

Solving Japan's childcare problem ^[1]

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EXCERPTS

Last year, in Japan, a strongly worded blog post written by an anonymous mother went viral. The post was titled “My child wasn’t accepted for nursery school. Die, Japan!!!” In it, the irate mother wrote, “I will now have to quit my job. Seriously, get your act together, Japan.” The author also attacked Prime Minister Shinzo Abe’s slogan about Japan being a “society in which all 100 million people can be active,” writing: “I can’t be active, can I? ... And what’s all that blabber about falling birthrates? When you say ‘You can have children’ but it’s going to be practically impossible to put them into nursery schools as you want, no one’s going to have children.”

The post was shared about 50,000 times and was mentioned in a parliamentary debate. But the prime minister’s initial response— “There is no way to verify the post since it is anonymous”—angered parents, who voiced their views on Twitter using the hashtag, “# it was me whose child was not accepted for nursery school.” Their reactions quickly evolved into a social movement, which included a two-day protest outside the National Diet (Japan’s legislature), an online petition signed by 28,000 people, and rising public interest.

The parents’ ire was understandable. Until March 2015, the government authorized and subsidized only nurseries that had more than 20 children enrolled, and it was not easy to secure the space needed to accommodate such large groups, especially in large cities. Previously, unauthorized, unsubsidized nurseries with fewer than 20 children were compelled to collect higher fees from parents to cover operational costs, such as staff salaries.

Many young parents, who could not afford such fees, simply gave up on the idea of sending their children to day care. But their other options were limited as well. Japan suffers from a lack of affordable and reliable babysitters, due in part to the country’s tight immigration control. As a result, only 2 percent of Japanese working parents use babysitters, compared with 41 percent in the United States. Is it any wonder that many parents found themselves unable to work outside the home?

In 2012, Japan passed a law making it easier for small-scale nurseries to operate, and in 2015, the government began implementing the law. Overnight, 1,655 existing small-scale nurseries were able to get authorized and begin collecting subsidies, enabling them to lower their tuition. This represented an immediate 7 percent increase in the number of authorized nurseries in Japan, up from a total of about 24,000 nurseries. Over time, these small-scale nurseries (along with additional ones likely to be created in the future) are expected to make a significant contribution toward meeting the demand for nurseries.

A lot of the credit for this change goes to Florence, a Japanese social enterprise focused on childcare issues. It was Florence’s founder, Hiroki Komazaki, who pitched the idea of converting vacant apartment rooms into small-scale nurseries to the Ministry of Health, Labor, and Welfare (MHLW). (A typical small-scale nursery these days is often a converted vacant room in an apartment; these businesses provide day care for six to 19 babies under the age of 2.) Komazaki also forged partnerships with municipalities to develop and run model nurseries, and provided valuable input on designing an effective system for authorizing small-scale nurseries.

Florence’s Roots

A natural entrepreneur, Komazaki ran a successful IT venture during college in the early 2000s; however, before graduation, he came to realize that his goal in life was to effect social change. At about the same time, he learned that in the United States, many nonprofits endeavor to solve social issues by running profitable, socially oriented businesses. He was shocked by this trend, as it stood in stark contrast to the many Japanese nonprofits managed by volunteers rather than professionals. And that knowledge compelled him to leave the IT venture and start a social enterprise.

In search of an issue to focus on, he remembered something that his mother, who worked as a babysitter, had told him: Her client had been fired from her job for taking a week off when one of her twin babies caught a cold and passed it on to the other one. He conducted market research and found that working parents’ biggest difficulty was that nurseries do not accept children who have a fever over 99.5 F; he also found out that there were not nearly enough facilities providing care for sick children.

Seeing an opportunity to fill the market gap, Komazaki founded Florence in 2004 as a nonprofit focused on providing Japan’s first home-

care service for ill children. (Komazaki was one of the first social entrepreneurs to be featured by the Japanese media when the concept of social entrepreneurship itself was introduced to the country in the mid-2000s.)

His business model is straightforward: Florence sends professionally trained staff to households to take care of sick children while the parents are at work. But his approach to pricing has an innovative twist: parents pay a monthly membership fee regardless of their actual usage of the business's services. In fact, parents use the service only 1.7 times a year on average. For working parents, becoming a member of Florence's program is equivalent to purchasing insurance. The more frequently that parents use the service, the higher the monthly membership fee they need to pay.

The approach has proved wildly successful. In 2004, Florence had 38 members. That number had grown to more than 5,000 in 2016 and is still increasing rapidly; today, there is a long waiting list.

