

The Impact of Agency Delegated Functions: A Japanese Case Study

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Abstract

Extensive use has been made in Japan of local governments as implementing agents of the national government for certain development projects through an arrangement known as the agency-delegated function. This paper describes the legal and institutional framework for this arrangement and discusses its advantages and disadvantages for local governments. It analyses the effectiveness of agency-delegated functions in achieving their objectives by comparing the delivery of kindergarten and nursery school services over time. It shows that nursery services for pre-schoolers, mandated to local governments through the agency-delegated function, expanded faster than kindergarten services which were left to the discretion of local governments. It also reports a negative correlation between per capita prefectural income and the availability of nursery schools. These two findings suggest that agency delegated functions can help meet both quantity and redistribution objectives of the national government.

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Foreword

This paper was prepared for a project on Local Government Development in Japan. The project was organized by the World Bank Institute under the auspices of the Program for the Study of Japanese Development Management Experience financed by the Policy and Human Resources Development Trust Fund of the Government of Japan.

The principal objectives of this Program are to conduct studies on Japanese and East Asian development management experience and to disseminate the lessons of this experience to developing and transition economies. Typically, the experiences of other countries are also covered in order to ensure that these lessons are placed in the proper context. This comparative method helps identify factors that influence the effectiveness of specific institutional mechanisms, governance structures, and policy reforms in different contexts. A related and equally important objective of the Program is to promote the exchange of ideas among Japanese and non-Japanese scholars, technical experts and policy makers.

The papers commissioned for this project cover a number of important issues related to local government development in Japan. These issues include: the process of controlled decentralization; increasing political inclusiveness; redistributive impact of local taxes and transfers; allocation of grants; municipal amalgamation; personnel exchanges; personnel policies; agency-delegated functions; and local policy initiatives.

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The Impact of Agency-Delegated Functions: A Japanese Case Study

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Introduction

In every nation, it is important to achieve a balance between centripetal and centrifugal forces to maintain political stability. A highly centralized political system cannot achieve effective governance, much less a democratic regime. This point is dramatically shown by the collapse of the Soviet Union and other Eastern European socialist regimes. At the same time, the highly decentralized system typically faces a difficult integration problem. In a rather extreme way, current experiences in the ex-socialist countries demonstrate this problem eloquently. In order to create an integrated and stable national polity, some institutional mechanism is needed to balance these two forces. In this paper, we will focus on the central-local governmental relationship in postwar Japan and examine the extent to which a particular characteristic, the *agency-delegated function* (ADF) system helped balance national and local interests.

Under this system, the central government had the authority to require local chief executives to implement certain functions that it may choose to delegate. This system has been the subject of much debate within Japan and was formally abolished in 2000 as part of a series of decentralization measures. It has been replaced by the “legally delegated functions” system which, in many respects, is similar to the ADF except that it is supposed to cover a smaller range and fewer number of activities and to provide more room for the exercise of autonomy by local governments. The historical ADF system is discussed in this chapter because of its important role in inter-governmental relations during the last fifty years. In particular, its developmental impact is examined here through a comparison of day-care and kindergarten services. The former have been delivered largely through ADF arrangements while the latter have been delivered largely through the resources and volition of local government units.

Legal and Institutional Framework of Agency Delegated Functions

Japan’s Local Autonomy Law stipulates that local governments cannot execute judicial affairs, punishment and national disciplinary actions, national transportation and communication, postal services, national educational and training institutions, national hospital and medical treatment, national navigation, meteorology and waterways, and national museums and libraries. Except for these specified functions, however, the local government can administer any matters within the limit of national law. However, this does not mean that the Japanese central government must concentrate on purely *national* affairs. The central government has its own legitimate concerns over many domestic issues and is expected to conduct policies with nationally unified standards. Providing

people with welfare service at the national minimum level is one typical example. It is difficult, however, for the central government to command all local affairs. It is a matter of efficiency to allow the localities discretion in governing the nation, because of information costs (Abe 1992).

Given this situation, the central government has three ways of realizing its own goals throughout the nation (Murakami 1994). The first is to build its own extensive network across the nation and implement its own policies. In the prewar system, the prefectural governors were the agents of the central government, and it was easy to let them carry out this task. However, because the governors are no longer such agents, the central government may establish its own field agencies to implement its policies. For instance, the Regional Construction Bureau is the field agency of the Ministry of Construction and is in charge of road management.

The second way is to let the local government determine and implement its policies, but to set some standards by legislating national law. In this case, the means of control are persuasion, guidance, and legal requirements. The bottom line is that the legislative power of the central government is superior to that of local governments. The local governments must abide by the national law. However, the central government also tries to control the local governments by giving tied grants and/or through personnel networks.

