Tackling Childcare: The Business Case for Employer-Supported Childcare

MINI CASE STUDY

Sumitomo Chemical Company Ltd.

IFC International Finance Corporation
WORLD BANK GROUP
Creating Markets, Creating Opportunities

ABOUT THIS MINI CASE STUDY

This mini case study was developed as part of IFC's Tackling Childcare initiative, led by IFC's Gender Secretariat, that resulted in the 2017 report, *Tackling Childcare: The Business Case for Employer-Supported Childcare*. The report serves as a guide for companies and draws on 10 in-depth case studies of companies from around the world that offer various childcare options to their employees, highlighting how investments in childcare can strengthen the bottom line. It also discusses how companies can analyze their workforce to identify the type of childcare support they can offer to their employees—from on-site childcare to subsidies—that best suits their needs. In addition, the report includes "mini" case studies of companies, such as Sumitomo Chemical, that are implementing innovative approaches and benefiting from their childcare investments.

Sumitomo Chemical is part of IFC's Tackling Childcare Partnership, a Clinton Global Initiative Commitment to Action. The partnership includes 11 companies and six organizations working to promote better career opportunities for working parents and to accelerate the spread of best practices for employer-supported childcare.

Visit www.ifc.org/tacklingchildcare to download the full report and learn more.

ABOUT IFC

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. Working with more than 2,000 businesses worldwide, we use our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In FY17, we delivered a record $19.3 billion in long-term financing for developing countries, leveraging the power of the private sector to help end poverty and boost shared prosperity. For more information, visit www.ifc.org

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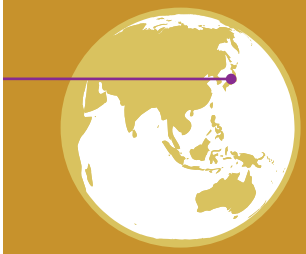
Policy Overview

Japan



Economy name:
Japan

Main business city:
Tokyo*

Region:
OECD high income

Income level:
High income

Population:
127,131,800

Female population:
65,306,963

Labor force participation (15+):
49% female
70% male

Compulsory primary education enrollment age:
6 years

Leave policies

Paid maternity leave	Yes	98 days
Paid paternity leave	No	Parental leave is available to men
Paid parental leave	Yes	309

Legal obligation for employers to support childcare

	0-2 years	3-5 years
Obligation for employers to support childcare?	Yes	Yes
Based on the number of female employees?	No	No
Based on the number of employees regardless of gender?	No	No
Special legislation on employer-provided childcare?	No	No

Government incentives to employers to support childcare

Tax benefits to employers to support childcare?	No	No
Non-tax benefits to employers to support childcare? (monetary and/or nonmonetary benefits)	Yes (subsidy to cover nursery building and operations expenses)	Yes, (subsidy to cover nursery building and operations expenses)

Quality of private childcare services

License or registration required?	Yes	Yes
Zoning requirements?	No	No
Pupil-teacher ratio required?	Yes	Yes
Penalties for non-compliance with laws?	Yes	Yes

*The *Women, Business and the Law* data are based on domestic laws and regulations that apply to the main business city of the economy. For more information on the methodology including the maternity/paternity/parental leave calculation methodology, visit wbl.worldbank.org

Sumitomo Chemical Company Ltd.

HOW SUMITOMO CHEMICAL SUPPORTS EMPLOYEES WITH CHILDCARE NEEDS[1]

During the past decade, the Japanese economy has experienced a steady increase in women's labor force participation, which hovers around 66 percent (OECD, 2015b). Despite an increase over time, the rate is still lower than many other developed countries in the Organisation for Economic Co-operation and Development (OECD). The Japanese government has made various efforts to increase women's employment to spur Japan's economic growth, more recently under the Prime Minister's Womenomics initiative. Yet women's educational advancement has not been translating into greater employment, particularly in Japan's Science, Technology, Engineering, and Mathematics (STEM) fields. In 2015, undergraduate women in Japan represented less than one-sixth (13.6 percent) of engineering majors and only 14.4 percent of Japan's researchers in science and technology were women in 2013 (Catalyst, 2016).

