

Background

- ◆ August 2012: Enactment of “Three Acts related to Children and Childrearing Support”
(-> New system is planned to be effective in April 2015 based on the Acts)
- ◆ April 2013: Announcement of “Acceleration Plan for Reducing Wait-listed Children”
➔ **Reduction of children on waiting lists is a pressing policy issue**
- ◆ June 2013: Japanese Cabinet adopted “Japan Revitalization Strategy”
...Childcare sector is one of the “sectors that could become the driving force of growth as vast new markets, depending on the institutional design”
➔ **The childcare sector is expected to be a growing sector in the Japanese economy**

The childcare sector was examined from the aspect of competition policy, and viewpoints concerning competition policy were summarized

The competition policy aims to promote competition among operators by developing an environment that facilitates new market entry and innovation of operators, thereby ensuring that consumers enjoy quality products and services and encouraging operators to further improve quality of products and services by allowing consumers to compare and select products.

1. Basic Viewpoints

Positioning of the childcare sector

- ◆ The Social Welfare Act classifies childcare services as “Type 2 social welfare services.”
- ◆ The childcare system was reformed as socioeconomic circumstances changed with the expectation of improving the quality of childcare services through market mechanisms.
The childcare sector, among other social welfare services, has relatively high compatibility with competitive policy in itself.
- * However, there need to be certain rules for the purpose of ensuring health and safety of children, and competition among operators should presuppose the compliance with such rules imposed on all operators regardless of the form of corporation.

Developing the following environment is beneficial to the increase of supply of and the improvement of childcare services, since it promotes active competition in the sector by encouraging new entry of a wide range of operators and operators' innovation, while making the childcare sector a growing sector.

Specifically, the study report examined the importance of developing environment that facilitates:

- (1) The promotion of new entry by diverse operators
- (2) Impartial conditions for competition among operators
- (3) Appropriate selection by users
- (4) Innovation by operators

(1) The promotion of new entry by diverse operators <New entry>

Survey results

- It is essential to admit new entry of diverse operators, regardless of the form of corporation, so that motivated operators are not excluded from entry into the childcare sector.
- Institutionally, there is no limit for the form of entities establishing daycare centers, but **some municipalities do not admit the entry of stock companies, etc. As a result, the number of entries of diverse operators has still been low.**
- As reasons why these municipalities take such measures, they say they have concerns about the possibility of withdrawal from the childcare sector due to bankruptcy and so on, as well as the quality of childcare services provided by stock companies, etc. However, **refusing some applicants on the grounds of being stock companies, etc. is unreasonable and unnecessary.**
- **As for guardians, most of them are showing their agreement on the entry of stock companies.**
- In the new system, in comparison with the current system, actions have been taken to prevent arbitrary measures by municipalities regarding the approval of daycare centers.

Viewpoints concerning competition policy

Promotion of the entry of diverse operators

- In keeping with measures taken in the new system, **municipalities must operate their approval systems so that various types of operators can enter the childcare sector irrespective of the form of corporation, even under the current system.**
- Under the new system, **municipalities must avoid unfair operation of their approval systems** (for instance, setting conditions and regulations to prevent stock companies, etc. from entering the childcare sector) **in order not to bring disadvantages to operators in specific forms.**
- Municipalities **need to make efforts to eliminate arbitrariness** by utilizing objective criteria **when selecting specific operators,** provided that legal approval requirements are satisfied.

(2) Impartial conditions for competition among operators <Subsidy and tax systems>

Survey results

- It is required to promote the entry of various types of operators and to ensure equal footing regarding subsidy and taxation systems so that users of daycare centers can enjoy benefits sufficiently and equally.
- It was pointed out **that some municipalities' subsidy systems are treating operators differently depending on the form of corporation:** for instance, by limiting the subjects of subsidies to social welfare corporations, which is **negatively affecting the entry of stock companies in such municipalities, the treatment of nursery teachers, and the development of new businesses.**
- Under the new system, differences caused by the form of corporation regarding subsidies to support expenses for construction, extension, and renovation of daycare centers will be smaller.
- **Social welfare corporations are not imposed taxes, including corporate tax, as a rule,** and that will remain unchanged under the new system so far. Some people expressed that **whether or not tax is imposed makes differences in the possibility of establishing the next daycare center and in provided childcare services.**

Viewpoints concerning competition policy

Establishment of equal footing for subsidy and tax systems

- Municipalities **need to establish fair subsidy systems of their own irrespective of form of corporation so that operators can provide childcare services under fair conditions.**
- **As for tax systems, sufficient consideration should be given to the taxation measures,** taking into account possible impacts of tax levy on the contents of childcare services provided by operators, as well as purposes and effectiveness of giving social welfare corporations tax incentives in a comprehensive manner.

(3) Appropriate selection by users <Information disclosure, third-party evaluation>

Survey results

- It is expected that selections by guardians will encourage operators to improve the contents and quality of their childcare services. For this, guardians need to be provided useful information and have easy access to such information.
- However, there are gaps between information demanded by guardians and that actually disclosed, and **it can hardly be said that information useful to guardians is disclosed in a way they can easily refer to.**
- Promoting the reception of third-party evaluation implemented from the professional point of view and the disclosure of evaluation results are effective ways to improve and enhance the quality of childcare services, while helping guardians compare and consider daycare centers.
- Nevertheless, **third-party evaluations have not been received widely at the national level and the awareness of the third-party evaluation system and the utilization of evaluation results among guardians are still low. That means the third-party evaluation system is not so successful in influencing the selections of daycare centers by guardians so far.**

Competition policy related ideas

Enhancement of information disclosure and third-party evaluation

- Operators **should understand what kind of information is demanded by guardians, and disclose such information in a more proactive manner, utilizing methods that are easily available to guardians;** for instance, by disclosing online, including on daycare centers' websites, which many guardians use as a way to obtain information.
- The government and municipalities **should ensure third-party evaluation results are disclosed in a more specific and friendly way** so that guardians can use such results for comparing and judging daycare centers.
- Municipalities **should work to improve the reception rate of third-party evaluation.**
- Operators **should make efforts for more active reception of evaluation and announcement of evaluation results.**

(4) Innovation by operators (Additional services)

Survey results

- To respond to a wide range of demands from users for daycare services, it is essential to diversify the contents of childcare services and increase options for users by admitting additional services provided by operators and facilitating innovativeness among operators through competition on the premise that rules to ensure health and safety of children are complied with and paying enough attention is paid to provide necessary childcare services to low-income people.
- Although it is institutionally possible to provide additional services and collect fees for such services, some municipalities do not admit operators to collect fees for additional services and to provide services users can choose whether to use or not, preventing operators from satisfying demands from guardians sufficiently and from using their innovativeness.
- **As for guardians, there is a certain level of need for additional services and attitudes that accept the burden of additional expenses other than day-care fees.**

Competition policy related ideas

Expansion of additional services

- Provided that rules to ensure health and safety of children are complied with, municipalities **should ensure the diversification of childcare services as much as possible by admitting the provision of additional services and the collection of fees for such services and promoting innovation among operators,** while paying enough attention to the provision of necessary childcare services to low-income people.