The third way is for the central government to formulate the policy, but delegate its implementation to the prefectural governors, municipal mayors, or administrative committees. This is the system of *Kikan Inin Jimu* (agency-delegated functions). If the assigned tasks are purely national affairs, such as parliamentary election and registration of foreigners, the central government finances all the expenses. But if they are local affairs, the costs are shared between the central and local governments.

In the ADF system, the head of the local government acted as an agent of the national government. Article 15 of the National Government Organization Law prescribes that "with respect to affairs under his charge, each minister may direct and supervise the heads of local public entities in respect to national administrative affairs which they execute, as provided for in Article 150 of the Local Autonomy Law." Article 150 of the law provides that governors are subject to the direction and supervision of the competent minister, and that mayors are subject to the direction and supervision of the governor and the competent minister in regard to these national affairs.

The central government seemed unsatisfied with these legal provisions. In order to assure compliance with ministerial directives in implementing the delegated functions, Article 146 of the Local Autonomy Law introduced a modified version of the mandamus procedure (subsequently revised in 1991). The old law stated that if a governor contravenes laws, ordinances, or dispositions of the minister in charge of the assigned function, or if he neglects the execution of his duties as a national agent, the minister may send him a formal order to perform, with a time limit for compliance. If this does not work, the minister may request the High Court to issue the order to the governor. If the High Court admits the request as legitimate, it will rule that the governor in question shall execute his delegated function within a time limit. If the governor still disobeys the order,

and the High Court confirms the disobedience, the minister may execute the assigned task in place of the governor. Furthermore, in this case, the prime minister can remove the governor from office. A similar provision exists in order to assure compliance by mayors.

There are also several provisions to protect local government autonomy in relation to ministerial directives. First, the delegated functions should be based on specific laws. Furthermore, Article 16 of the National Government Organization Law provides that the local chief executive can "make due representation" to the prime minister if he believes that the assigned function infringes on the "principle of local autonomy." The prime minister acts as an arbiter between the minister and the local chief executive. Finally, all the procedures follow the principle of judicial enforcement. Over the years, there have been strong criticisms of this agency-delegated system among scholars as well as practitioners, who argued that this system encroached on local autonomy. Partly in response to these criticisms, the Local Autonomy Law was revised in 1991 so that the prime minister can no longer remove the governor or the mayor from office.

From the perspective of the central government as well, the formal procedure under this system is cumbersome. The central government succeeded in streamlining the procedure in the 1991 revision, so that the competent minister can execute a given delegated function in place of the recalcitrant governor (or mayor) with the single ruling of the High Court. But the recent case of the U.S. Base in Okinawa is very interesting. Under the U.S.–Japan Security Treaty, the Japanese government is responsible for providing the land for the U.S. base. If the landlords reject leasing their land for such use, the government can conclude the leasing contract in place of the landlords. This task, however, is delegated to the local chief executives. If the executives fail to fulfill this function, the central government can execute that function as proxy, following the above procedure. In 1995, the governor of Okinawa Prefecture rejected fulfilling this function, and the procedure was initiated, but it turned out to be time-consuming and politically costly. Although this is an exceptional case, the system would not allow the central government autocratic power, but rather leaves a wide domain for negotiation between the central and local governments.

Institutional Implications

We are interested in the impact of the ADF system on policy developments in postwar Japan and will look into the case of early childhood education policy. Before moving on to the case study, it is useful to describe the institutional configuration created by the ADF system which determined power relations among the various participants. There are two important implications.

First, the ADF system tends to restrict the scope of local participants. It regards the local chief executive as an agent of the central government as long as the executive is executing the assigned functions. This means that the local assemblies are formally excluded from this process. The assemblies do not have any decision-making power in these assigned functions. They only have the right to request explanations from the chief executives and to express their opinion. The rights to inspect and audit the execution of

the assigned functions were not in the jurisdiction of the assemblies until the 1991 revision of the Local Autonomy Law.

Second, the ADF tends to expand the vertical scope of participation. This point is easy to understand if we compare the ADF system with the field agency system and autonomous local governance. In the field agency system, the formal participants in formulating and implementing public policy are the national-level actors, and the local governments are formally excluded from the process. In contrast, in autonomous local governance, participation is limited to the local community. The ADF system includes both the national actors and the local chief executive.

It is beneficial for the central government to delegate implementation of their policies, because it can save resources, including manpower and money. Furthermore, the central government can set criteria and offer guidance in order to control implementation of a given policy by the local chief executive. The central government also benefits because the local government is closer to the policy targets and is provided with the detailed information necessary for efficient implementation.