Key contributing factors to women's low labor force participation include the unequal gender division of unpaid family care work (Addati et al., 2016) and lack of access to affordable, good quality daycare. A culture of long working hours further impedes work-family balance, and reduces fathers' scope for sharing family work (OECD, 2015a). Although parental leave policies apply to both parents, only 2 percent of fathers took such leave in 2014 (Gender Equality Bureau Cabinet Office, 2016). As a result of these factors, when Japanese women become mothers for the first time, almost 70 percent of them stop working for a decade or more (many of them quit for good), compared with 30 percent in the U.S. (*The Economist*, 2014).

Japan has a number of regulations in place to support working parents, particularly mothers. These include a year of paid parental leave for both mothers and fathers, a right to work part-time until a child reaches age three, and investments to increase the availability of childcare (Gender Equality Bureau Cabinet Office, 2016). Under the 2003 Act on Advancement of Measures to Support Raising Next-Generation Children (extended in 2013), all companies

Box 1.1—Sumitomo Chemical: A Snapshot

Sumitomo Chemical Employee Profile 2016

- 16% of Sumitomo Chemical's 9,012 permanent employees in Japan are women
- 18% of permanent employees have children ages 0 to 5 years

Sumitomo Chemical supports working parents through:

- On-site and near-site childcare facilities
- Childcare leave
- Nursing care support services
- Maternity return/Reemployment system
- Measures to support expectant or nursing mothers, including telecommuting and reduced working hour system
- Paid maternity and paternity leave & other forms of leave

Sumitomo Chemical is a significant stakeholder in Japan's STEM industry, having recruited 254 STEM graduates, 210 men and 44 women, between 2015 and 2017.

"At Sumitomo Chemical, we believe it is not only unfortunate for a company to have valuable employees give up their careers due to difficulties in managing work and childcare but it is also unfortunate for employees themselves and their families. And this is a great loss for society as well. Providing an adequate environment for our employees to continue their careers and fulfill their roles as parents brings greater employee satisfaction and productivity."

General Manager of Employee Welfare

with more than 100 employees must develop and publish plans for achieving work-family balance for employees raising children (Umeda, 2014).

Sumitomo Chemical, a leading chemical company headquartered in Japan, understands the challenges working parents face and recognizes the business benefits of recruiting and retaining working parents and fostering gender diversity in the workforce. Sumitomo Chemical and its more than 150 subsidiaries and affiliates conduct business globally in five sectors, namely petrochemicals and plastics, energy and functional materials, IT-related chemicals, health and crop sciences, and pharmaceuticals, with a combined net income of JPY 81.5 billion (around USD 715 million) and more than 30,000 employees (Sumitomo Chemical, 2017). In its Japan HQ, the company employs 9,012 workers, of which 1,452, or 16 percent, are women. Sumitomo Chemical is also

PHOTO: COURTESY OF SUMITOMO CHEMICAL COMPANY LTD.

SUMITOMO CHEMICAL'S CHILDCARE FACILITY IN OSAKA, JAPAN.

a significant stakeholder in Japan's STEM industry, having recruited 254 STEM graduates, 210 men and 44 women, between 2015 and 2017.

Support to working parents is part of the company's overall strategy to meet its gender diversity and women in leadership targets. The company has set quantitative targets of at least 10 percent women in positions equivalent to manager or above and 15 percent women in positions equivalent to assistant manager or above by 2020. As of April 2016, the former ratio was 4.3 percent and the latter ratio was 13.0 percent (Sumitomo Chemical, 2016a). The company's strategy to meet these targets includes a variety of corporate policies and programs that include childcare-related benefits.

