subsidies from municipalities are considered, the total operating expenses for licensed daycare services could exceed 2 trillion Yen.[9]

3.3 Heavy Burden of Municipalities: The Case of Chiyoda-ward, Tokyo

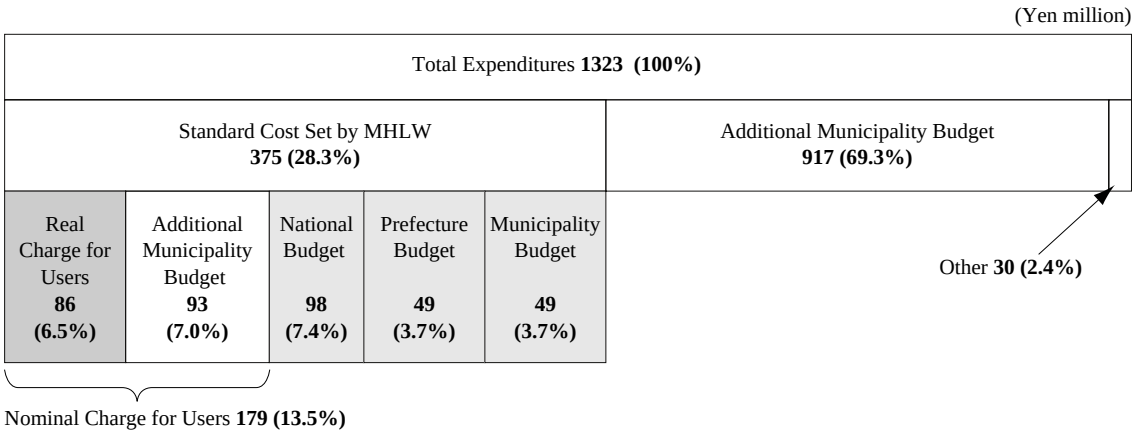
In Chiyoda-ward, actual running costs are 3.5 times higher than the standard cost criterion set by the MHLW. Contributions from national, prefectural and ward budget, as well as users' charges to the actual running costs are 7.4%, 3.7%, 80.0%, and 6.5% respectively (Figure 4.6). Dividing total operating expenses by the number of children enrolled at licensed daycare centers in Chiyoda-ward gives the

Figure 4.5 Burden Sharing of Running Costs for FY2001



Note: National Budget (D) = (A–B) *50% ; E = F = (A–B)*25%

Figure 4.6 Share of Running Costs in FY2000: the Case of Chiyoda-ward



average yearly cost per child of 3.0 million Yen, which is about 15 times higher than the actual child-care charge. In other words, households using licensed daycare centers in Chiyoda-ward receive a total of 2.8 million Yen benefit in-kind per year. Because of this heavy fiscal burden, many municipalities are reluctant to build new daycare centers.

4. Childcare Labor Market in Japan

As of October 2001, licensed daycare centers in Japan employ 428,693 persons and 289,007 (67.4%) of them are child minders.[10] Like many other countries, 95% of the child minders in licensed daycare centers are female, of which 98% are qualified child minders. The average age and tenure of the child minders in licensed daycare centers are 34.9 and 9.9 years, respectively.

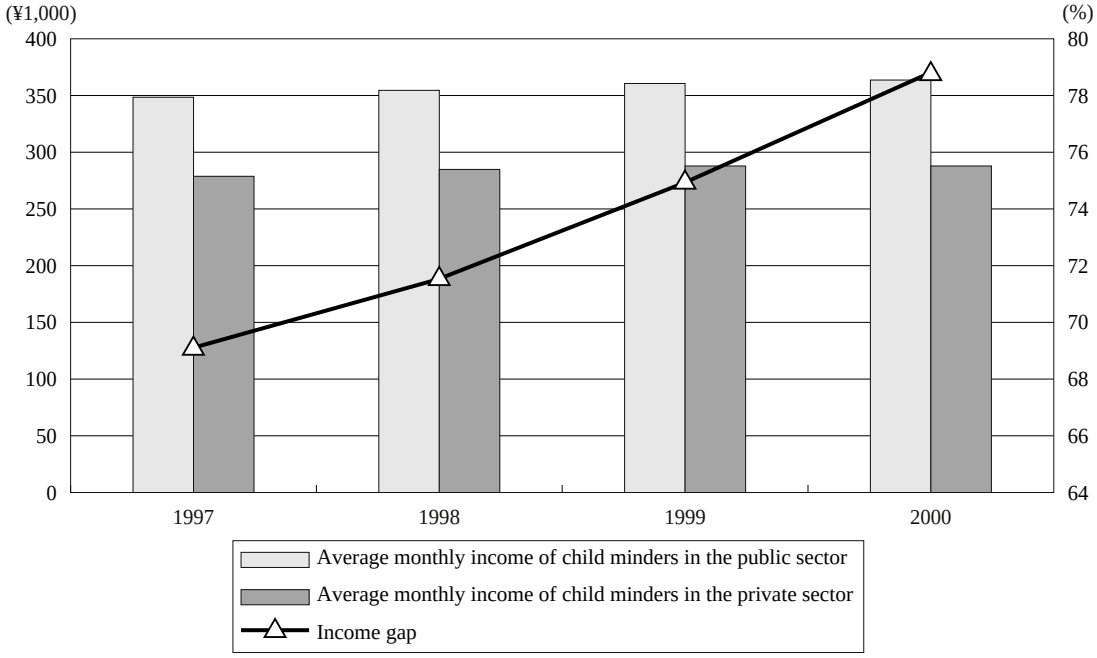
Childcare Qualification System was launched in 1949, and it provides two absolutely different paths for acquiring qualification as child minders. The first way is to graduate from 2-year Childcare Training School authorized by the MHLW, where qualification for child minder will be obtained automatically with the graduation. The second way is to pass a qualification exam held in each prefecture.[11] In 1999, 90.8% people obtained the qualification by the first method, and the remaining 9.2% obtained it through the examination.

There exists a huge gap in working condition and cash payment between child minders in private day-care centers and those in the public centers even within the licensed centers. Figure 4.7 shows that the average monthly income of child minders in public licensed daycare centers is about 20% higher than that of the private centers. Moreover, this payment gap expands in a yearly basis. It is not so hard to find out what accounts for the gap in cash payment between public and private sectors. Not until very recently, income profile of child minders in public daycare centers corresponded to that of administrative local civil servants.[12] In other words, income of child minders increased by yearly basis with their age until the retirement. Furthermore, child minders working in public daycare centers are enjoying a better security in retirement allowance, medical care services as well as in job stability.[13] On the other hand, income of child minders in private licensed daycare centers is primarily determined by the government subsidy that depends on the number (not the tenure or ability) of staffs.

5. Major Problems in Childcare Market

Policy concerns regarding childcare in current Japan can be classified into following two points: (1) insufficient supply of childcare service, and (2) quality of childcare services.

Figure 4.7 Income Gap Between Child Minders in Licensed Daycare Centers



Notes: 1) Average monthly income of child minders in the public day care centers was calculated based on the income of general administrative jobs from the *Income Survey of Local Civil Servants* 1997–2000
2) Average monthly income of child minders in private day care centers was calculated from the MHLW's *Wage Census* 1997–2000.