Many scholars criticize the ADF system as a mechanism for the central government to exploit the local governments and transform local autonomy into central control. It is true that many local governments have long criticized the ADF system and advocated its reduction or abolition. However, according to one survey of mayors, only 6 percent replied that the ADF system curtails local autonomy. Rather, 52 percent of mayors argued that the ADF is problematic, because the central government bears less financial burden than prescribed in the law. This is the issue of "excessive burden on the side of the local government" (*Choka Futan*), to which we will return later. But the bottom line is that the local government can legitimately demand that the central government take on a bigger share of the financial burden of public services. In addition, if the local government has not performed the assigned function before, but would like to introduce it, the local government could receive a head start with a subsidy from the center. This institutional configuration provides the local chief executive with both constraints and opportunities. We will now look at how the local chief executive runs the local government within this institutional framework.

ADF in Practice: Kindergarten and Day Nursery Services

Institutional Settings and Service Demands

Japanese early childhood education is run within two separate institutional frameworks. One is the kindergarten, and the other is the day nursery system. The former is based on the School Education Law and is in the charge of the Ministry of Education, while the latter is covered by the Juvenile Welfare Law and is in the charge of the Ministry of Welfare. The nursery system is entrusted by the children's custodians to care for a baby or an infant "without parental care" on a daily basis (Juvenile Welfare Law, Article 31, Clause 1). The kindergarten is prescribed as the school that nurtures the infant between the ages 3 and 5. It is to provide an adequate environment in order to

promote the sound growth of the child's body and mind (School Education Law, Articles 1, 77, and 80).

Therefore, a nursery service belongs within welfare policy, while a kindergarten service is within the province of educational policy. The local governments are legally required to guarantee nursery service for children "without parental care." Therefore, in the nursery system, initiative is not in the hands of the custodian, but of the local government. The kindergarten is not compulsory, and parents choose whether their children will attend.

This difference is reflected in the central-local government relations within the respective policy arenas. The kindergarten service is categorized as an "autonomous local task," while the nursery service is an "agency-delegated function." This distinction, however, becomes blurred as the number of children going to kindergarten or nursery increases. It is true that immediately after World War II, in the process of legislating the School Education Law of 1947, there was an effort between the Ministries of Welfare and Education to integrate nursery service with kindergarten service, although the attempt failed (Terawaki 1978, p.155). This effort is understandable, because it is in the nature of these two services to have much in common. But in the early days, when the number of children enjoying these services was small, the difference was relatively clear. In 1947, the two programs served only 350,000 children (150,000 in nursery and 200,000 in kindergarten), or 3 percent of the infants ages 0–6 were receiving these services. In 1976, however, this number increased to 4,100,000 (1,730,000 and 2,370,000, respectively), which was 34 percent of the total. As a result of this increase, the difference between these two services became less clear.

This development provides us with a very interesting opportunity to conduct a paired comparative analysis to discern any independent impact of the ADF system on policy outcome. The rapid economic growth in the 1960s multiplied the number of working mothers and increased the demand for the nursery service. In 1960, 1,690,000 female workers were married, while in 1975 the number increased to 6,040,000. According to a Ministry of Home Affairs survey, the number of infants who needed such a service increased from 1,920,000 in 1968 to 2,560,000 in 1973. At the same time, the demand for the kindergarten service increased too. The Ministry of Education survey of parents (1970) showed that 52 percent of those surveyed wanted their children to be enrolled in the kindergarten, 15 percent preferred the nursery, and 31 percent favored both (cited in Yamaguchi 1972, p. 84). In sum, in the 1960s and 1970s, the demand for early childhood education and/or day care service became very strong, and the local government had to respond to these demands. Roughly speaking, there was similar pressure for the expansion of both the kindergarten and the day nursery services until the 1970s.

In the early 1980s, the growth rate of the number of infants started to decline. In 1984, only 85.6 percent of the capacity of the nursery was actually utilized, while in the 1970s the rate had been more than 90 percent (Gyosei Kanri Senta 1985, p. 205). This change in demand structure required rationalization of the early childhood education system. The rationalization may mean a more flexible service delivery or a transfer of

administrative resources from this service to other public services, such as welfare service for the increasing elderly population.

Policy Output Compared

Given these different institutional settings, as well as the similar demands to expand their service, what similarities and differences in service delivery can be found in the nursery and the kindergarten systems? By looking into the policy outputs of these two systems, we can evaluate the institutional implications of the ADF system.

