

## **Recent Developments in Public Financial Assistance for Formal Education in Japan**

The proportion of education expenditure borne by households in Japan is high among the OECD countries, particularly for pre-primary and higher education (OECD 2019, Tables B2.4 and C3.1).<sup>1</sup> This burden should be lightened, as it can lead to inequality in educational opportunity between children from higher and lower income households. While the Japanese government has implemented financial assistance programmes for pupils and students from low-income households, there have been limitations in the scale and mechanics of the programmes (Uzuki 2014). A national agenda to ‘Make Education Free’ has recently emerged against this backdrop. No plans are in place to completely implement free education, and the validity of that agenda itself has been debated. Even so, there have been recent developments in public financial assistance to cover the costs of education.

The Japanese Government is now in a position to commit to ‘the progressive introduction of free education,’ one of the core principles declared in the International Covenant on Economic, Social and Cultural Rights. When Japan deposited the instrument of ratification for the covenant in 1979, it reserved the right not to be bound by the statement ‘in particular by the progressive introduction of free education,’ in the description of appropriate means to make secondary and higher education accessible (subparagraphs (b) and (c) of paragraph (2) of Article 13). In 2012, however, Japan notified the United Nations that it would withdraw the reservation.

The Japanese Government’s New Policy Package (decided by the Cabinet in December 2017) and its Basic Policy on Economic and Fiscal Management and Reform 2018 (decided by the Cabinet in June 2018) call for the planning of a ‘human resources development revolution’ through the adoption of policy aims to make early childhood education and higher education free and tuition fees for private upper secondary schools virtually free. In line with this statement, Free Early Childhood Education and Care (ECEC) was launched in October 2019, and the reform of the High School Tuition Support Fund System and the implementation of a new financial support system for higher education are scheduled to take place in April 2020. These programmes are and will be partly financed with increased revenue brought in from the hike in the

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<sup>1</sup> The cited data from OECD (2019) cover only kindergartens, and thus exclude other types of centre-based early childhood education and care.

consumption tax in October 2019.

This overview outlines developments that have taken place in the public financial assistance systems for ECEC, upper secondary education and higher education mainly in and after 2014, along with issues to be considered. For an overview of the systems for primary and lower secondary (compulsory) education<sup>2</sup> and those existing before 2014, see Uzuki (2014).

## **1 Early childhood education and care**

Free ECEC was launched in October 2019. The programme targets three- to five-year-old children<sup>3</sup> from all households, and zero- to two-year-old children<sup>4</sup> from inhabitant-tax-exempt households<sup>5</sup> that require childcare due to such circumstances as parents' work and illness. Under this structure, three- to five-year-old children can receive a certain level of education and care as a universal benefit in kind. Different types of facilities and businesses provide ECEC (see Box 1) and they have different pricing systems for fees. Rather than making fees uniformly free for all types of facilities and businesses, financial parity is achieved by providing financial assistance towards fees in several different ways.

Table 1 summarises the implementation of Free ECEC for each of the various types of ECEC facilities and businesses according to the age groups and care needs of the children. For three- to five-year-old children whose parents require childcare, fees are waived at day care centres, ECEC centres and kindergartens covered by the CSSCC. Before Free ECEC was introduced, municipalities set the fee rates charged to households for using the facilities based on household income, with higher-income households paying higher fees up to a given maximum. Households continue to bear the cost of meals, a cost that used to be partly included in the fees paid for the use of day care centres and ECEC centres. Low-income households (annual income below 3.6 million yen or equivalent), and the third and younger children in households, however, are exempt from paying for meals.<sup>6</sup>

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<sup>2</sup> Tuition fees at public schools and textbooks are free of charge in primary and lower secondary education. Low-income households are eligible for public financial assistance to cover other expenses related to school education, including expenses for school meals.

<sup>3</sup> Five-year-old children include those who will turn six by the end of the school year.

<sup>4</sup> Two-year-old children include those who will turn three by the end of the school year.

<sup>5</sup> Before Free ECEC was introduced, childcare was already free of charge for children from households receiving Livelihood Protection that were in need of childcare.