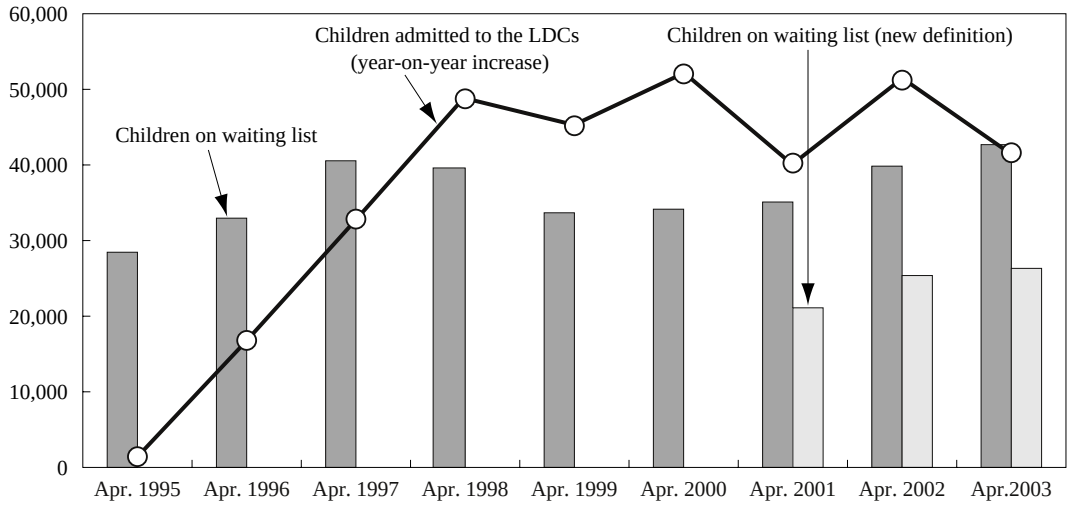
5.1 Capacity Concern

Urban residents in metropolitan areas of Japan are suffering from a chronic shortage of licensed daycare centers. Although the number of children admitted to licensed daycare centers has been rising significantly since 1995, the demand for licensed daycare center has been increasing in an even faster pace. As a result, the number of children on waiting lists hit a record high of 26,383 (by new definition) in April 2003, but there seems to be an even larger group of hidden demand for licensed daycare service even if the waiting list were not so long. For example, Cabinet Office (2003) estimates that there exist 240,000 underlying demanders of licensed daycare services in metropolitan areas.

To meet the growing demand for childcare services, the government has launched on the Angel Plans (1995–1999, 2000–2004) to increase the childcare capacity especially for children aged 0–3 years old. However, it is not easy to establish new daycare centers while running huge fiscal deficits in both the central and local governments. Thus, the government has been coping with the long waiting lists by deregulating the minimum standards of child-staff ratio for existing licensed daycare centers. For example, from April 1998, licensed daycare centers are required to admit children 10 percent more than the capacity set by the standard, if there exists a waiting list in that locality.

Some local governments where shortage of childcare facilities is pronounced, have established their own licensed daycare center system. Local governments such as Tokyo, Yokohama-city, and Sendai-city certify some relatively high quality non-licensed daycare centers as local government licensed daycare centers, such as Yokohama Daycare Centers.[14] The main characteristics of local government licensed daycare centers are as follows. First, although these centers do not reach standards set by the MHLW, they fulfill minimum standards set by the local governments and they are able to receive financial support from the local government. Second, since these centers are not publicly

Figure 4.8 Growth of Admission and the Number of Children on Waiting Lists



Source: "Situation of Licensed Daycare Centers" MHLW (various years).

Notes: As of April 2001, the MHLW has changed the definition of the number of children on waiting lists. The new definition excludes those who are waiting for their 1st choice licensed daycare centers while they are admitted to the local governments' licensed daycare centers (as in Yokohama, Tokyo and Sendai) or some more inconvenient centers available to them. Because there are few vacancies during the fiscal year, the number of children on waiting lists usually is the lowest in April when a new fiscal year starts.

operated, services can be purchased by anyone who wishes to use these centers. Thus, there is neither admission criteria nor approval from the municipality's local welfare office. Third, these centers can charge users freely within the maximum of government's fee criteria.[15] In 2003, the number of local government licensed daycare centers has reached 164 in Tokyo (as of July 1st), 136 in Yokohama (as of April 1st) and 19 in Sendai (as of June 1st), respectively.

In contrast to the overdemand for childcare services provided by daycare centers, the number of children enrolled in kindergartens as well as the number of kindergartens itself is in decline since 1985. Because of the financial difficulty in running kindergarten in the period of declining births, some kindergartens are searching ways to combine both childcare service and educational service. In 2000, almost half of kindergartens extend opening hours beyond the usual closing time for users who wish to have their children enrolled for longer than the usual closing time. An increase in the number of kindergartens extending opening hours is partly due to the demand of mothers who are taking part-time job, but more so due to the severe competition in the market for early-childhood education. The government considers an increase in the number of kindergartens that extend opening hours as one of the possible measures to alleviate undersupply of childcare services, and began subsidizing the kindergartens extending opening hours since 1997.

5.2 Quality Concern

In recent years, capacity concerns rather than quality concerns for child development are more stressed. Even when quality is highlighted, the context under which it is discussed is more of a flexibility and convenience for parents. As such, in discussing "quality" of childcare services, it is crucial to keep in mind whether the quality is discussed from parent's perspective, or from children's developmental perspective.

Flexibility of Services

One of the major quality related issues regarding daycare centers in Japan is the flexibility of childcare services. A large share of working mothers in large

metropolitan areas is not able to utilize licensed daycare centers especially public centers, due to the inflexible nature of services. For example, still many centers close before 7 PM when parents working full-time are rarely able to leave the office earlier than 6 PM, whose commuting time is usually more than an hour. In comparison, the childcare service provided by licensed daycare centers run by private non-profit social welfare organizations is much more flexible. Larger share of non-public licensed daycare centers are open longer hours. For example, about 70% of non-public daycare centers are open more than 11 hours, while only 26 percent of public centers are open this long. Probably due to the higher flexibility of private centers, the percent of children enrolled is much higher in private centers than public centers. Table 4.5 illustrates that children in private centers are over-enrolled (113.7%).

Quality for Child Development

In Japan, the study focusing on the quality of childcare provided by daycare centers has only just begun and no reliable data is available. Generally, it was long believed that public daycare centers are the best in terms of both structural quality and quality of care for child development. However, recent study implies that this is not necessarily so. Based on the original survey on childcare suppliers and demanders, Noguchi and Shimizutani (2003) examined the quality of care in licensed daycare centers. They found that private licensed daycare centers are more likely to provide higher quality of services than public centers with respect to (1) quality of workers and (2) responsiveness to users' requests.

The data on the quality of care provided by non-licensed daycare centers are virtually nonexistent. Table 4.6 compares a few of the items of structural quality between licensed public, licensed private and non-licensed centers, using the survey targeted at non-licensed daycare centers (excludes baby hotels) conducted by the MHLW in 1997.