EXPANSION STAGE. Takao Terawaki's intensive study provides us with a view of the policy outputs of the two systems (1978, pp. 155–213). After enactment of the School Education Law and the Juvenile Welfare Law, both services developed substantially (Figures 1 and 2). This is because there was a strong demand for nursery and kindergarten services in postwar Japan. The number of working mothers increased during the period of economic growth, but at the same time, parents began to want their children to have early childhood education as their income increased.

But the nursery system was quicker to flourish than the kindergarten system in the postwar era. Figures 1 and 2 show that in the prewar period, the kindergarten service surpassed the nursery service, but this trend was reversed in the postwar period.

A closer look into these two figures tells us of an interesting change in the 1960s. The number of nursery schools steadily increased into the 1970s, while the number of pupils attending kindergarten outnumbered those in the 1960s. This is partly a result of more parents wanting to send their children to kindergarten than to the nursery program, as we show above. In the group of children between the ages of 4 and 5, the kindergarten had more than twice as many pupils as the nursery had in 1975 (Table 1). The combined result was a rapid increase in the average size of the kindergarten in the 1960s and 1970s, while the increase was negligible in the nursery school (Figure 3).

Table 1. Numbers of Pupils by Age, 1975

<i>Age</i>	<i>Population</i>	<i>Nursery (percent)</i>	<i>Kindergarten (percent)</i>
0	1,913,757	29,198 (1.06)	n.a.
1–2	4,092,613	267,458 (6.54)	n.a.
3	2,020,504	363,796 (18.01)	131,002 (6.48)
4–5	3,889,394	973,655 (25.03)	2,161,589 (55.58)
Total	11,916,268	1,625,107 (13.64)	2,292,591 (19.24)

If we disaggregate the above data by the ownership category (private or public), we find that in the kindergarten system, the increasing demand was met by private kindergartens, while the nursery system responded to the demand by building public

nurseries. All these data show that in the postwar period, the local governments were more eager to build nurseries than kindergartens.

This is partly because the School Education Law treats compulsory education in a preferential manner, while leaving the kindergarten service at the disposition of local governments. The local governments are not legally required to supply the kindergarten service, but the local chief executives are responsible for providing nursery service for "children without parental care." However, this is not a sufficient explanation for the different policy outputs. Although the local chief executives are legally required to deliver nursery service, the criteria directing them to deliver this service are not so rigid that they cannot exercise some discretion. Faced with the increasing demand for early childhood education and nursery service, the local government could actually choose either the nursery or the kindergarten service.

Variation in service delivery across the nation is also revealing. Table 2 shows different delivery patterns of nursery and kindergarten services in municipalities of varying sizes. The larger the municipalities, the more kindergarten service they deliver. The smaller municipalities tend to deliver the nursery service. It should be noted that the smaller municipalities are generally situated in the rural areas.

Table 2: Size of Local Governments and the Service Supply Rate, 1975
(percent; number)

<i>Program</i>	<i>Total</i>	<i>Population</i>				
		<i>2000,000+</i>	<i>2000,000- 50,000</i>	<i>50,000- 20,000</i>	<i>20,000- 10,000</i>	<i>10,000 and below</i>
Nursery	38.1	0	1.2	12.1	37.8	57.3
Kindergarten	7.1	0	0	1.8	7.5	10.7
Neither	7.5	0	0	0.4	3.4	14.7
Both	47.3	100	98.8	85.4	51.3	17.3
Number	3,302	97	256	547	966	1,437

Why did small municipalities in rural areas tend to build nurseries rather than kindergartens? The national government paid 50 percent and the prefecture 25 percent of the total construction cost of nurseries, and the national government paid 80 percent and the prefecture 10 percent of running expenses for both public and private nursery programs. In contrast, it was as late as 1964 when the Ministry of Education began subsidizing the local governments to build kindergartens, based on the 7-Year Plan to Promote Kindergarten Education. Standard calculations are made for nursery expenses by the central government, and these are usually discounted. But it is also true that these subsidies played an important role in facilitating standard nursery service nationwide. The Public Management Agency reported that the local governments tend to provide nursery

service because the central government supplies abundant subsidies to the local governments for this service, which is regarded as a welfare service facility.

The beneficiaries are the poor regions. Today we can observe that nurseries are prevalent within relatively poor regions. We calculated the correlation between prefectural per capita income (1994) and the average numbers of nursery schools for children under the age 4 (1992), and found a negative correlation of $-.467$. Poorer prefectures tend to have more nurseries. In sum, the national government played an important role in supporting early child education service delivery in the poor regions.