<sup>6</sup> <https://www8.cao.go.jp/shoushi/shinseido/administer/setsumeikai/r010530/pdf/s23.pdf> (accessed on 31 January 2020)

### **Box 1 Types of ECEC facilities and businesses in Japan**

Kindergartens and day care centres have long been responsible for centre-based ECEC in Japan (for more details, see Ichimi (2011) and Ichimi (2015)). Kindergartens are defined as education institutions for three- to five-year-old children, while day care centres are defined as child welfare institutions for zero- to five-year-old children. Kindergartens usually provide education for around four hours per day and five days per week during term time. Day care centres are licenced facilities where children can receive care for longer hours, mainly on weekdays, throughout the year. Efforts are made to achieve consistency between kindergartens and day care centres, particularly in education for three- to five-year-old children. ECEC centres that integrate the functions of both kindergartens and day care centres were founded in 2006.

With the number of dual-earner households increasing, the shortage of vacancies in day care centres for zero- to two-year-old children has become serious, particularly in large cities. The expansion of ECEC centres is promoted in response to this problem, and an accreditation scheme for regional childcare businesses (small-group childcare, family-oriented childcare, childcare in the workplace and home-visit childcare) has been implemented for small-scale businesses providing childcare services mainly for zero- to two-year-old children under the Comprehensive Support System for Children and Child-rearing (CSSCC) launched in 2015. Under a support scheme for enterprise-initiative childcare businesses launched in 2016, the Government financially supports those enterprises who provide childcare services funded by employers' contributions to meet the childcare needs of employees engaged in various working patterns. Other childcare providers include unlicensed childcare facilities that parents use, for instance, when their children have no allocated place in licensed facilities or when they prefer unique types of education and care that unlicensed facilities offer.

For kindergartens not covered by the CSSCC, which are free to decide their fee rates, monthly fees of up to 25,700 yen are free or subsidised. This is equivalent to the maximum fee that was charged to households under the CSSCC and to the maximum rate of national subsidies that were provided under the Assistance for Kindergarten Fees before Free ECEC was introduced.

**Table 1 Summary of the implementation of Free ECEC (As of October 2019)**

Eligible households	Target ages and childcare needs	Types of ECEC facilities and businesses	Fees
All households	<ul style="list-style-type: none"> <li>From the age of three to five</li> <li>In need of childcare</li> </ul>	Kindergartens, day care centres, ECEC centres, regional childcare businesses, enterprise-initiative childcare businesses (standard fees) and development support services for disabled preschool children	Free (or subsidised up to 25,700 yen per month for kindergartens)
		Kindergartens' extended-hours	Subsidised up to 11,300 yen per month
		Unlicensed childcare facilities, temporary childcare, childcare for sick children and Family Support Centres	Subsidised up to 37,000 yen per month
	<ul style="list-style-type: none"> <li>From the age of three to five</li> <li>Not in need of childcare</li> </ul>	Kindergartens, day care centres, ECEC centres and development support services for disabled preschool children	Free (or subsidised up to 25,700 yen per month for kindergartens)
		Day care centres, ECEC centres, regional childcare businesses and enterprise-initiative childcare businesses (standard fees)	Free
Inhabitant-tax-exempt households	<ul style="list-style-type: none"> <li>From the age of zero to two</li> <li>In need of childcare</li> </ul>	Unlicensed childcare facilities, temporary childcare, childcare for sick children and Family Support Centres	Subsidised up to 42,000 yen per month

Source: Author's summary based on published information

Three- to five-year-old children who continue to be served by regional childcare businesses are also supported by Free ECEC.<sup>7</sup> Municipalities set the fee rates charged to households for using regional childcare businesses based on household income, just as it

<sup>7</sup> The predominant targets of such childcare businesses are zero- to two-year-old children.

was when day care centres and ECEC centres were used. Three- to five-year-old children served by enterprise-initiative childcare businesses are also supported by Free ECEC, with the standard fees being waived. The fees for development support services for disabled preschool children are also waived.

Three- to five-year-old children whose parents require childcare can receive extended hours education and care at kindergartens, equivalent to monthly fees of up to 11,300 yen, for free or with subsidies. If the children are served by unlicensed childcare facilities, temporary childcare, childcare for sick children or Family Support Centres (childcare support from registered helpers without childcare qualifications), fees of up to 37,000 yen are waived or subsidised. These childcare services are required to meet the Government standard in order to be authorised for provision under Free ECEC, with a temporary exemption of five years applied.

For three- to five-year-old children whose parents are not in need of childcare, the fees for kindergartens covered by the CSSCC, ECEC centres and development support services for disabled preschool children are also waived. The fees for kindergartens not covered by the CSSCC are subsidised up to 25,700 yen per month. The children, however, are ineligible for subsidies towards education and care provided by kindergarten extended hours or unlicensed childcare facilities. The children are not enrolled in day care centres, in principle.