Table 4.6 reveals that there is a large gap in the number of center staffs as well as in the number of child minders per center between licensed and non-licensed. On average, there are little more than 5 care staffs in non-licensed daycare centers, of which little less than 4 are child minders. On the contrary, numbers of staffs and child minders in licensed centers are about three times as higher. These gaps reflect the difference in the size of daycare centers. The number of children per staff shows higher structural quality of licensed centers. There are little less than 5 children per staff for licensed center while the corresponding figure for non-licensed is little more than 6 children. A comparison in the number of children per child minder reflects the relative disadvantage of non-licensed

Table 4.5 A Comparison of Daycare Centers by Ownership (2000)

Childcare Service	Total	Public	Private
Number of Daycare Centers	22,231	12,841	9,390
Maximum number of children that can be Enrolled	1,939,067	1,108,512	830,555
Actual Number of Children Enrolled	1,949,899	1,005,903	943,996
Percent Enrolled	100.6	90.7	113.7
Percentage of Centers Open for more than 11 hours	45.0	26.4	69.3
Percentage of Centers Open before 7:30 AM	36.9	17.7	61.9
Percentage of Centers Close at 7 PM or after	9.2	5.7	13.8
Community childcare centers	1,376	665	711

Source: MHLW 2001
* As of October 1, 2000

Table 4.6 Number of Care Staff and Child Minders by Type of Daycare Center 1997

	Licensed			Non-Licensed
	Total	Public	Private	
Number of Centers	22,387	13,051	9,336	4,196
Number of daycare staff	364,854	201,379	163,475	23,630
Number of CM* among staff	214,968	112,628	102,340	15,439
Percentage of CM among staff	58.9%	55.9%	62.6%	65.3%
Number of children enrolled	1,738,802	936,609	802,193	143,150
Number of staff per center	16.3	15.4	17.5	5.6
Number of CM per center	9.6	8.6	11.0	3.7
Number of children per staff	4.8	4.7	4.9	6.1
Number of children per CM	8.1	8.3	7.8	9.3

Source: MHLW, 1997a, 1997b. Corresponding figures for licensed centers are calculated by the author
Note: According to the government regulation, the number of staff per center is at least 2 persons.
More than one third of the center staff should be child minders
* CM stands for child minders
** Licensed Centers exclude "Hekichi Hoikusyo" or daycare centers located in isolated rural areas

centers as well. There are about 9 children per child minder in non-licensed centers while the figure drops to 8 children per child minder for licensed centers as a whole. Unexpectedly, the number of children per child minder is slightly smaller for licensed private centers than public centers (7.8 children vs 8.3 children).

With an aim to improve the quality of care in social welfare institutions as part of a structural change in the field of social welfare, the MHLW has established a committee in 1998 to discuss the method to evaluate the social welfare service by outside experts. The committee submitted a report on categories and standards of items to be evaluated in 2001. According to the report, the quality of daycare centers are evaluated from the following four categories: (1) promotion of child development, (2) support for parents, (3) coordination and cooperation with local residents and related organizations, and (4) management and operation. So far, the evaluation of daycare centers is carried out only for a trial basis and many local governments are not prepared for introducing the evaluation system.

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Notes:

1 As of October 2002, there are only 20 licensed daycare centers run by fiirms.

2 With the Amendments to Child Welfare Law in 1997, potential users of licensed daycare centers are now able to choose their preferred daycare centers. In reality however, because demand for licensed daycare center exceeds supply in urban areas, users in these areas are not able to choose the centers.

3 Oishi (2002) estimated the average users' fee to be about ¥22,000 per child per month.

4 The rate of discount differs by municipality.

5 The so-called "baby hotels" are defined as child care facilities that meet at least one of the following criteria: (1) facilities that provide child care services during the night time, (2) facilities that provide child care services over night, or (3) facilities of which more than half of the children are non-regular users.

6 Oishi (2002) employed 3,781 household samples with two parents and at least one pre-school children from *1998 Basic Survey on People's Life*, which is conducted by the MHLW every 3 years.

7 Hourly wage rate of part-time workers is 67% of that of the female regular workers on average, and 44% of that of male regular workers (Wage Census 2002 by the MHLW).

8 Fiscal year in Japan starts from April and ends in March of the consecutive year.

9 Fukuda (2001) estimates that the total operating expenditures of licensed daycare centers in 1998 may be around 2,000 billion Yen, or 0.4% of GDP in that year.

10 Others include cooking staffs (11.1%), nutritionist (1.7%), and managerial staffs (5.2%). MHLW requires that licensed daycare centers should have cooking facilities.

11 Due to the reforms in the Childcare Qualifiication System national qualification examination will be introduced from 2004.

12 The MHLW decided to reform the income base of child minders working in public daycare centers from 2000. The income base has changed from the administrative job to the welfare job whose income profiile is fllatter with age.

13 The rate of turnover among child minders in private centers (14.1%) is about twice as high as those working in public centers (5.6%). (Investigation Report of Social Welfare Facilities 1999, MHLW).

14 As of July 2003, there are 164 local government licensed daycare centers in Tokyo, 136 in Yokohama-city, and 19 in Sendai-city, respectively.

15 The government's fee criteria sets the maximum charge 80,000 yen per month for children below 3 years old and 77,000 yen per month for children 3 years old or older. Recall that the actual charges for users of licensed daycare centers are often heavily subsidized and thus below the criteria in most municipalities.

Chapter 5 Child Poverty and Inequality

Public transfers to Families with Children

Introduction

Japan, as in many industrialized countries, offers a variety of child-related public transfers to families with children. The Child Rearing Allowance for single mothers and the more universal Child Allowance are the two means-tested cash transfers directly targeting families with children. Public Assistance for the Poor (Seikatsu-Hogo) is another type of cash benefit available to very poor families with children. In the tax system, dependent exemption offers a sizable reduction in the taxable income, and thereby tax relief. Lastly, public childcare at a subsidized fee is a substantial in-kind benefit to those working families with no one to take care of children at home. In addition, many municipalities also offer free health care for infants and toddlers.

In this chapter, we concentrate on cash benefits to households with children. Two main public transfer systems: tax system and the social security system[1] will be considered. We examine their structure and their impact on the child poverty and inequality level in Japan.

1. Description of Child-related Cash-Benefits in Japan

1.1 Child Allowance

The Child Allowance is a means-tested in-cash transfer to households with children aged 6 years or younger. Established in 1972, the Child Allowance initially covered only the third child and subsequent children below 18 years of age. In 1988, it was extended to cover the second child, and in 1994, all children, but the age limit was lowered to children below 3 years of age. Recently in June 2000, the restriction on the children's age was raised from 3 years of age to 6 years of age, thus greatly expanding the coverage of children.

The amount of the Child Allowance is minimal compared to that of similar benefits in European countries. It is currently ¥5,000 per month for the first two children and ¥10,000 for the third child and subsequent children.[2] The income threshold is set at two levels: one for employees and a slightly lower one for the self-employed.[3] Both are scaled according to the number of dependents, including not only children, but spouse, parents, and other members of the family, if they meet the income criteria, in the household. For 2002, the threshold is as in Table 5.1.