If we compare the coverage rates of nursery and kindergarten services across prefectures—that is, the percentage of children in the nursery or kindergarten service—we can easily find that nursery service is provided where kindergarten service is insufficient (Tamura 1986, p. 35). The difference, however, seems to spring from more than financial considerations. Whether the local government prioritizes the nursery service delivery or the kindergarten service delivery influences the local interests. Leftist parties tend to demand the nursery service, organizing the working mothers and their husbands, while the private kindergartens are run mostly by conservative and locally influential persons (Gyosei Kanri Kenkyu Senta 1985). In one city, for instance, when an assemblyman demanded construction of more public kindergartens, the mayor answered that it was necessary to take the interests of the private kindergarten into consideration (History of Otsu City Assembly, p. 619).

In another city, however, a similar conflict of interests existed between public and private kindergartens, and mayor had to be careful in constructing the public kindergarten. But he did not have to be as careful in building the nursery, although the nursery also had a negative impact on the private kindergarten. The mayor explained that the nursery was a part of the national welfare policy, and seemed to believe that priority should be given to the nursery. It is also important that assemblymen agreed on this point with the mayor (History of Toyonaka City Assembly, pp. 698–99). In other words, the nursery service is regarded more as a part of national policy. This point is related to the status of nursery service delivery as the ADF, with the local chief executive leading the process, while kindergarten service delivery is to be decided in the local assemblies, with high transaction costs.

These conditions seem to be conducive to achieving the national minimum level of nursery service. But this does not mean that the local governments have no discretion in service delivery. The local government is guided by the national government in deciding the number of nurseries to be constructed, their size, equipment, and enrollment criteria, but how to run the nursery service and the degree of additional service delivery are in the hands of the local government (Gyosei Kanri Kenkyu Senta 1985, p. 180). This means that if the local governments provide the national minimum level of service, they can go their own way. This is an effective way of achieving the national minimum, as well as flexible service delivery adjusted to local conditions.

RETRENCHMENT STAGE. In the days of economic growth and increasing need for more nursery service, local governments competed with each other to expand and

innovate in their nursery service. The central government, however, does not pay the additional costs for the extra service delivered by the local government. In the economic downturn of the 1970s, some local governments were faced with fiscal crisis. But even in those local governments, it was difficult to streamline nursery service delivery. One typical issue was whether to increase nursery tuition. Most local governments set the tuition far lower than the level suggested by the national government. This difference in tuition created an extra financial burden for the local government. As financial situations worsened, the local governments began planning to increase the tuition level. Usually the local assembly, as well as the parents' associations, was opposed to this increase (History of Kyoto City Assembly, p. 746).

In this situation, the local chief executive can count on guidance from the central government. This does not mean that the central government can control the local government decision—the local government can resist central government pressure. Very often, the local governments demanded an increase in the central government's share of the service cost (History of Kyoto City Assembly, p. 744). In one extreme case, a city sued the Ministry of Welfare for the additional cost of nursery construction, which is a portion of the differential between the prescribed construction expense determined by the central government and the real expense. It is said that because of these tactics, the Ministry of Welfare succeeded in getting a larger budget from the Ministry of Finance the next year for distribution to the local governments.

At the same time, the local chief executive can persuade other local actors to accept the increase, referring to the tuition standard set by the central government. Some local governments began increasing the tuition level, following the national standard but with a two-year delay. But the point is that local governments could argue that a tuition increase was inevitable because the central government was pushing so hard. In this process, the existence of the central government as a legitimate actor in the nursery service delivery system enables the local government to streamline the service system.

New Policy Demands and Institutional Reform

In 1986, an institutional setting for the day nursery service was reformed as a part of the administrative reform. Nursery service delivery was no longer an ADF, but a corporate-delegated function. The basic difference is that the nursery service was now regarded as a more autonomous task for the local government, with weaker central intervention. In this corporate-delegation system, the local assembly has a legitimate right to consider the delegated task. Therefore, the corporate-delegated function is more open to local political influence than the ADF.

An immediate reason for this institutional reform was that the Ministry of Welfare decided to decrease the share of the national government, faced with a fiscal crisis, in running the program to 50 percent of the costs, and realized that it was impossible to maintain the ADF system in the nursery service area. In the course of reform, however, a more positive argument was made. Reform advocates noted that socioeconomic development now required some ADF functions to be transformed into the local autonomous tasks, so that local conditions could be taken into consideration, rather than

achieving the national minimum standard. Consumers are now demanding flexible rather than standardized service delivery. Decentralization and incorporation of some private initiatives in service delivery are regarded as promising solutions.

This is true for early childhood education service delivery. By the late 1970s, service delivery was sufficient in quantity for children aged 4 and 5. In the 1980s, as the birth rate decreased rapidly and the number of working mothers increased, policy demands on the nursery and kindergarten services changed. Extension of service hours and expansion of the service to infants younger than 3 years of age have become very important. It is also noticeable that some parents want to have a more education-oriented kindergarten service. These demands vary across regions, and a flexible supply of service is regarded as critical. A transfer of the nursery service to the corporate-delegated function reflected the changing demands.