For zero- to two-year-old children, the Free ECEC beneficiaries are inhabitant-tax-exempt households in need of childcare. The fees for day care centres, ECEC centres and regional childcare businesses, and the standard fees for enterprise-initiative childcare businesses, are waived. If the children are served by unlicensed childcare facilities, temporary childcare, childcare for sick children or Family Support Centres, fees of up to 42,000 yen are waived or subsidised.

## **2 Upper-secondary education**

Under the Free Tuition Fee at Public High Schools and the High School Enrolment Support System universally introduced in April 2010, tuition fees were no longer charged at public schools and were equivalently subsidised at private schools regardless of the students' household incomes (Uzuki 2014). To contribute to a substantive equality of educational opportunity by increasing support to students with higher financial needs, a new programme called the High School Tuition Support Fund System was introduced in

April 2014. To be eligible for the programme, a student should belong to household with an annual income of no more than 9.1 million yen (in the case of a two-parent, two-child household). About 80 percent of high school students benefit from the programme,<sup>8</sup> which excludes high-income households from eligibility rather than targeting only low-income households.

The level of financial support extended via the High School Tuition Support Fund System is basically the same as that of the predecessors, with an annual subsidy of 118,800 yen allocated to both public and private school students who are eligible. This subsidy fully covers the tuition fees for public schools. Furthermore, private school students with household incomes below a given threshold can receive an additional subsidy. Those with annual household incomes of below 2.7 million yen can receive 2.5 times more than the standard subsidy of 118,800 yen, and those with annual household incomes of between 2.7 and 3.5 million and between 3.5 and 5.9 million can receive 2 times more and 1.5 times more, respectively. A further update to the programme is scheduled in April 2020 with a view to making tuition fees for private upper secondary schools virtually free. Under current plans, the maximum subsidy for students with annual household incomes of below 5.9 million yen will be increased to the equivalent of the average tuition fees for private schools.

The High School Supplemental Scholarship Fund was also introduced in April 2014 to support upper secondary school students from low-income households (those receiving Livelihood Protection or inhabitant tax exemption) to cover education expenses other than tuition fees. These expenses include those for textbooks, educational materials, school supplies, school-commuting supplies, extracurricular activities, school trips, student council fees and PTA fees. Since 2005, upper secondary school students from households receiving Livelihood Protection have been entitled to receive Occupational Assistance to cover part of their educational expenses. These students can receive assistance from the High School Supplemental Scholarship Fund in addition to Occupational Assistance. Among students without the equivalent entitlement, those from inhabitant-tax-exempt households can receive a higher rate of assistance from this programme than those from households receiving Livelihood Protection and, in addition, further assistance if they are the second or younger children. Prefectural governments administer the programme, and the Central Government bears a third of the costs.

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<sup>8</sup>[http://www.mext.go.jp/component/a\\_menu/education/micro\\_detail/\\_\\_icsFiles/afieldfile/2019/06/12/1348920\\_4.pdf](http://www.mext.go.jp/component/a_menu/education/micro_detail/__icsFiles/afieldfile/2019/06/12/1348920_4.pdf) (accessed on 31 January 2020)

### 3 Higher education

From the time of the establishment of the Japan Scholarship Association (the predecessor of the Japan Student Services Organization (JASSO)) in 1943 until recently, there were no paid scholarships funded by the Central Government to support higher education students. This became a social and political issue in the late 2000's, when an increasing number of graduates were reported to be in arrears with their scholarship repayments. The Government has responded by setting out the following reforms in its higher education scholarship programmes.

- An Interest-free Scholarship with an Income Contingent Repayment Plan was introduced in 2012 (for more details, see Uzuki 2014). This was later designated as a special postponement of repayment, to distinguish it from the Income Contingent Loan launched in 2017.
- The provision of interest-free scholarship loans was promoted in the mid-term summary of the committee on financial aid to students submitted in 2013.<sup>9</sup> The number of students borrowing the Type I Scholarship, which is interest free, increased from about 402,000 in 2012 to about 520,000 in 2017.<sup>10</sup>
- The scholarship grant programme<sup>11</sup> was founded in March 2017. The initial implementation in April 2017 was followed by full implementation in April 2018.
- The Income Contingent Loan was introduced to the Type I Scholarship in 2017. This loan was integrated with the Social Security and Tax Number System adopted in 2016. The required amount of monthly repayment is contingent upon the individual's annual income.
- The requirement attached to the Type I Scholarship regarding academic records was abolished for students from low-income households who entered higher education in or after April 2017. All students who fulfil the requirements for the Type I Scholarship have thus become eligible to borrow the scholarship loans, although some applications from students have been declined due to budget limits.
- The new financial support system for higher education is scheduled to launch in April 2020.