Receipt of the Child Allowance is not automatic. In order to receive it, a parent or guardian must file an application at a local municipality office, or in the case of public employees, with their employer. The eligibility of the applicant is then evaluated by the municipality, or the employer, and the applicant's previous year's income after deductions is compared to the threshold. Every year, a recipient of the Child Allowance must submit a Notice of Current Situation to the municipality in order to continue receiving the allowance.

In 2001, approximately 5,752 thousand households with 6,769 thousand children received the Child Allowance. Figure 5.1 shows the number of children who received the Child Allowance in 1986–2001. There was an increase up to 1988–89 when coverage

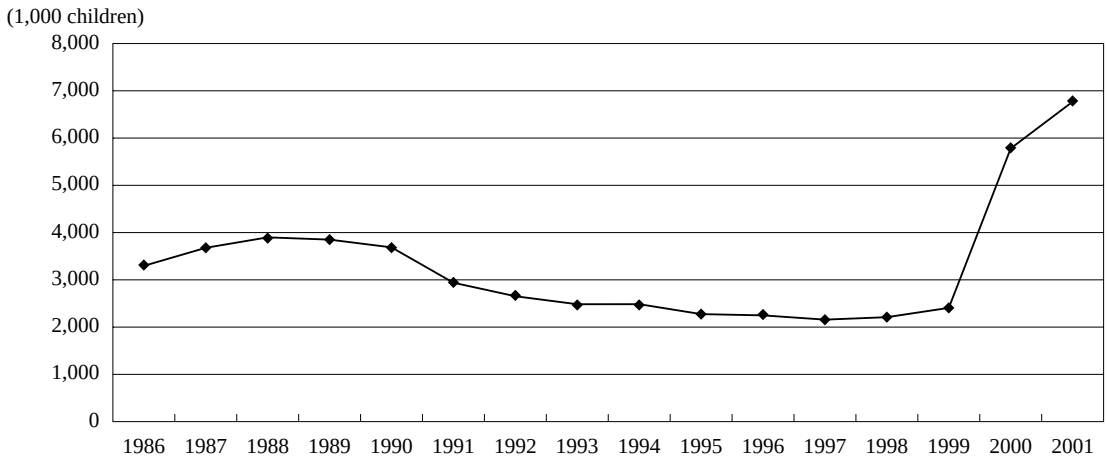
Table 5.1 Income Threshold for Child Allowance

(1,000 yen/year)

Number of Dependents	Non-Employees	Employees
None	3,090	4,680
One	3,470	5,060
Two	3,850	5,440
Three	4,230	5,820
Four	4,610	6,200

Source: *MHLW Annual Report*

Figure 5.1 Number of Children Receiving the Child Allowance: 1986–2001



Source: *MHLW Annual Reports 1986–2003*

was extended to the second child, and then it gradually declined. The downward trend continued even after 1994 when coverage was extended to all children, but the number more than doubled in 2000 when the age limit was raised to 6. This means about 88% of children under 6 received the benefit.

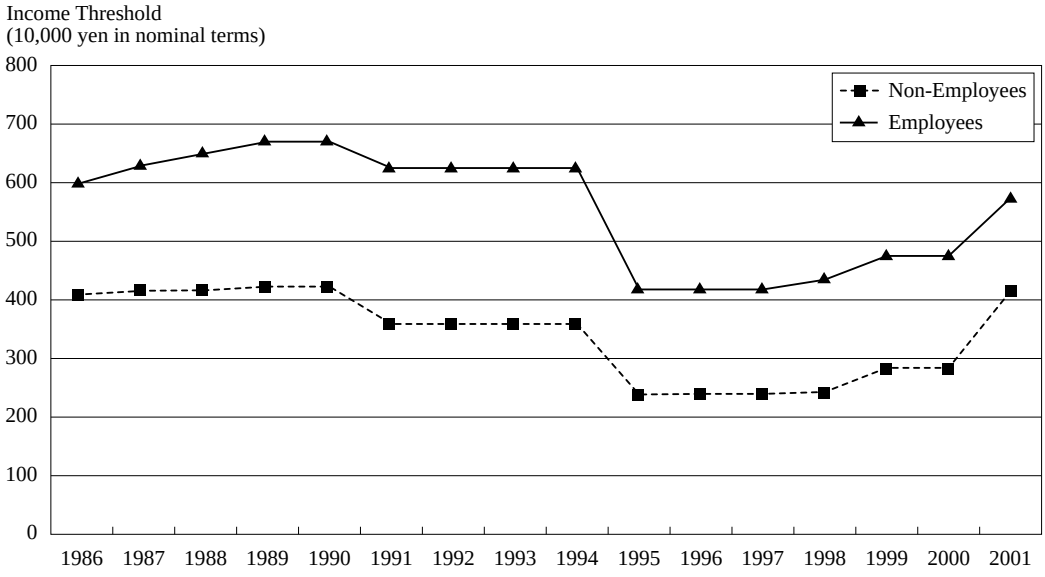
One plausible cause for the fluctuation of the number of children receiving the allowance is the change in the income threshold. Figure 5.2 shows the income thresholds for the years from 1986 to 2001. After 1994 there was a big drop in the threshold; however, from 1994, the threshold remained more or less stable until 1999.

1.2 Child Rearing Allowance

The Child Rearing Allowance is provided to a mother or a guardian having custody of and rearing a child under 18 years of age who does not share a common household income with the child's father and whose income is below a certain threshold. As with the Child Allowance, an applicant must file an application for the Child Rearing Allowance at a local municipality office, and every year, submit a Notice of Current Situation in order to continue receiving the allowance.

Until 2002, the amount of the Child Rearing Allowance was two-tiered: the full amount and partial amount. However, it is now tapered according to the income. The full amount is ¥42,370 per month for one child, ¥47,370 per month for two children, and for each additional child, ¥3,000. The income threshold for the full amount is ¥1,300 thousand, and for those

Figure 5.2 Income Threshold of Child Allowance for Four-Person Households: 1986–2001



Source: *MHLW Annual Report 1986–2003*

with income between ¥1,300 to ¥3,650 thousand, the amount is reduced gradually. Those with income above ¥3,650 thousand are not eligible to receive the Child Rearing Allowance. The mother's income after deductions is compared to the threshold to determine the eligibility.