KINDERGARTEN SYSTEM. The decreasing number of children is proving a serious problem for the nursery service. The number of pupils in the kindergarten peaked in 1978 (2,490,000), but fell to 2,040,000 in 1990. Consequently, competition among kindergartens has become very harsh. The natural target is 3-year-old children, because only 18 percent of those age 3 are in the kindergarten program (26 percent are in the nursery), while 64 percent of those age 5 and 56 percent of the 4-year-olds are already in the kindergarten (1989 data). In 1990 the Ministry of Education began supporting the kindergarten by subsidizing the parents sending their 3-year-old children to the program. Three common services of the competing private kindergartens are school bus service, class-hour extension, and a school lunch program. Furthermore, some are selling education-oriented programs. According to one survey, 20.4 percent of the private kindergartens are teaching reading and writing, and 13.9 percent basic calculation, although the Ministry of Education wants to keep kindergarten programs play-oriented (Ministry of Education, Yochien Jittai-chosa, 1985; reported by Asahi Shimbun 7/25/1985). These efforts have been made mainly by the private kindergarten, but gradually the public kindergartens are introducing similar services.

However, these efforts by public kindergartens caused resistance among local actors. Many local governments are planning to merge their kindergartens to achieve advantages of scale and extend class hours. In some cities, parents are opposed to this merger (Asahi Shimbun 9/8/1992). It is not just parents but local governments as well that are resisting this reform. They are reluctant, because they are afraid that an extension of service hours will incur negative impacts on private kindergarten (Asahi Shimbun 10/23/1992).

NURSERY SCHOOL. Should nursery schools now also adjust to the same environmental changes? Given an institutional reform, such adjustments are now to be implemented in the institutional framework of the corporate-delegation system, not of the ADF system. We will focus on the institutional implications of this reform. As stated above, this reform was made partially to facilitate the adjustment. The adjustment process, however, is very slow. The Ministry of Welfare's 1993 survey shows that only

5 percent of the nursery schools extended hours, despite the introduction of subsidies for such extensions. Furthermore, an extension service is provided mainly by the private nurseries (72 percent) (Asahi Shimbun 2/6/93).

Provision of flexible nursery service is provided by *unofficial* nurseries. An unofficial nursery is a purely private nursery that is not recognized as a nursery by the Ministry of Welfare, and thus does not receive any subsidies. Without government regulation, they can run their business in a flexible way. For instance, because they are not legally required to have a playground, they can be located very close to the downtown business district. Unofficial nurseries are growing in number, while official nurseries are not. (Nikkei Sangyo Shimbun 12/7/1994) In 1994, there were 7,564 unofficial nurseries and about 22,000 official programs. The number of unofficial nurseries increased by 308 in one year, while the number of official nurseries decreased slightly.

This became a political issue. General Management Agency Minister Eto asked why the official nurseries are not fully utilized, while unofficial nurseries are flourishing (Nikkei Evening Shimbun 9/8/1996). It became clear that reform was needed in the nursery service delivery system. The Ministry of Welfare has been planning to introduce a new, dual system for the official nursery service. In the current system, the nursery service is legally regarded as a government activity to accommodate a child without parental care, and thus the local welfare office, not parents, decide which nursery a given child will attend. Parents should pay tuition in proportion to their annual income. In the dual system, however, parents with incomes larger than ¥5,000,000—almost half of the parents—can choose the nursery, while the existing system continues for the other parents as a welfare service. The tuition level will depend on the service menu, while the government would subsidize poor parents.

Initial versions of the reform plan have faced strong opposition from parents, nursery school associations, and local governments, because it includes resource reallocation among these actors. They criticized this plan as reducing government responsibility for the nursery service and increasing their financial burden. They are very eager to protect their vested interests in the existing nursery service system (Asahi Shimbun 12/11/1993). The discussion at the Ministry of Welfare's deliberation committee was stalemated because of strong opposition from the local representatives (Asahi Shimbun 1/20/1994). There have also been local opposition movements. For instance, when Koshigaya City planned to increase the number of pupils per teacher for children between the ages of 3 and 5, in order to expand its service to the 0–2 age group, parents and teachers organized an opposition movement against this reform (Asahi Shimbun 2/21/1996).

It is also interesting to note that, faced with the same demographic changes, the Ministry of Education and the Ministry of Welfare are planning similar reforms to make their nursery and kindergarten service system more flexible, but are faced with similar opposition from local actors. They oppose the reform to protect their vested interests.