Although suggested and considered several times in the past, the idea of introducing a

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<sup>9</sup>[http://www.mext.go.jp/b\\_menu/shingi/chousa/koutou/057/gaiyou/\\_icsFiles/afieldfile/2013/09/06/1339290\\_01.pdf](http://www.mext.go.jp/b_menu/shingi/chousa/koutou/057/gaiyou/_icsFiles/afieldfile/2013/09/06/1339290_01.pdf) (accessed on 31 January 2020)

<sup>10</sup>[https://www.jasso.go.jp/about/jigyuu\\_rikai/\\_icsFiles/afieldfile/2019/06/04/190604gorikai.pdf](https://www.jasso.go.jp/about/jigyuu_rikai/_icsFiles/afieldfile/2019/06/04/190604gorikai.pdf) (accessed on 31 January 2020)

<sup>11</sup> This is a paid scholarship programme that is differentiated from a loan programme.

paid scholarship programme was only realised with the introduction of the scholarship grant programme founded in 2017. Drawing on a historical analysis of the Japanese scholarship system, the scholarship grant programme has been described as politics-led in association with the lowering of the minimum voting age from 20 to 18 in 2016 (Shirakawa 2018). The following paragraphs outline the scholarship grant programme and plans for its expansion into the new financial support system for higher education.

JASSO administers the scholarship grant programme and selects successful applicants among a limited number of candidates recommended by upper secondary schools based on the recommendation criteria set forth by JASSO and the respective schools. JASSO's criteria, which broadly relate to household and financial circumstances, require the applicants to be from inhabitant-tax-exempt households or households receiving Livelihood Protection, or otherwise to be in need of social care. Each school is further expected to develop recommendation criteria that take account of a student's character, academic records and abilities and household financial capacity (whether financial support can be received from the parents and/or grandparents). The monthly grant paid to successful applicants enrolled in national or public institutions is 20,000 yen if they live with their parents and 30,000 yen if they live apart from their parents. If a successful applicant is enrolled in a private institution, an additional 10,000 yen is paid with each monthly grant. The JASSO scholarship grant can be received concurrently with other scholarship grants as well as JASSO scholarship loans.

The new financial support system for higher education will combine this scholarship grant programme with the full and partial exemptions of tuition fees administered by higher education institutions such as universities. The Central Government will bear the cost of the full and partial exemptions of tuition fees under the new system,<sup>12</sup> while higher education institutions may continue the exemption programmes they have administered using their own financial resources.

Students must meet both financial and academic requirements in order to be eligible to receive a recommendation for financial assistance under the new system. The financial requirements to be met consist of both income and asset requirements. In terms of income, students from inhabitant-tax-exempt households or the equivalent will be eligible for a recommendation. The students from equivalent households will be entitled to receive one-

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<sup>12</sup> The prefectural governments will also bear the cost of implementing the new system in professional training colleges.

third or two-thirds of the financial support extended to students from inhabitant-tax-exempt households. The target of the new system is thus wider than the current scholarship grant programme, with a gradual differentiation of the level of financial assistance according to household income. In terms of asset requirements, the total amount of assets, excluding real estates possessed by the students or their financial supporters, must be below 20 million yen for a dual-headed household and below 12.5 million yen for a single-headed household.

Academic requirements will be assessed in view of the students' academic records and motivations. Students who plan to enter higher education and apply for financial assistance are expected to express their motivations to study by, for instance, submitting essays to or having interviews with the upper secondary schools they attend. There will be no limit to the number of students each school is allowed to recommend, which is the case under the current scholarship grant programme. All of those who meet the requirements will be eligible to receive support under the new system. After they enter higher education, they will be expected to fulfil the credit and attendance requirements in order to continue receiving support. The support may be suspended if they fail to fulfil the requirements. Those who are to enter higher education in or after April 2020, and those who have already been in higher education before April 2020, will be able to apply for financial assistance under the new system, if they are commencing higher education within two years of leaving upper secondary education.