In 2001, there were approximately 759 thousand households taking care of 1,171 thousand children which received the Child Rearing Allowance. This means that about 5% of all children under 18 years of age received the benefit. Figure 5.3 shows the number of children who received the Child Rearing Allowance from 1986 to 2000. Even though the income threshold was reduced significantly in 1998 (Figure 5.4), there has been a continuous upward trend reflecting the increase in divorces and children born out of wedlock.[4]

1.3 Child Tax Benefits

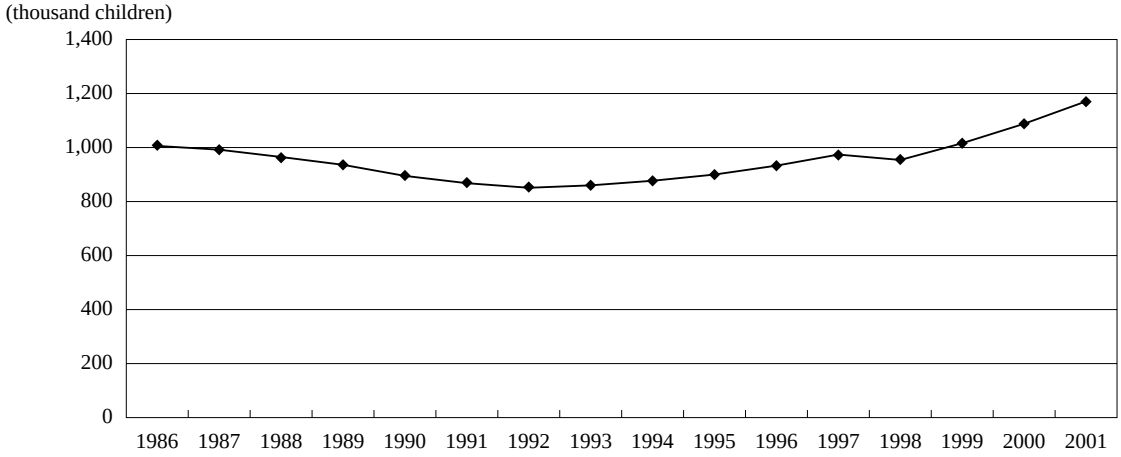
Another benefit available to the households with children is the deductions for dependents in the tax code. It is an income deduction, rather than a tax deduction, and is not refundable. The deduction is ¥380,000 for each dependent aged below 15 years of age and ¥630,000 for each dependent aged between 16 and 22 years. The actual benefit to the household is the tax rate times the deduction amount and the benefit is thus larger for households in higher tax brackets.

1.4 Other In-cash Benefits for Households with Children

Public Assistance is another in-cash benefit available to households with children when their household income falls below the minimum standard of living. The calculation of the minimum standard of living depends on a number of factors including household size, ages of household members, and location of residence. In 2002, 198 thousand people aged less than 20 received the Public Assistance, and this is less than 1% of population under 20. Considering the low coverage rate of the Public Assistance, it is not a major source of social transfer to poor households with children.

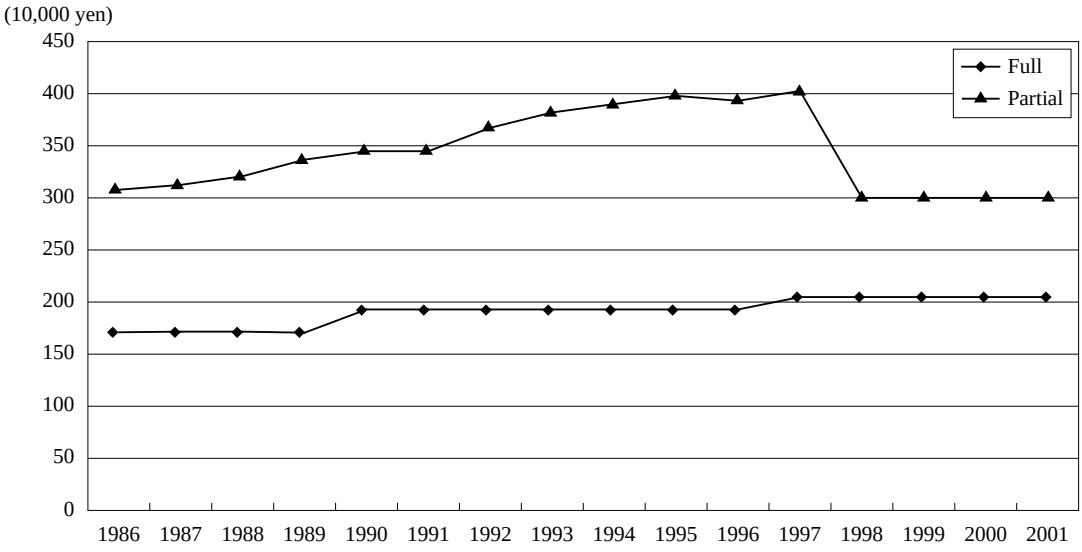
There are a number of other in-cash benefits that are more specifically targeted, such as those for households taking care of handicapped children.

Figure 5.3 Number of Children Receiving the Child Rearing Allowance: 1986–2001



Source: *MHLW Annual Report 1986–2001*

Figure 5.4 Income Threshold of Child Rearing Allowance for Two-Person Households: 1986–2001



Source: *MHLW Annual Report 1986–2001*

These benefits reach only a relatively small number of households and thus will not be discussed in this paper.

2. Child Poverty and Inequality in Japan

2.1 Child Poverty and Inequality as Compared to Other Age Groups

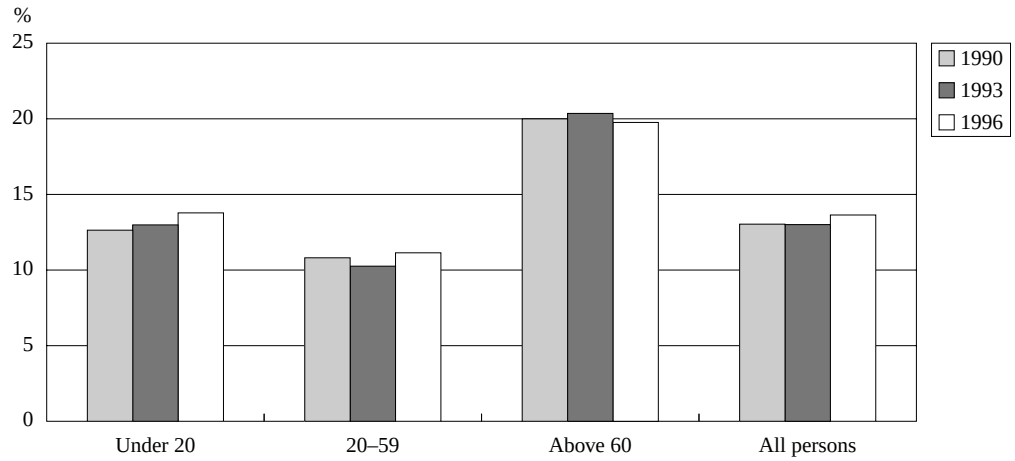
In order to assess the level of child poverty and child inequality in Japan, first, let us compare the poverty rate and the degree of inequality among children (defined as those under 20 years old), as compared to other age groups, namely, the middle-age group (20 to 59 years old) and the elderly (above 60 years old). Figure 5.5 shows the poverty rate defined as the percentage of children belonging to households whose equivalent income is less than poverty line. To

make the comparison across different age groups valid, the poverty line is set as the 50% of median of equivalent household income of all households.

As evident from Figure 5.5, the poverty rate of children is lower than the poverty rate among the elderly, yet, it is at a higher level compared to the middle-age group.[5] It is alarming that, during the first half of the 1990s, the poverty rate among children shows the sign of increase, while that of other age groups remained at the same level.