Conclusions

Several observations follow from the preceding discussion. First, the ADF system seems to have had a positive impact in that it facilitated the spread of the nursery system across the country. In this sense, the ADF played an important role in achieving the national minimum level of nursery service quickly. The delegation of nursery service to the local chief executives as the agents of the central government, as well as designation of the nursery service as a national welfare policy, increased the leadership capacity of the local chief executives in the local communities. They could expand the nursery service despite conflicting local interests. That they had to be less concerned with local interests in delivering nursery service than kindergarten service seems to support this point. Furthermore, the ADF enabled the local governments to negotiate with the central government to demand more support for the service. This is possible because the ADF designates the competent ministry as a continuing participant in service delivery. By including local governments in this way, the ADF system may have made it easier to deliver new services to local communities.

Second, in the rationalization phase, the ADF also contributed to streamlining of the nursery system. The local chief executives often referred to the national minister's guidance as pressure when they tried to rationalize the nursery service through measures such as increasing tuition. The nursery service is provided at much less cost to parents than the kindergarten service, although these two services are becoming similar in nature. It created strong vested interests, such as parents' organizations and their political supporters, that resisted any cuts in service. The expanded scope of participation caused by the ADF framework enabled the local chief executives to break these vested interests and to introduce some rationalization.

Third, since the ADF system gives local chief executives a substantial sphere in which they can legitimately exclude the local assemblies, it sets up tensions in local politics while at the same time providing scope for powerful local leaders to emerge and test their administrative and political skills. In part, this system provides local executives with a useful channel to negotiate with the central ministry, using various political resources, including locally elected national politicians and the legal system (Muramatsu 1985). All in all, the ADF system tends to provide the institutional settings that the local chief executives can utilize to realize their own political goals.

Finally, one might note that decentralized politics is very much "limited politics" while mechanisms for central-local interaction allow for more participants and may contribute to breaking through narrow local vested interests networks to bring about policy innovation. Unilateral decentralization without proper integration mechanisms has the potential to do ill rather than good.

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Figure 1: Numbers of Nursery and Kindergarten