Higher education institutions are also required to fulfil certain conditions in order to qualify their students for support under the new system. The Ministry of Education, Culture, Sports, Science and Technology, the Ministry of Health, Labour and Welfare or local governments must confirm that the institutions can be relied upon to provide sustainable and stable education that develops human resources who are able to live independently and successfully in society. More specifically, an institution is required to ensure that 10 percent or more of its credit-earning classes are taught by lecturers with practical experience, to invite more than one member of its board of trustees from outside the institution, to conduct adequate grade management and reporting, to disclose financial and management information in accordance with the law and to perform sound management.

#### 4 Issues

These developments in financial assistance have helped and will help to reduce household burden on education costs to a varying extent across levels of education and household income. These reforms, however, have not been undisputed. This final section notes some of the issues concerning the short-term ‘regressivity’ of Free ECEC and the sustainment and improvement of the quality of education.

Some critics have pointed out that Free ECEC allows higher-income households to obtain greater income increases than lower-income households. This may be particularly a concern given that Free ECEC is funded with the increased revenue brought in by the consumption tax hike that is usually regarded as a regressive measure. Before the programme was introduced, the fee rate for the use of licensed childcare facilities such as day care centres was contingent on household income. Regarding kindergartens, low-income households were provided with financial support from the Assistance for Kindergarten Fees. The biggest monetary beneficiaries of Free ECEC are therefore the wealthiest. This kind of problem, however, is generally inevitable when a universal provision is introduced to a service that was previously financed by progressive contributions. If the merits of universal provision of ECEC are acknowledged,<sup>13</sup> it might be more constructive to consider the possibility of furthering progressive taxation rather than criticising the short-term ‘regressivity’ of Free ECEC.

The expansion of public expenditure on education to alleviate household financial burden should come hand in hand with the provision of high-quality education that can meet diverse needs and expectations. The Government attempts to ensure the quality of higher education by means of controls and interventions that require the institutions supported by the new financial support system for higher education to meet certain conditions. There are concerns, however, that this approach may conflict with the principles of academic freedom and university autonomy (Murakami 2018). In order to sustain and improve the quality of ECEC, on the other hand, there is a perceived benefit in government controls and interventions to set requirements, such as the qualification and allocation standards for childcare workers and the structure and size standards for childcare rooms and facilities. Some also argue that public money should be spent with more priority on higher wages for childcare workers as a means of improving the quality of ECEC. Securing and training childcare workers and paying them higher wages may increase their supply, while

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<sup>13</sup> For instance, Free ECEC is expected to be an effective countermeasure against Japan’s declining birth rate.

improving their quality, and meet the needs of more people on waiting lists for childcare places. Even if Free ECEC proves to be a worthy policy, questions are raised over whether the decision to prioritise its introduction was based on sufficient investigation and discussion.

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## 日本の就学支援における近年の展開（記述の要点）

本稿は、近年（主に 2014 年以降）に見られた幼児教育・保育（就学前教育）、後期中等教育、高等教育における就学支援の展開についてまとめ、いくつかの論点を提示する。

### 1. 幼児教育・保育

- 幼児教育・保育の無償化（2019 年、全世帯の 3 歳児から 5 歳児、住民税非課税世帯の 0 歳児から 2 歳児）
- 多様な幼児教育・保育の施設・事業への導入（幼稚園、保育所、認定こども園、地域型保育事業、企業主導型保育事業、就学前障害児の発達支援、幼稚園の預かり保育、認可外保育施設等）

### 2. 後期中等教育

- 高等学校等就学支援金制度（2014 年）
- 高校生等奨学給付金（2014 年）
- 私立高等学校等の授業料の実質無償化（2020 年予定）

### 3. 高等教育

- 所得連動返還型無利子奨学金（2017 年から猶予年限特例と呼ばれる）の導入（2012 年）
- 無利子奨学金の拡充を目指す「有利子から無利子へ」（2013 年）
- 給付型奨学金創設、先行実施（2017 年）、本格実施（2018 年）
- 所得連動返還方式の導入（2017 年）
- 第一種奨学金に設けられていた成績基準を低所得世帯の学生については撤廃（2017 年）
- 高等教育の修学支援新制度の導入（2020 年予定）

### 4. 論点

- 高所得世帯が最大の受益者となる幼児教育・保育の無償化の「逆進性」をめぐる論点
- 財政支出の拡大に伴う教育の質の維持向上をめぐる論点