

# Higher Education Financing in Japan: Changes and Outcomes

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# Objective

To address

- the basic model of Japanese higher education (HE) financing systems,
- the main changes occurred in the financing systems, and
- their influences on Japanese HE.

# Outline

- Characteristics of Japan's HE
- Japanese HE Financing
- Drivers for Changes
- Changes in Japanese Financing Systems
- Influences and Outcomes of Japanese Financing
- Conclusion

# Characteristics of Japan's HE

- It has moved to near universal access to HE, with its gross enrolment of nearly 80 % of the aged group as of 2015.
- Differing from both European countries and the USA, the share of the private sector accounts for more than 70 % of both total institutions and student enrollment nowadays.
- There are the national, local public or municipal/prefectural, and private sectors in its system. The three sectors are expected to play different roles and fulfill diverse functions. The vast majority of private sector are involved in educational activities, with more faculties of humanities and social sciences. The national universities are expected to facilitate the advancement of basic, applied, and large-scale scientific research, and undertake more research activities. The public sector focuses on the production of graduates for the regional economic development and engages in service activities for local community..

# Japanese HE Financing

- In terms of the proportion of private contribution, Japan rose to 1.0% of GDP, higher than the average proportion (0.4%) of individual OECD countries by 2015 (OECD, 2015, p. 235).
- As of 2015 the percentage of public sources in Japan only comprises 34.3% of the total, whereas the percentage of all private sources accounts for as high as 65.7% of the total, among which the percentage of household expenditure reaches 53.4% (OECD, 2015).
- Among all the OECD countries, Japan was one of the countries in which the most expensive tuition and fees were charged.

- By sector, the central government allocated over 90% of national universities' funding, especially prior to March 2004 when all national universities became national university corporations. More than half of local public universities' revenue comes from local authorities. In contrast, although the central government has provided some financial support to private universities since 1973, the proportion of public subsidies makes up of less than 20% of their total revenue.
- Furthermore, clear differences in funding mechanisms are identified not only between the three sectors, but also within each sector. The budgeted funding varies even within the same sector of universities depending on their history, traditions, academic and social prestige, sizes of student enrollment, missions, national policies, and so forth.

- From the perspective of student service, Japan has developed various programs for different types of students. On 1 April 2004, the Japan Student Services Organization (JASSO) was founded. Currently, it mainly provides four programs to prepare an environment suitable for both Japanese and international students to study in either Japanese or foreign universities. They include Scholarship Loan Programs for Japanese Students, Support Programs for International Students, Programs and Activities of Promoting Japanese Students to Study Abroad, and other Programs for International Student Exchange.

# Drivers for Changes

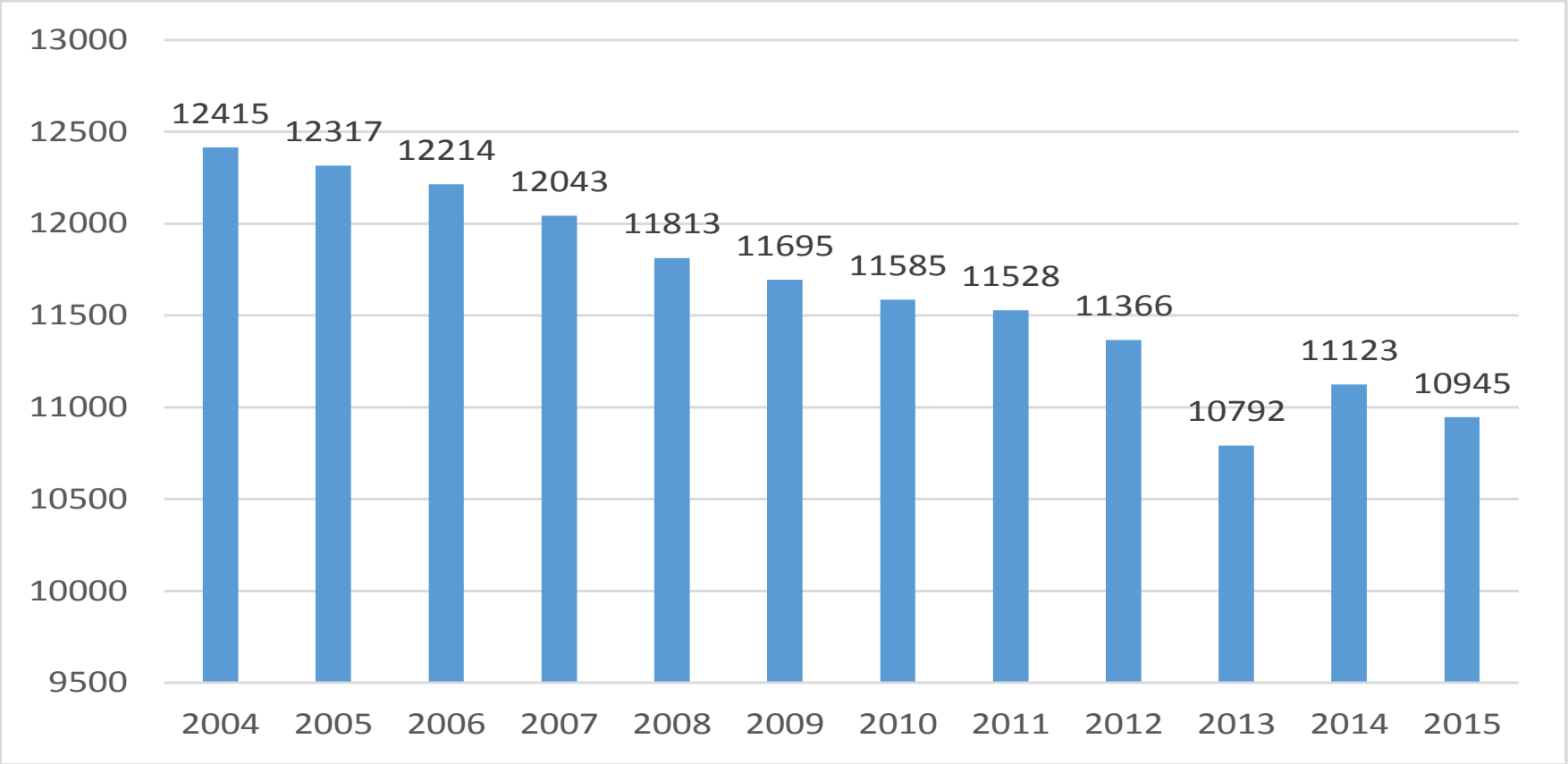
- At a global level, factors include an increased influence from economic globalization and knowledge-based society, global trends in marketization and privatization, and a growing international competitiveness of the quality of teaching and research activities.
- From a domestic perspective, Japan is concerned with the steady decline in the 18-year old population, the deregulation of HE, the long-standing backdrop of economic slump, the quest for more internationalized universities and top-ranked universities in the world, and a further implementation of structural reforms on HE systems.