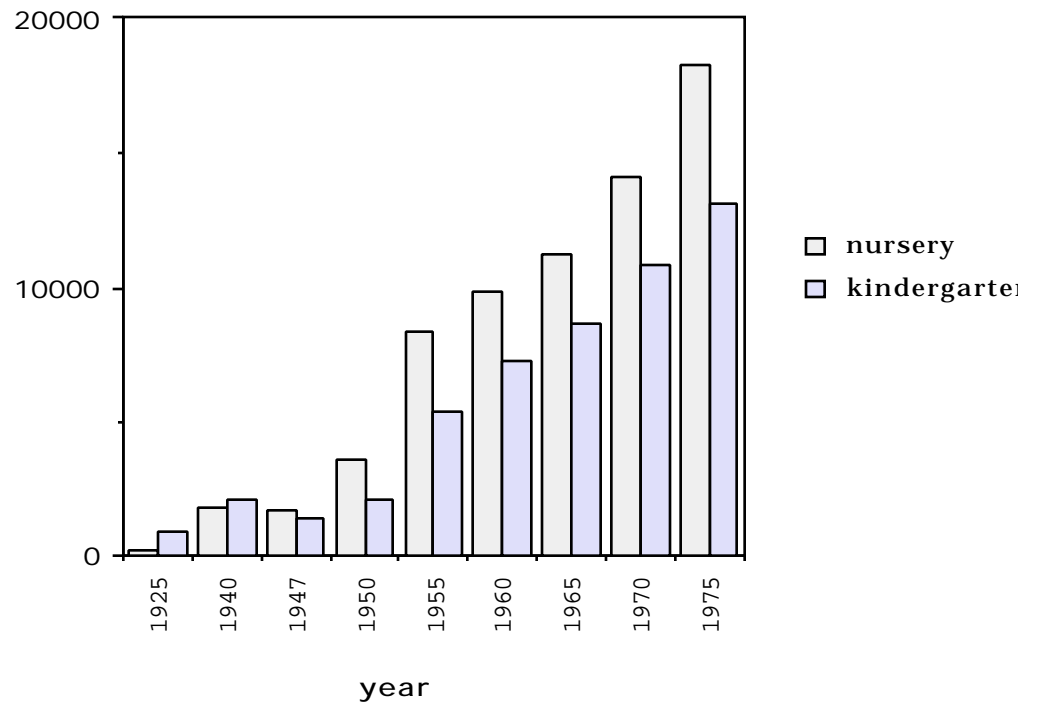


Figure 2: Numbers of Pupils in Nursery and Kindergarten

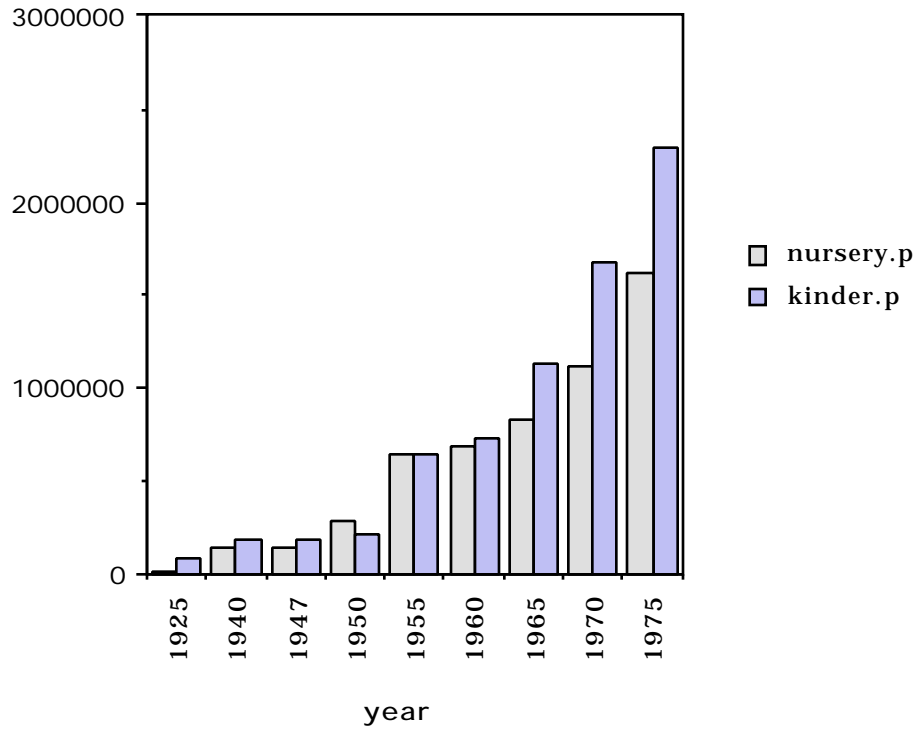


Figure 3: Average Size of Nursery and Kindergarten

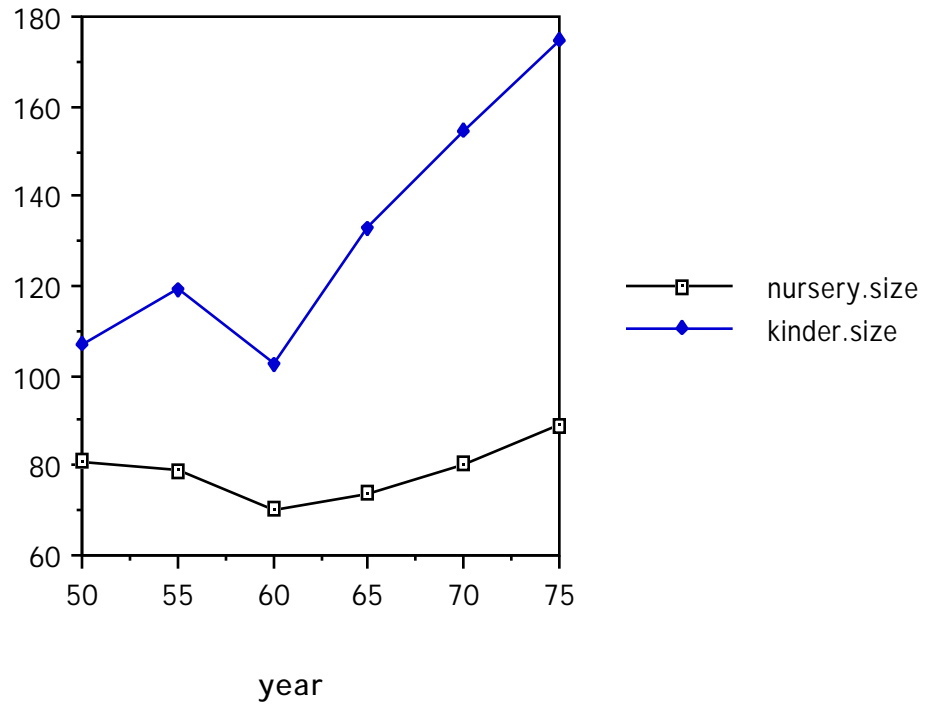


Figure 4: Numbers of Pupils Disaggregated by Private/Public