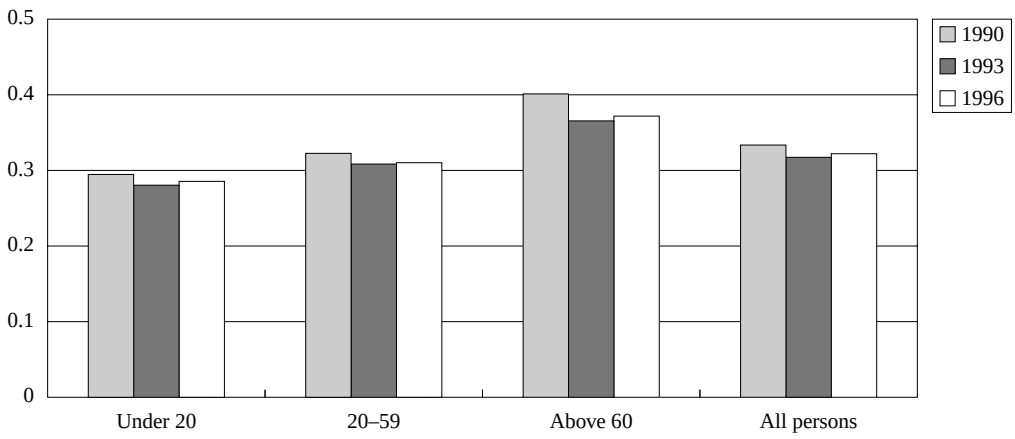
Figure 5.6 shows the Gini coefficients among different age groups in Japan. Again, it shows that the inequality among children is not as high as the inequality among the elderly, yet it is about the same level as the middle-age group. In recent years, there has been a debate as to whether the continuing rise inequality is due to the ageing of the society. Yet, at least it can be said even among the children, a certain level of inequality exists.

Figure 5.5 Poverty Rates: Children, Adults and the Elderly: 1990, 1993, 1996



Source: Abe, 2002a

Figure 5.6 Gini Coefficients: Children, Adults and the Elderly: 1990, 1993, 1996



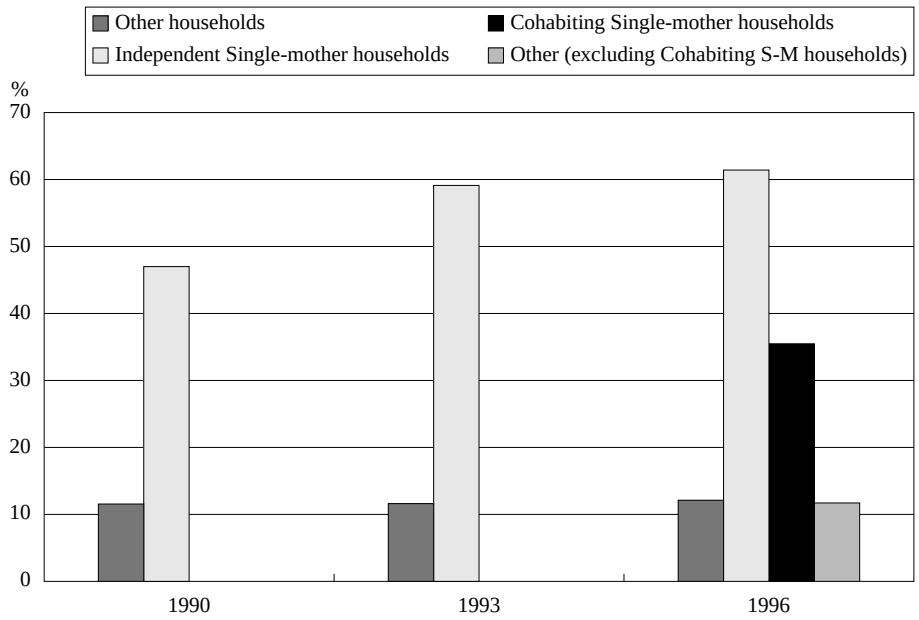
Source: Abe, 2002a

2.2 Child Poverty and Inequality among Different Household Types

Next, let us examine the poverty rate and inequality among different household types, namely one-parent and two-parent households. Due to data constraints, the comparison is made between single-mother[6] households and "other households.[7"8] The Figure 5.7 shows the poverty rate of the two types of the households. To see the relative poverty of children belonging to these households compared to all other children, the poverty line is defined as the 50% of median of all children.[9] As with many other industrialized countries, the relative poverty level of single-mother households far exceeds the poverty level of other household types. The child poverty rate of single-mother households exceeds 40–50%, and even shows the increasing trend. However, it should be noted that the definition of single-mother households here does not include those single-mothers who chose to live with her parent(s) (e.g. grandparents-single mother-children households). If it is assumed that cohabiting parent(s) and a single-mother share economic resources, cohabitation with the parent(s) can be considered as a strategy for avoiding poverty. Thus excluding these households could lead to a lower bias in the economic hardship of single-mothers. For simplicity, the term "cohabiting single-mother households" and "independent single-mother households" are used to refer to single-mothers living with her parent(s) and her children, and single-mothers living with her children only. Incidentally, Figure 5.7 also shows the poverty rate for cohabiting single-mother households for 1996.[10] The poverty rate of cohabiting single-mother households is about a half of the rate of independent single-mother households, and thus, it is plausible that the cohabitation reduces the risk of falling into poverty. However, it should be noted that even cohabiting single-mother households shows the child poverty rate much higher than other households, and thus, cohabiting with parent(s) does not alleviate the risk of economic hardship for single mothers.

Figure 5.8 shows the Gini coefficients for different

Figure 5.7 Child Poverty Rates: By Household Types: 1990, 1993, 1996



Source: Abe, 2002a

household types. It is surprising that for both cohabiting and independent single-mother households, the inequality among them is much higher than the "other households." Even though it is showing a declining trend, it is higher than 0.3 in 1996. Such disparity among single-mother households shows that their economic situation varies considerably among them and any policies aiming to improve the situation of single-mother households should be catered towards individual needs of each household.

3. Social Transfers and Child Poverty and Inequality

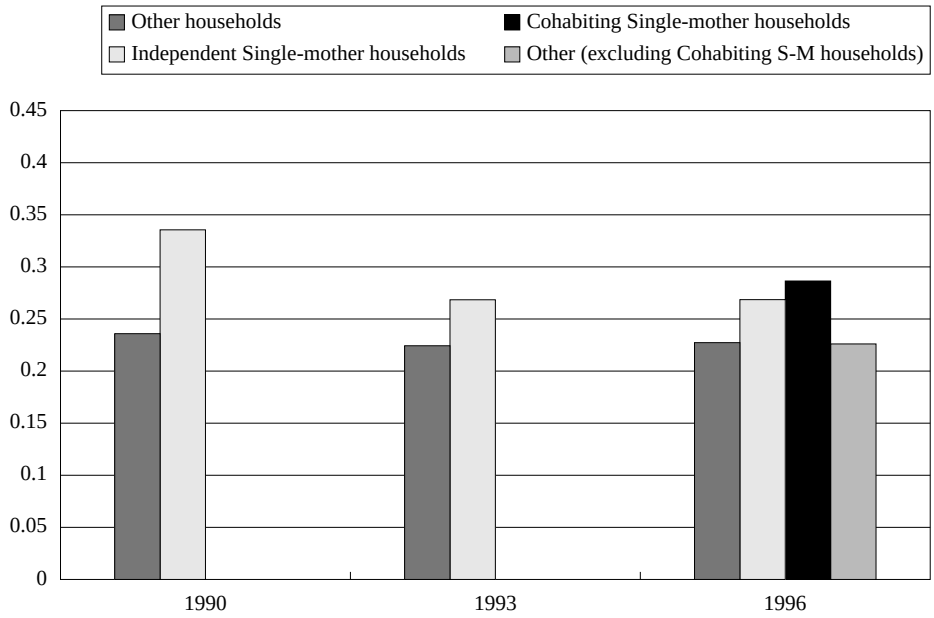
3.1 Social Transfers and their Impact on Child Poverty