# Changes in Japanese Financing Systems

- The incorporation of national universities in 2004, followed by a similar incorporation of public universities, has resulted in considerable changes in the financial structure of Japan's higher education.
- On the one hand, there has been a steady drop in the amount of government expenditure in both national and public sectors, while individual national and public university corporations have been given more freedom to charge tuition and fees according to their chosen level. On the other hand, government has increased the amount of competitive funding, including both research project grants and special budgets for a variety of projects or programs related to educational activities

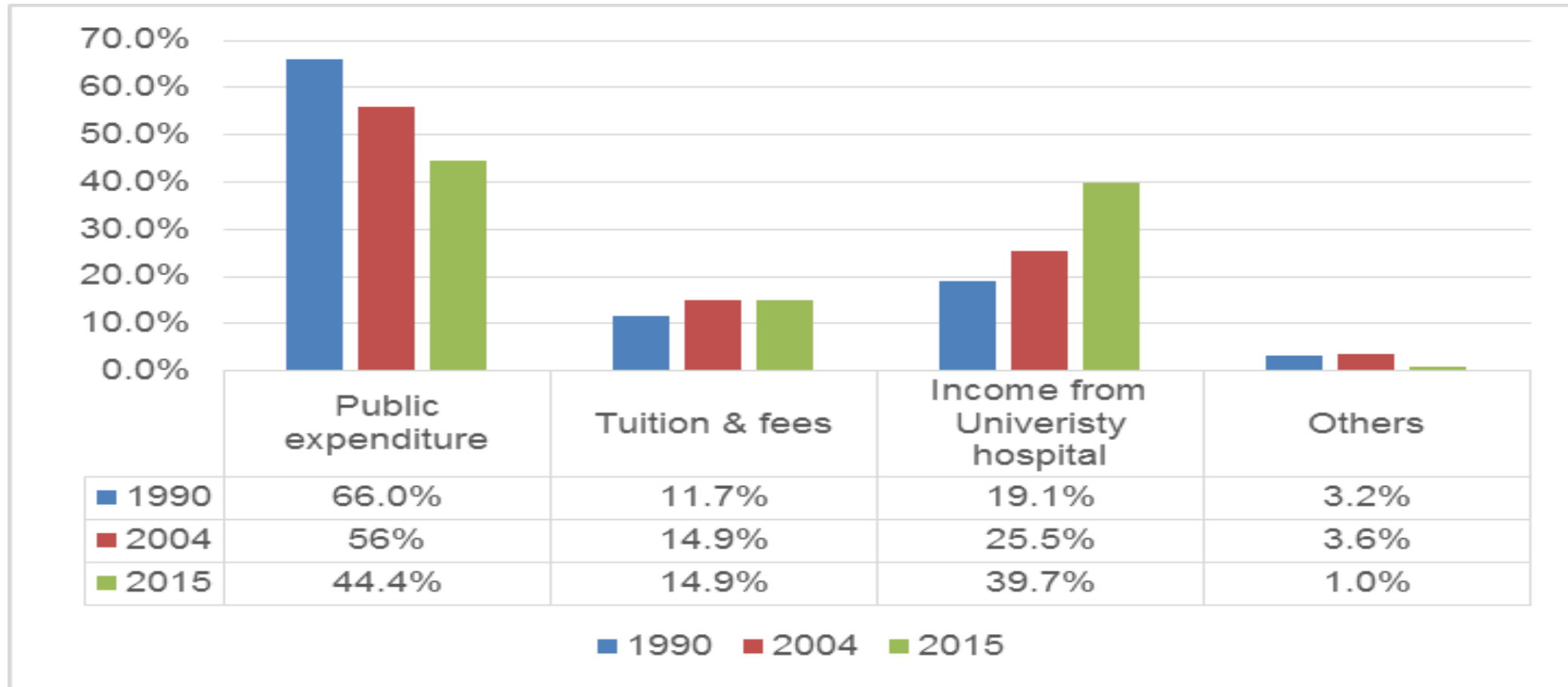
Fig. 1. Changes in the amount of Management Expenses Grants for National University Corporations (Unit: 10 million).