HOW SUMITOMO CHEMICAL SUPPORTS WORKING PARENTS

To encourage and enable parents, particularly working mothers, to stay employed, Sumitomo Chemical offers an extensive set of childcare-related benefits, including childcare facilities, a childcare leave program, and various childcare and nursing care services (see Box 1.1 for an overview).

Childcare Facilities

Sumitomo Chemical has established six state-of the-art childcare facilities across Japan, including in the Tokyo and Osaka Head Offices as well as in Ehime, Chiba, Takarazuka,

and Oita. The first childcare facilities were established in 2008 in Ehime and Osaka followed by the Chiba facility in 2009. Other facilities were established between 2010 and 2015. The childcare facilities are subsidized and open to both female and male employees. Users are charged a small portion of the fee, which is lower than government-run facilities. The fee paid by the user is JPY 30,000 (around USD 265) for an infant, in principle 0 to 2 years old, and JPY 20,000 (around USD 175) for 3 to 5-year-olds. Some of these facilities are on-site while some are near-site.

As of November 2016, the six facilities cater to a total of 180 children, ages 0 to 5 years, of 144 working parents (27 women, 55 men, and 31 couples), with the largest childcare facility in Ehime catering to 39 children, ages 0 to 5 years, of 30 employees (14 female and 16 male employees). Sumitomo Chemical is encouraged that more men than women utilize its childcare facilities, which can help redefine caregiving roles and enhance gender diversity in the company, in the Japanese chemical industry, in STEM occupations, and in the larger Japanese society.

The six childcare facilities are operating at almost full capacity[2] and four of them also have a waitlist, which reflects the high demand for these services among working parents at Sumitomo Chemical. Through these facilities, the company has also created jobs for daycare managers, caregivers, cleaners, and other support staff, employing a total of 80 staff across the six facilities. All facilities have on-site physicians and most of the locations provide free health care for children as part of the government's health care program. To minimize the day-to-day administrative costs of running the daycare and to provide children the best early education and care possible, Sumitomo Chemical has outsourced daycare management to a licensed, third-party childcare provider.

The company has also established an exclusive, free of charge, on-site daycare facility in its bednet manufacturing site AtoZ Group in Tanzania, where Sumitomo employs approximately 8,000 workers. The daycare facility currently caters to 15 children, up to 2 years of age, of 15 working mothers but the facility can accommodate up to 30 children and is open to both female and male fulltime employees. Sumitomo has employed special staff to run the daycare and also provides free 500 ml of milk to each child until they are 12 months old.

> **"Knowing that I can be easily and quickly reached and see how my child is doing when my child is not feeling well gives me great peace of mind and I can better focus on my work."**
>
> **Childcare facility user**

In addition to childcare facilities, the company offers various support services for nursing or expectant mothers, including a maternity return and reemployment system, telecommuting, reduced working hours, and various forms of leave for working parents (see Box 1.2 for more details).

THE BUSINESS IMPACT OF SUMITOMO CHEMICAL'S CHILDCARE BENEFITS

Sumitomo Chemical's annual costs of providing childcare through the six facilities is approximately JPY 270,504,000 (around USD 2.3 million). This amount includes salaries of childcare center staff, meals, books, transport, insurance, and utilities. Given that 144 parents are currently utilizing the facilities, this translates into a per-employee cost of JPY 1,878,500 (around USD 16,000). Sumitomo Chemical perceives that the business benefits related to childcare, such as a higher maternity return rate and employee satisfaction and productivity, can help offset some of the costs of running the facilities.

Recruitment & Retention

Since the childcare facilities were launched in 2008, the share of women among new Sumitomo Chemical recruits in Japan has steadily increased. The percentage of women in the company's workforce has grown from 11.8 percent or 970 women out of 8,210 employees in 2009 to 13.6 percent or 1,159 women out of 8,521 employees (excluding part-time employees) in 2016 (Sumitomo Chemical, 2016a).