The analysis in the previous section showed that the child poverty and inequality in Japan are not as low as they were believed to be, even after all the cash benefits described in Section 2. The question examined in this section is how much did these benefits help in alleviating the child poverty and inequality. The three benefit systems in question are: the Child Allowance, the Child Rearing Allowance and the Dependent Deductions for Children within the income tax code. To do this, we examine the child poverty rate and the Gini coefficient for the market income and then for the disposable income.

First, let us examine the effect on the child poverty rate in Table 5.2. The left side column of the table shows the child poverty rate at the market income and at the disposable income by age and household type. Compared to the market income, the child poverty rate of the disposable income increases by 2.1% for the entire group of children under 20. Even for small children (0 to 2 year olds and 3 to 5 year olds), the child poverty rate of disposable income is higher than the rate for the market income. Thus, it can be said that the Japanese social transfers is ineffective is reducing child poverty for overall children. The only category that shows a significant poverty reduction is the independent single-mother households.

The middle column breaks down the poverty

Figure 5.8 Gini Coefficients: By Household Type: 1990, 1993, 1996



Source: Abe, 2002a

reduction into those by the overall tax system, and those by the overall social security system. Positive value shows that the poverty rate has decreased by that system and the negative value shows that the poverty rate has increased. The tax system only involves negative transfer, and thus the effect of the overall tax system is inevitably negative, i.e. the poverty rates increase after taxes as compared to before taxes. The effect is as much as 1.9% decrease in the poverty rate for all children under 20 years old. The adverse effect of the tax system is especially large for cohabiting single-mother households.

However, what is the most surprising is that the effect of overall social security system is also negative for almost all categories, except for single-mother households (both types). The social security system involves both positive and negative cash transfers to households. The positive cash transfers include old-age pensions, disability pensions, the Public Assistance, Child Allowance, the Child Rearing Allowance, etc. and negative transfers include premiums for social insurance system. Thus the net transfer from the system can be negative. Especially that the effect of the system is negative for 0–2 years old category who are the targets of the Child Allowance shows that the Child Allowance is not big enough to compensate the negative effect of social insurance premiums.

Focusing on the difference between household types, the child poverty rate of single-mother households (both types) is extremely high at the market income, but decreases considerably due to the social security system. This is especially the case for the independent single-mother households whose initial poverty rate is as much as 70% but decreases by 20%. For "Other households", the effects of both tax and social security system are negative.

The right column shows the estimated[11] effects of each child-related benefits. For the entire sample of children under 20 years old, the poverty reduction effect of the Child Allowance was 0.3%, that of the tax deduction for dependent children, 0.9%, and that of the Child Rearing Allowance, 0.6%. It is noteworthy that the tax deduction, even though it provides more benefit to the rich by its design, has higher poverty reduction effect than the Child Allowance,

Table 5.2 Child Poverty Rates: Reduction of Poverty Rates

	Child Poverty Rate		Poverty Reduction				
			By Tax and SS systems		By child-related benefits		
	Market Income	Disposable Income (Estimate)	Effect of Tax System	Effect of Social Security System (Estimate)	Effect of the Child Allowance	Effect of the Dependent Deductions	Effect of the Child Rearing Allowance
All children (under 20)	11.3%	13.4%	–1.9%	–0.1%	0.3%	0.9%	0.6%
0–2 year olds	11.2%	14.5%	–2.4%	–0.9%	1.5%	1.6%	0.0%
3–5 year olds	9.3%	12.8%	–2.7%	–0.8%	0.8%	1.2%	0.5%
Independent single-mother households	70.1%	52.2%	–2.2%	20.1%	0.0%	0.0%	19.6%
Cohabiting single-mother households	38.7%	38.7%	–4.3%	4.3%	0.0%	0.0%	0.0%**
Other households*	8.7%	11.6%	–1.9%	–0.9%	0.4%	1.0%	0.0%

The Child Poverty Rates are calculated on the bases of number of children. The poverty line is set as the 50% of median of equivalized disposable income for all children under 20.

The Disposable income is estimated using the earnings and other income information and estimated Child Allowance and Child Rearing Allowance.

* Other households includes all households with children except the households with only the elderly and children, independent and cohabiting single-mother households, and single-father households.

** The Child Rearing Allowance for cohabiting single-mother households are assumed to be zero.

Source: Abe, 2002a

which targets children of lower income strata. Looking at each age group, the effect of the Child Allowance is the largest among the 0–2 year age group, as expected.[12] The effect of the Tax Deduction is also the highest in this age group. For other age groups, the effect of the Child Allowance quickly dissipates as they grow older, however, the effect of the Tax Deduction continues to have benefit throughout the higher age brackets. The Child Rearing Allowance has a significant poverty reduction effect for independent single-mother households,[13] yet the estimated effects of the Child Allowance the Tax Deduction is negligible for this group.

3.2 The Social Transfers and Their Impact on Child Inequality

Table 5.3 shows the similar analysis for the inequality among children. Again, the left column shows the Gini coefficient for the market income and the disposable income for each category. The middle column shows the decrease of the Gini coefficient after the tax and after the social security transfers. The right column shows the estimated effect (decrease) by each child-related cash-benefit system. As apparent from the left column, the Gini coefficients of the disposable income are lower than the Gini Coefficients for the market income for all categories. Thus, the tax system and the social security system put together do have an inequality reducing effect for children. Looking the middle column, we can examine the relative effectiveness of the tax and social security systems separately. For children under 20, the tax system reduces the inequality by 0.0138 and the social security system, by 0.0093. In almost all age category, the inequality reducing effect is higher for the tax system compared to the social security system. The only category where this trend reverses is the independent single-mother households. The tax system has negative effect on the inequality for this group, but the social security system has fairly strong inequality reducing effect.