Source: MEXT (2004-2015). With author’s modifications.

As indicated in Figure 1, the amount of national budget for the same number of national university corporations was decreased from 124,150 million JPY in 2004 to 109,450 million JPY, reducing by approximately 1% of the total grants from government each year.

Fig. 2. Changes in annual revenue of national university 1990-2015.

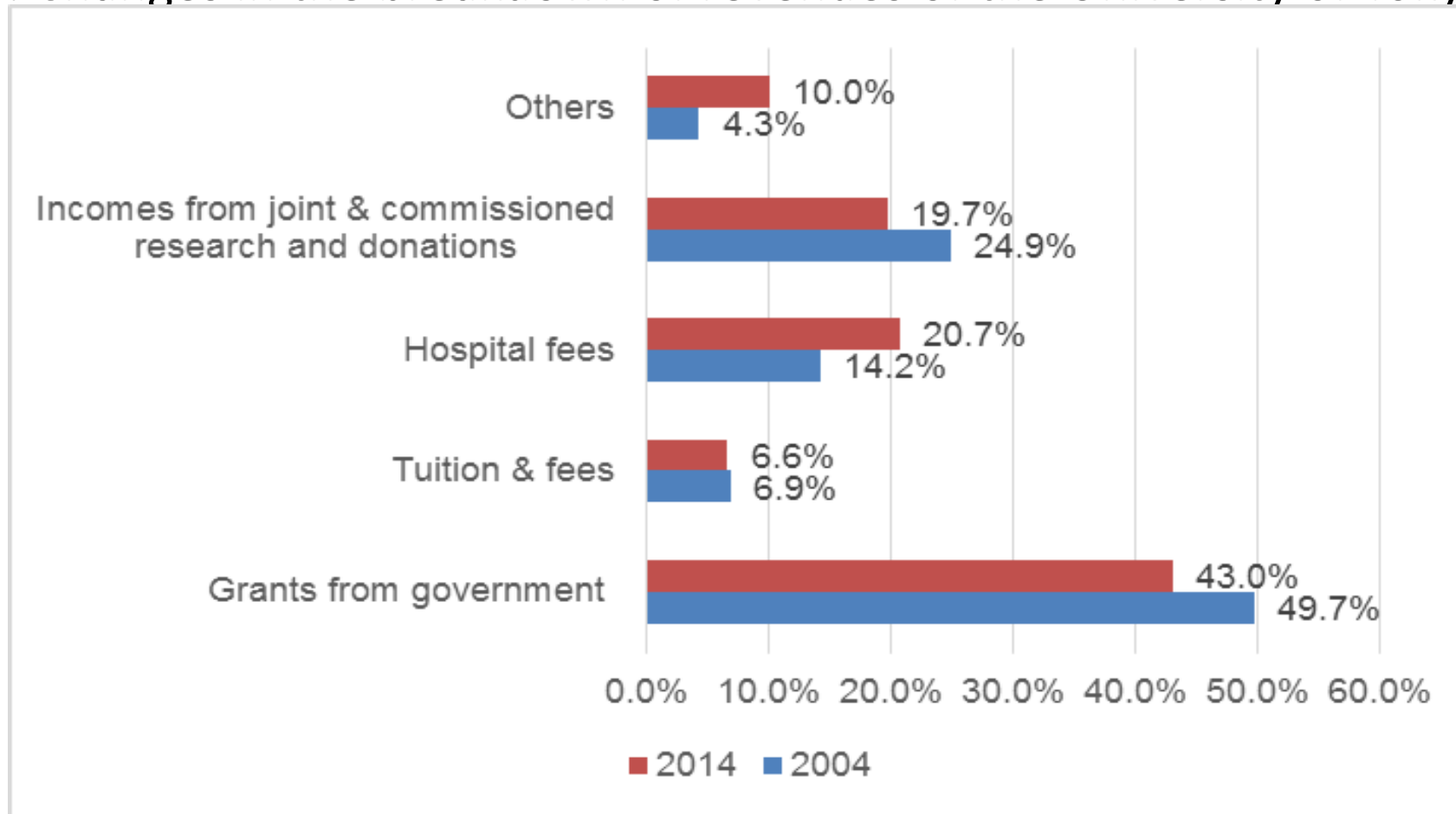


*Note:* Public expenditure includes operating budget, competitive research grants, and others.

*Source:* Center for National University Finance and Management (2001), and MEXT (2015a).