Targeted efforts have also resulted in Sumitomo Chemical experiencing a consistently high maternity return rate and an increase in the number of women and men taking maternity and paternity leave (see Box 1.3). In FY2009, the total number of men and women who took either or both maternity/paternity leave and childcare leave was 19. In FY2015, this number increased to 246, with an equal number of women and men taking such leaves. Anecdotal evidence suggests that although these might be the results of several complementary initiatives, childcare is an essential component of Sumitomo Chemical's strategy for recruiting and retaining the best talent and fostering gender diversity.

Box 1.3—Maternity and Paternity Return Rates at Sumitomo Chemical

Between 2004 and 2016, 329 women went on maternity leave and 294 (almost 90 percent) of them returned and were still employed a year later.

As a result of targeted measures, the number of men taking paternity leave at Sumitomo Chemical has increased, from 2.1 percent (18) in FY2011 to 9.8 percent (101) in FY2015.

Box 1.2—Different Forms of Leave

Since 2007, and with revised policies introduced in 2011, Sumitomo Chemical offers the following types of leave to its employees:

- **Paid maternity and paternity leave:** Paid maternity leave is provided in line with statutory requirements. Fathers can also take five consecutive days of paid paternity leave around childbirth.
- **Childcare leave:** All employees (women and men) can take an additional 28 days of paid leave per child until the child reaches age three. An employee can take 28 consecutive days in full, or can decide to break it up into four tranches of seven days each until the child reaches age three.
- **Maternal Health Leave:** This leave is available before and after childbirth for health-related concerns.
- **Nursing Care Leave:** Paid leave is available to employees when taking care of sick children or family members (up to 20 days per event). Unpaid leave is available to employees for up to 365 days per incident or illness when taking care of family members.

SOURCE: SUMITOMO CHEMICAL, 2016B

Recognition

Sumitomo Chemical has received positive public recognition for its support to working parents. It obtained the next-generation Kurumin certification mark in 2008, 2012, and 2015 from the Ministry of Health, Labour and Welfare (Sumitomo Chemical, 2016a) and became certified as a company that supports childcare, meets the Ministry's certification criteria, and successfully carries out action plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children.[3]

THE *KURUMIN* CERTIFICATION MARK

The company is also one of more than 1,600 companies that have demonstrated their leadership on gender equality by signing on to the seven Women's Empowerment Principles (WEPs), a global joint initiative of the UN Global Compact and UN Women. The WEPs initiative emphasizes the business case for investing in women and provides businesses guidance on how to support women in the workplace, marketplace, and community.

LESSONS LEARNED & NEXT STEPS

For Sumitomo Chemical, investments in childcare and related benefits are part its efforts to retain working parents and help them improve their work-life balance. This feeds into the company's overall goals of fostering gender diversity in its workforce and leadership as well as in Japan's STEM industry.

Moving forward, Sumitomo Chemical recognizes that its childcare facilities are operating at almost full capacity and the demand for childcare services will further increase. The company is now in the process of discussing how best to move forward to meet the increased demand for services. It is also considering collecting more comprehensive gender-disaggregated data on the success of its existing daycare facilities, including data on employee satisfaction and retention, and using this data to strengthen the case for expanding childcare support to meet the growing demand.

Endnotes

1 The information presented in this IFC Tackling Childcare "mini" case study is based on data gathered throughout 2017 in collaboration with Sumitomo Chemical's Japan HQ as well as on interviews conducted by IFC Gender Secretariat's Women's Employment Specialist Rudaba Zehra Nasir with Jung Eun (Angela) Lee, Manager at Sumitomo Chemical America.

2 This can vary as different age groups have different staff-to-child ratio requirements.

3 For more information on the Act, please visit the Japanese Ministry of Health, Labour and Welfare's website: http://www.mhlw.go.jp/english/policy/children/children-childrearing/dl/150407-01.pdf

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