Making Systemic Change Happen

When Komazaki was about to roll out his business taking care of sick children, he received an e-mail from an MHLW official asking for information about Florence's business model as a reference for the ministry's new program. Komazaki provided that information and followed through with a presentation. But two months later, he was shocked when he found a newspaper article about the launch of a new government program that looked like a virtual copy of his model. Coming from a for-profit background, Komazaki was at first furious at the ministry for copying his business model without permission. Then he talked with Harue Ishikawa, his mentor and the founder of Japan's first "24-7-365" home-based care services for the elderly. Ishikawa, who had provided critical inputs to the MHLW regarding the design of Japan's long-term-care insurance system for the elderly, scolded Komazaki for being immature as a social innovator. And then Komazaki realized that influencing the government should be a critical part of Florence's role because of the government's ability to create impact at a large scale.

From that point on, Komazaki determined to play an active role in influencing the government for systemic change. His first step was volunteering to become a member of an advisory committee for childcare policies in Shinagawa Ward Government in Tokyo, where his office was located. Soon after, Komazaki was invited to become a member of several central government advisory councils.

Komazaki was doing work he enjoyed and looking for other opportunities for Florence to pursue. But, interestingly, the catalyst for Florence to start small-scale nurseries was an internal incident. A staff member on maternity leave had to quit Florence because she could not secure a seat at a nursery. Komazaki was shocked and embarrassed that he had allowed such an incident to happen in an organization with a mission to solve childcare-related issues. He felt that there was no other choice but to challenge this social issue on a large scale and work to address the severe shortage of nurseries in metropolitan areas.

Komazaki's idea was simple; it called for utilizing vacant apartment rooms, which are abundant in big cities, to start small-scale nurseries for groups of around 10 children under the age of 2. In this way, the initial facility and land investment costs would be much lower than what would be needed to establish conventional, greenfield nurseries.

The problem, however, was that smallscale nurseries fell outside of Japan's existing laws. Komazaki was well aware that Florence could solve only a small part of the big problem if it were to run the small-scale nurseries by itself. So he set about to persuade the government to establish a new system that would authorize and subsidize small-scale nurseries in order to create nationwide impact.

Komazaki first took his idea to Takaji Matsui, then deputy chief cabinet secretary, with whom he had previously built a connection when he spoke at the Democratic Party's study group on childcare issues. Through Matsui's influence, he was given the opportunity to pitch his idea at the MHLW. To Komazaki's surprise, he found that some officials at the MHLW were developing a similar idea, and with their support, he swiftly obtained the ministry's support for implementing a model small-scale nursery in a municipality.

The next step for Komazaki was to find the right municipal partner. He wanted to launch the first small-scale nursery in his hometown, in Tokyo Prefecture's Koto Ward. He approached the Koto Ward government through Mito Kakizawa, a House of Representatives member whose electoral base is Koto Ward. Komazaki had begun to build a relationship with Kakizawa months before, when Kakizawa had responded to a blog post that Komazaki had written, commenting on Kakizawa's childcare policy. The Koto Ward agreed to support the first small-scale nursery and consider it a pilot.

The pilot, launched in 2010, was successful, and Florence quickly was on track to open and operate more small-scale nurseries. At this point, Komazaki knew that Florence needed to provide politicians and government officials with useful input based on its experiences. At that time, the Japanese government under the Democratic Party's leadership launched an initiative to tackle childcare issues under the Comprehensive Reform of Social Security and Tax. To persuade the government to include small-scale nurseries in its new reform, Florence invited politicians and officials from the central government to observe its small-scale nurseries in Koto.

In spite of this progress, Japanese political parties were deeply divided on childcare policies. So Komazaki organized an online debate on childcare issues by inviting key politicians from different parties. Such an informal setting enabled politicians to share a common goal of tackling childcare issues despite their differences. Subsequently, a law called "The new support system for children and childcare" was passed in 2012, authorizing small-scale nurseries. Komazaki was tapped to become a member of an advisory council for designing the details of the system. To deliver collective voices to the advisory council, Komazaki launched the National Small-Scale Nursery Association with other organizations that ran unauthorized small-scale nurseries.

Florence Today

As of this writing, Florence has eight business lines, including care for sick children, smallscale nurseries, Japan's first nurseries that

provide full-day medical care for children with disabilities, and an adoption-support service. Florence's annual revenue was more than JPY 1.3 billion (about \$13 million) in 2015. Its budget—with more than 50 percent coming from earned income and the rest coming from subsidies and donations—places it in the top 10 percent of Japanese nonprofits. Revenues from the business providing care for sick children continue to secure the organization's financial sustainability and independence, and also give it the freedom to initiate innovative but high-risk business models (such as the nurseries for children with disabilities and adoption support), as well as to engage in advocacy work.

Florence provides a good example of the growing role that social enterprises play in addressing social problems in Japan. It is a happy marriage between the entrepreneurial characteristics of an innovative business and the concern over social impact of a nonprofit organization. And, no doubt, Japanese social enterprises will continue to effect social change in the future.

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