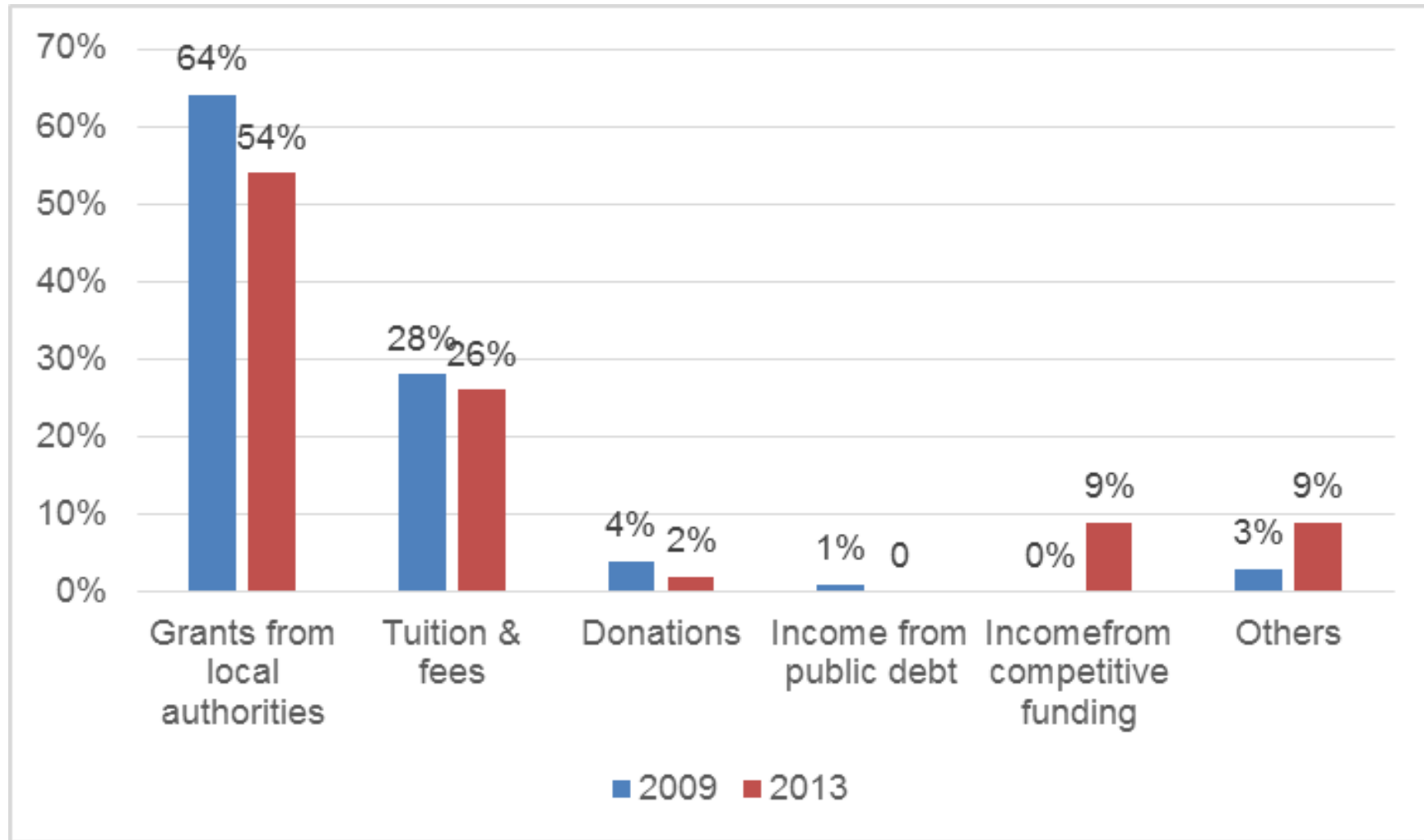
- As indicated in Figure 2, there was a steady drop in the proportion of public expenditure and a rise in the proportion of income from university hospitals and tuition & fees in national university from 1990 to 2015.

Fig. 3. Changes in the breakdown of revenues of the University of Tokyo 2004-2014



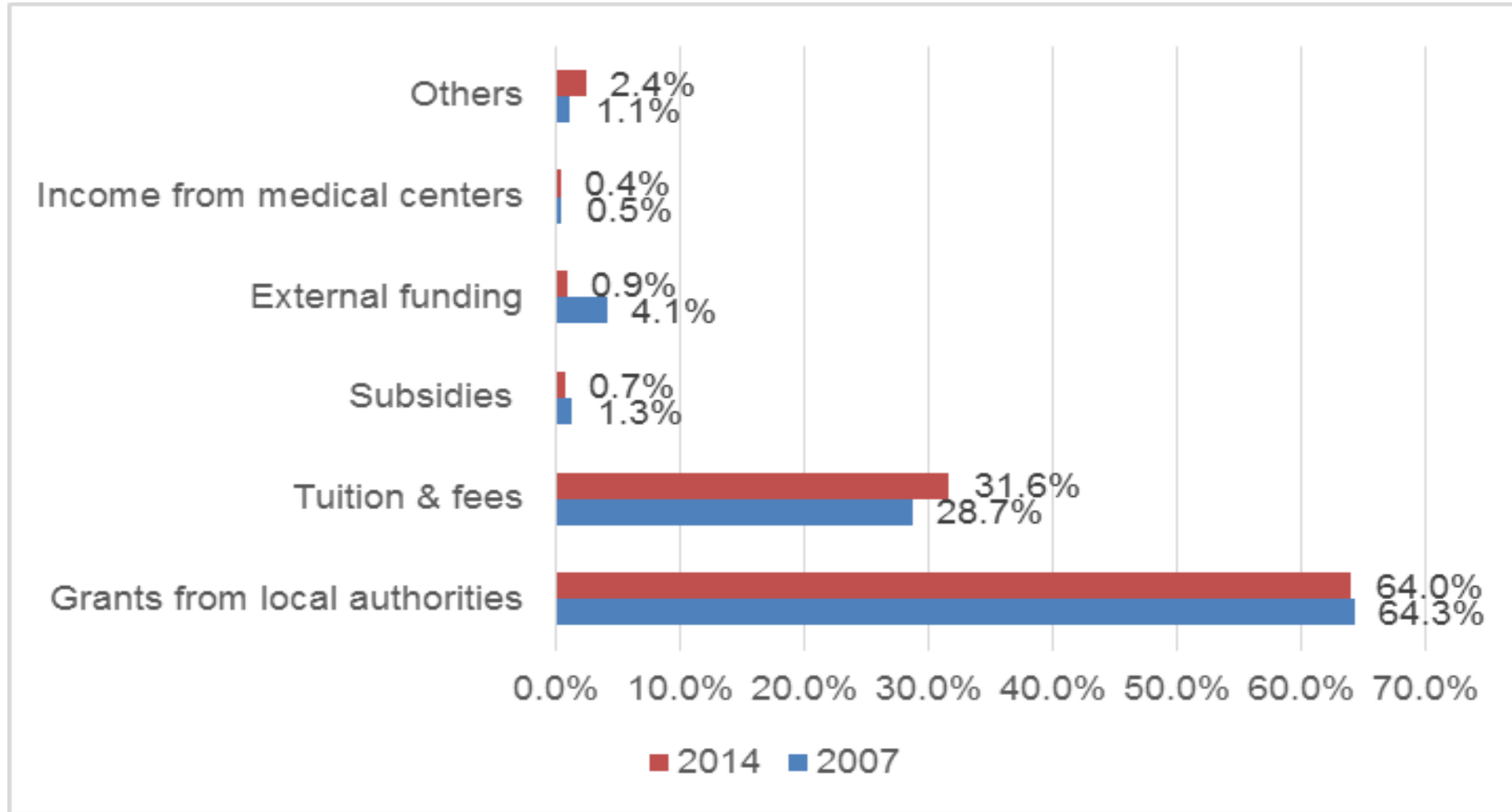
- The case study of the University of Tokyo also suggests that there has been a drop in the share of government grants and a growth in the share of self-generated incomes, especially university hospital fees. As indicated in Figure 3, the proportion of government grants received by the university over the past decade decreased from 49.7% to 43.0%, while the proportion of hospital fees increased from 14.2% to 20.7%.