However, if we examine the effect of each child-related cash benefits, they are quite small. For the entire sample of children under 20, the inequality reducing effect of the Child Allowance was 0.0015 while that of the Dependent Deduction was 0.0032, and that of the Child Rearing Allowance was 0.0031. It is interesting to note that the inequality reducing

Table 5.3 Inequality Reducing Effects

	Gini Coefficients		Reduction in the Gini Coefficients				
			By Tax and SS systems		By child-related benefits		
	Market Income	Disposable Income (estimate)	Effect of Tax System	Effect of Social Security System (Estimate)	Effect of the Child Allowance	Effect of the Dependent Deductions	Effect of the Child Rearing Allowance
All children (under 20)	0.3066	0.2834	0.0138	0.0093	0.0015	0.0032	0.0031
0–2 year olds	0.2804	0.2658	0.0127	0.0020	0.0043	0.0030	0.0007
3–5 year olds	0.2572	0.2409	0.0123	0.0040	0.0025	0.0032	0.0026
Independent single-mother households	0.4229	0.2926	–0.0076	0.1380	0.0000	0.0105	0.0734
Cohabiting single-mother households	0.4529	0.3546	0.0096	0.0837	0.0001	0.0046	0.0000**
Other households*	0.2923	0.2754	0.0140	0.0030	0.0016	0.0031	0.0000

The Gini coefficients are calculated within each sub sample based on number of children,
The Disposable income is estimated using the earnings and other income information and estimated Child Allowance and Child Rearing Allowance.
* Other households includes all households with children except the households with only the elderly and children, independent and cohabiting single-mother households, and single-father households.
** The Child Rearing Allowance for cohabiting single-mother households are assumed to be zero.
Source: Abe, 2002a

effect is larger by the Dependent Deductions than the effect by the Child Allowance, even though the design of the tax deductions is not inherently regressive.

Looking at single-mother households, the independent single-mother households receive a significant inequality reducing effect from the Child Rearing Allowance, and a smaller effect from the Tax Deductions.

Summary

This chapter examined the level of child poverty and inequality in contemporary Japan, and how government social transfers help to reduce them. In sum, the following conclusions can be drawn.

There exist several social transfer mechanisms which target households with children. Within the so-called social security systems, the two main mechanisms are the Child Allowance and the Child Rearing Allowance. Within the tax system, there also exist tax deductions for dependents, including children, which can give significant savings to households with children. Yet, the analysis shows that the child poverty rate in Japan is not as low as expected, and especially for the single-mother households, it is extremely high. Similarly, the inequality level within children is at least as large as that of middle-age group, and even among the single-mother households, it is high.

Furthermore, the social transfer systems seem to reduce the inequality among children, yet they increase the poverty rate among children. The tax system, involving only negative transfer, inevitably increase the poverty level, yet even the social security system increases the child poverty rate because the positive transfer to households with children does not compensate the negative transfer (i.e. social security premiums) from the households with children. The only exception is the single-mother households. Both the inequality and poverty rate improve significantly for this group, yet the level remains high compared to other children even after the transfers.

The reason that the social security system increases, rather than decreases, the child poverty rate is because the child-targeted social transfers is too trivial both in terms of its amount per child and its targeted population. The Child Allowance, which is the most universal system of social transfers in terms of number of children who are applicable, only applies to children under 6 years old and within an income limit. Its amount is also miniscule. The Child Rearing Allowance, which targets single-mother households, also has a very strict income restriction. The amount, although much higher than the Child Allowance, is not enough to lift all of them out of poverty. In this respect, the tax deductions for dependent children play much larger role, despite its design.

Appendix : Methodology

This chapter presents the results of the analysis from Abe (2002a) which calculated the current level of child poverty and inequality using the data from The 1990, 1993, 1996 Survey on the Redistribution of Income by the Ministry of Health, Labour and Welfare.

The unit of analysis is the household income adjusted according to the number of household members. The paper uses the equivalence scale commonly employed by the OECD to adjust household income for different household sizes. The formula is as follows:

AI = I/((n – c + (c* 0.7)) ** 0.7);

AI = Adjusted household income
I= Household income
n = Number of household members
c = Number of children

The data contains the information on the Child Allowance, Child Rearing Allowance and the Disabled Child Allowance for each household, but it does not distinguish them. Moreover, the careful examination of the data indicates serious misreporting of this information. Thus, the analysis was conducted using the estimated amount of the Child Allowance and Child Rearing Allowance derived from household structure and income. Since the survey does not contain data on disabilities, it was impossible to estimate

the eligibility of Disabled Child Allowance. However, the number of households receiving the Disabled Child Allowance is fairly small.

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Notes:

[1] A note of caution on the terminology: In Japan, the term "social security" is used to refer to the public pension system, public health care system, the Child Allowance, the Child Rearing Allowance, and all other in-cash benefits, as well as long-term care for the elderly, public childcare services, and other in-kind services. In this paper, the term "child benefit" is used to refer to the Child Allowance, the Child Rearing Allowance, and the Disabled Child Allowance. The term "transfer" is used to refer to in-cash net-transfer from social security systems. This includes both positive transfers (pensions, various allowances, etc.) and negative transfers (social security premiums for pension and health). "Dependent deduction benefit (or dependent deduction)" is used to refer to the reduction in tax liability arising from a deduction for dependent children. Dependent deduction can be applied to all dependents of the taxpayer, including spouse, children, parents, and other family members meeting the income criteria. In this paper, only the dependent deduction arising from children is focused.

[2] Even though the amount of the Child Allowance is determined on a monthly basis, the actual payment is lumped together in three payments within a year.

[3] The difference is justified because of the difference in the financing of the allowance: For employees, the employer bears a portion of the costs, whereas for the self-employed, the total cost is borne by the government.

[4] In 2000, the percentage of children born out of wedlock is 1.63%, and the crude divorce rate is 2.30 persons out of 1,000 persons.

[5] This is consistent with the earlier work of Nishizaki, Yamada & Ando (1998).

[6] The data contains a small number of single-father households, but the sample size is rather small, thus, here only single-mother households are considered.

[7] "Other households" is defined as all those households with children except 1) households with a not-married (including divorcees and widows) mother and children only (i.e. single-mother households), 2) households with a father and children only (single-father households), 3) households with only the elderly and children. Thus, "Other households" includes three-generation households (e.g. grandparents-parents-children), and households with married mother and children only (in this case, it is considered that the father is only temporarily away).

[8] The data sample contains households which has children but with no apparent parent (e.g. grandparents-children). Those households were excluded from the analysis.

[9] The child poverty line is higher than the poverty line calculated for the entire population, because many elderly are poor. Thus the poverty rate for children as compared to the child poverty line, is higher than the poverty rate for children as compared to the poverty line of the entire population.

[10] The Income Redistribution Survey does not have all the information necessary to determine "cohabiting single-mother households", thus the determination of such households required an "intelligent"guess considering the relationship (to the household head), sex, and age of each individual household members. Specifically, a household is considered to be a "cohabiting single-mother household" if it contains household head, (spouse of household head), daughter (unmarried, divorced or widowed), grandchild(ren) and any other household member. The data does not tell us if the daughter is the mother of a grandchild.

[11] The data does not distinguish the Child Allowance, the Child Rearing Allowance, and the Special Child Rearing Allowance. Also, there is no data on the benefit accrued from the tax deductions for dependent children. Thus, the amounts of the Child Allowance, the Child Rearing Allowance, and the benefit from the tax deduction for each household were estimated using its household composition and the income information.

[12] The target group of the Child Allowance is 0 to 2 year olds, but children of other age groups also gain benefit if there is a child of 0 to 2 years within the same household, since the household income is calculated for the entire household, including the Child Allowance.

[13] The Child Rearing Allowance for cohabiting single-mother households was assumed to be zero.

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