Fig. 4. Changes in the breakdown of revenues of local public university 2009-2013



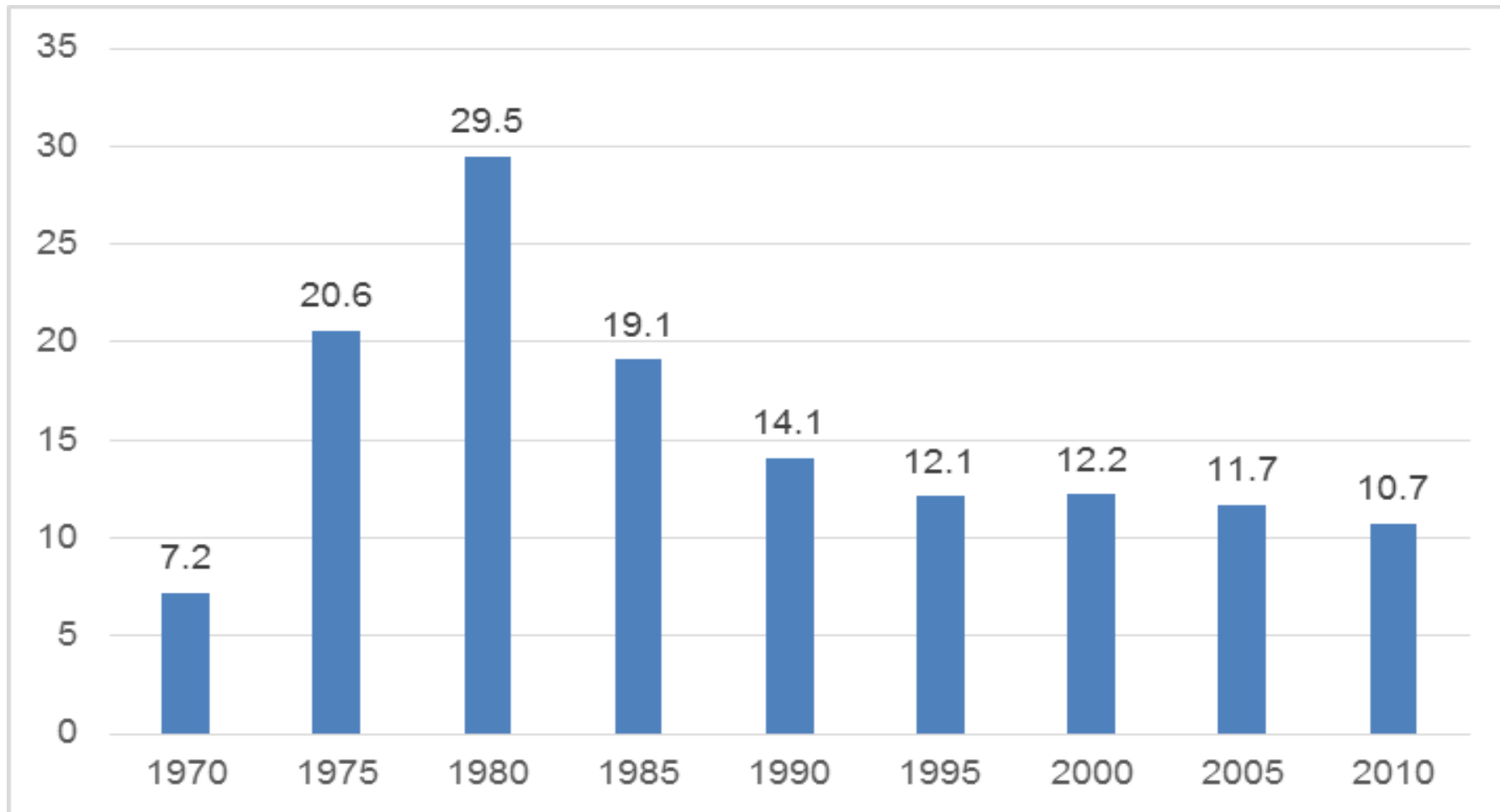
- Figure 4 shows that with a drop in the proportion of grants from local authorities from 64% to 54% of total revenues for the past four years alone, there has been a rise in the proportion of income from competitive funding and other sources over the same period.

Fig. 5. Changes in the breakdown of revenues of Prefectural University of Hiroshima 2007-2014.



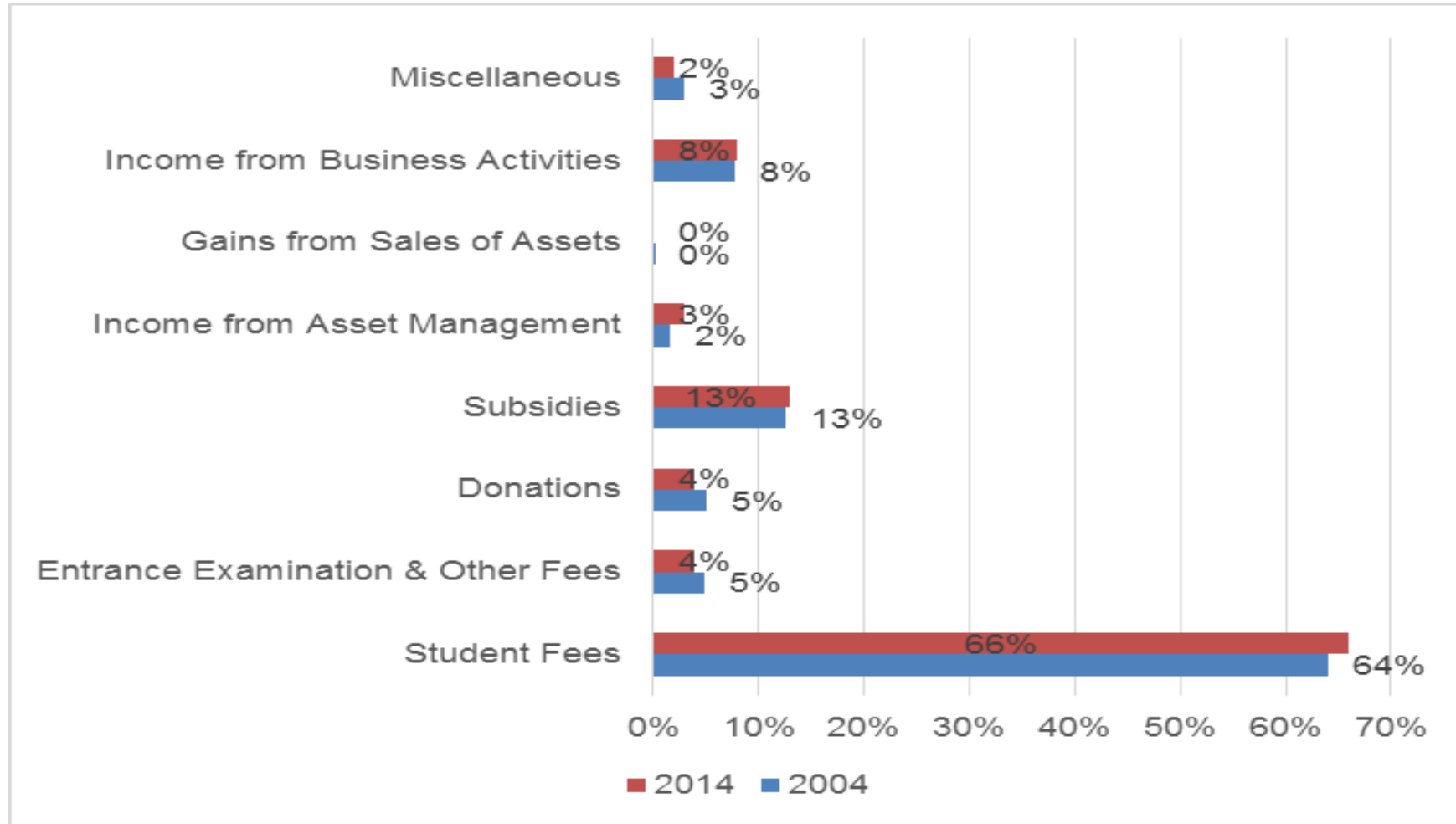
- The case of Prefectural University of Hiroshima also provides a similar trend of changes in the breakdown of revenues of local public universities. As shown in Figure 5, from 2007 to 2014, with a tiny decline in the proportion of grants from local authorities from 64.3% to 60%, there has been a corresponding increase in the proportion of incomes from other channels, rising from 1.1% to 2.4% of the total revenue.

Fig. 6 Changes in the proportion of grants from government to private higher education institution 1970-2010 (percent).



- Figure 6 indicates that the proportion of grants from government accounted for nearly 30% of total private higher education revenue and reached its peak in 1980, but has begun to decline continuously, constituting only 10.7% of the total in 2010.

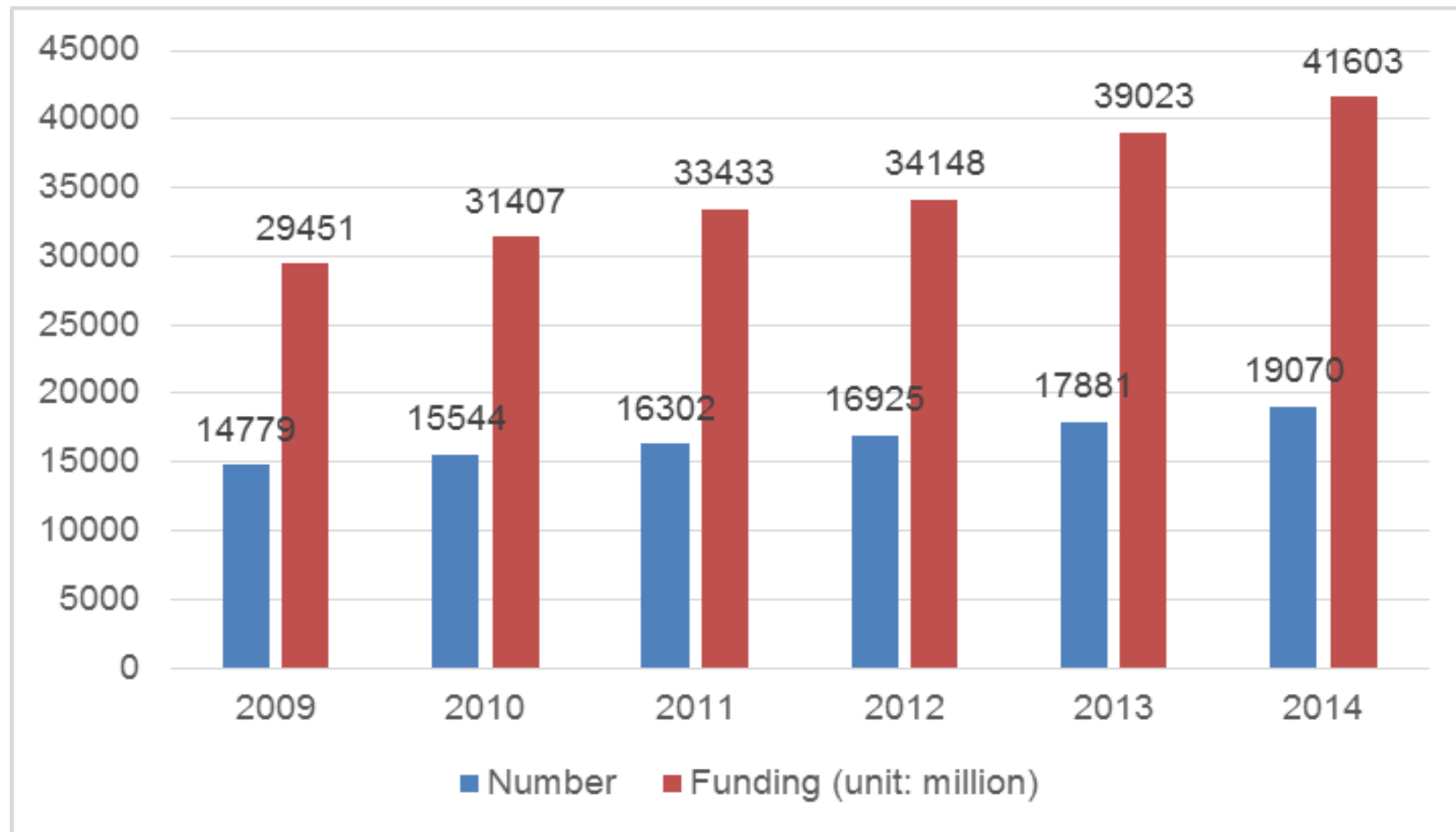
Fig. 7. Changes in the breakdown of revenue of Waseda University 2004-2014.



- The case of Waseda University reveals that while there appear to be no radical changes in subsidies or grants from government or business activities, the proportion of student fees has increased from 64% of the total in 2004 to 66% of the total in 2014. This implies that even in the leading private university, there has been a tendency to charge more tuition from students to maintain its operation.

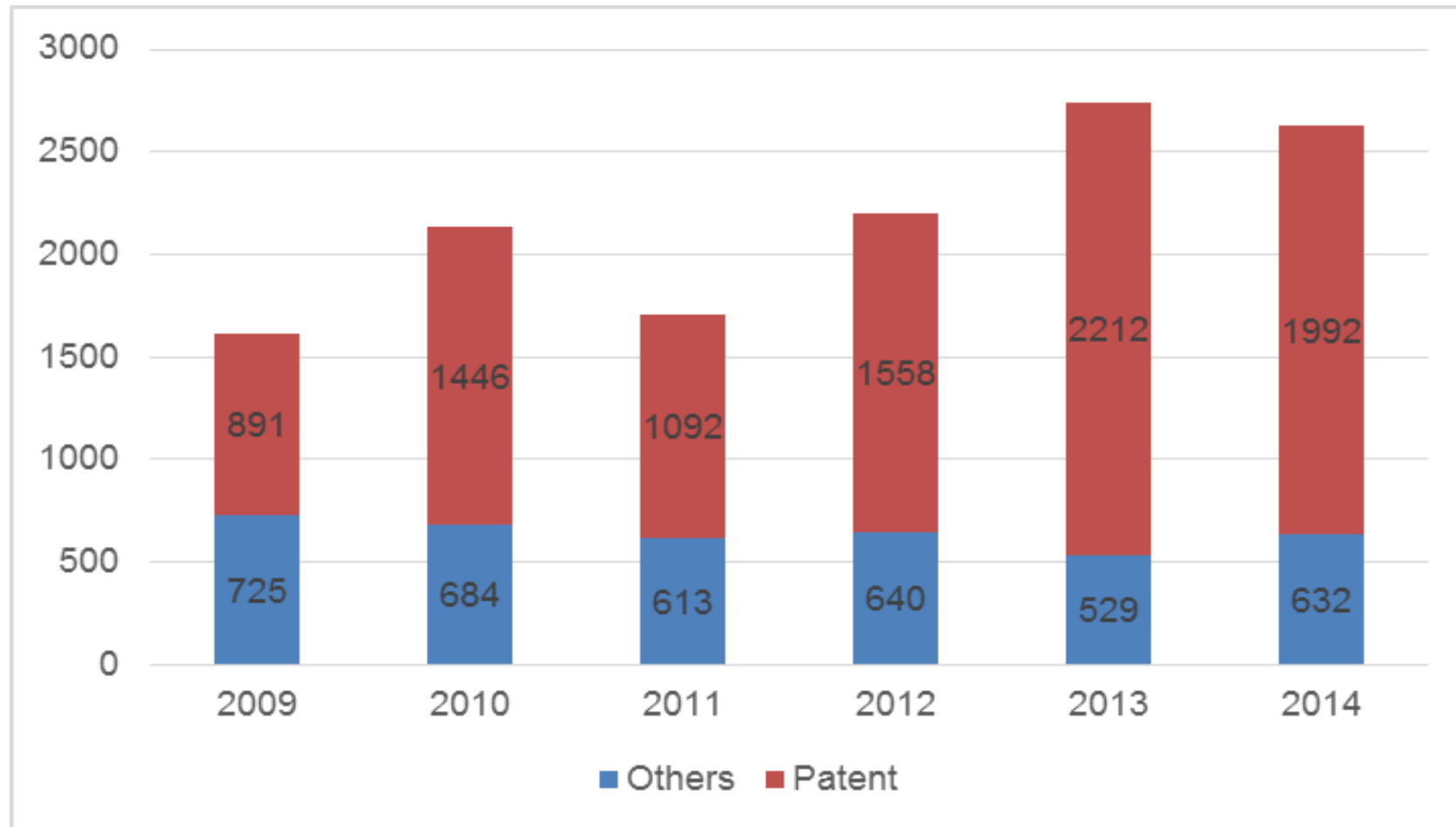


Fig. 8. Changes in the number of joint research projects with private industry and amount of funding from these projects 2009-2014.



- Figure 8 shows that there has been an obvious and steady growth in the number of joint research projects collaboratively undertaken by universities and colleges and private industry, increasing from 29,451 in 2009 to 41,603 in 2014. Meantime, the amount of funding from these joint research projects has also grown from 29,451 million to 41,603 million over the same period.

Fig. 9. Incomes from patent and other intellectual property in all higher education institutions (Unit: million).



- Figure 9 suggests that although there has been a decrease in the amount of incomes generated from other intellectual property between 2009 and 2014, the amount of incomes from patents has increased by more than three times, rising from 891 million JPY to 1,992 million JPY over the same period.

# Influences and Outcomes of Japanese Financing

- It has contributed to the realization of near universal access to HE. With a transition from mass HE to near universal access to HE, by employing financial means, the central government has tried to diversify both structure and functions of Japanese HE.
- It has also partly helped the formation of several top-ranked universities in the world like the universities of Tokyo and Kyoto. Especially in recent years, by adopting the policy of Selection and Concentration and allocating additional funding to several selected universities, Japan has established a vision to build up several world-class universities in the near future.

- Differently from many Western countries such as the UK, Australia, Canada and the USA, it has contributed to the acceptance of more and more international students by providing a variety of financial support, including government scholarships, to international students. On the other hand, it has also taken into consideration ways to encourage Japanese students to study abroad through various programs.
- It has maintained the minimum level of quality of private universities through the allocation of public subsidy on them.
- The changing pattern of HE financing has stimulated a closer partnership and collaboration of both universities and colleges, especially national university corporations, with private industry in terms of joint research and commissioned research, as well as obtaining external funding.

- The university sector, including national university corporations, is expected to compete for research project grants and establish more linkages with industry and other sectors to diversify sources of funding. It has inevitably led to an increasing competition of public funding, financial support from industry, tuition and fees from students, and revenues from other channels.
- In addition, it has facilitated and will more stimulate the hierarchical structure of the Japanese HE. It has especially widened the gap between national university corporations, public university corporations, and private universities in relation to their academic and social status and financial situation.

# Conclusion

- The changes occurred in Japanese financing may be considered to be responses made by both government and individual institutions to deal with challenges at both national and global levels.
- The importance of public expenditure, especially grants from the central government, to the operation, quantitative expansion, and quality assurance of all the sectors and types of HE institutions cannot be overestimated. The obvious and strong role played by the central government on the scale of each sector and type of HE institutions, frameworks of quality assurance, and governance arrangements at an institutional level, and so forth can be considered to be one of the most striking characteristics of Japanese financing systems compared to many Western countries such as Australia, the UK and the USA.

- Despite the fact that market forces increasingly influence Japanese HE, the government still provides some financial support to all sectors and types of HE institutions. In effect, the government has changed its relationship with individual universities and colleges and has begun to exert its influence in a new form.
- It is difficult to predict what new changes will occur in the Japanese financing systems in the future; however, there is little doubt that more diversified, transparent, and accountable frameworks of HE financing in Japan are being pursued and constructed.

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Thank you!