

An Overview of the Higher Education System in Japan

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National, Public and Private Universities

Compared to European countries, Japan has a huge population of around 120 million. Thus, its higher education population and higher education system are large. There are more than three million students enrolled at Japanese universities and junior colleges at present. About 50% of high school graduates at the age of 18 enter universities or junior colleges. These institutions are run either by the public or private higher education sector. The public sector institutions consist of national and municipal institutions, but it is the private sector that has become the larger part of the system. There are currently 87 national universities, 76 public universities and 582 private universities across the country. More than 75% of students are studying at private universities, which is a huge proportion compared to the 20% of American students enrolled at private universities in the United States.

Since the late 19th century, Japan's government has established and supported national universities whose aims have been to train senior bureaucrats, engineers, academics, medical professionals, and lawyers destined to become leaders in their respective fields. Among the seven flagship national universities in the regions, the most prestigious and largest has been the Imperial University of Tokyo, now the University of Tokyo.

The equally long history of the private universities has also produced political, commercial, and social leaders, with some private institutions initially established by ambitious individuals, social reformers, entrepreneurs, and religious groups. While

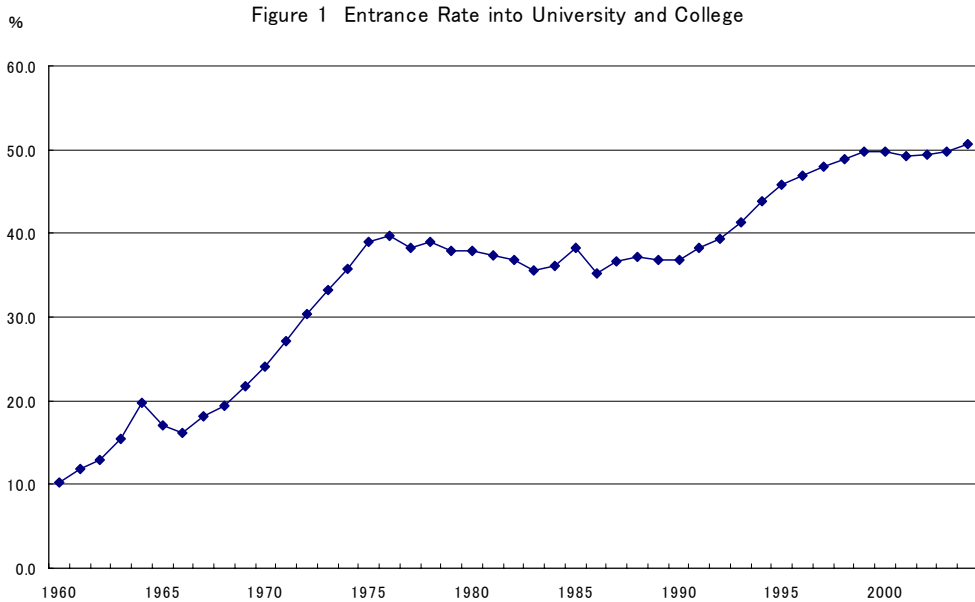
private institutions cover all areas of study, they have traditionally focused on the humanities, social sciences, business and law because they have had insufficient resources to provide higher cost education in, for example, natural sciences, engineering and medical sciences. From the beginning, private institutions have not received government subsidies and their main source of revenue has been tuition fees. They have always suffered financial difficulties, which has resulted in a poorer quality of teaching in private universities compared to national universities. This has continued until the present and is reflected in the statistics on the number of academic staff in each sector: there are 60,000 teachers in national universities and 92,000 teachers in private universities, despite the fact that three quarters of all students are in private institutions.

Higher Education Expansion in the 1960s and 70s

Figure 1 shows the changes in the college entrance rate for the 18-year-old population bracket since 1960. Unlike most European countries, Japan had already experienced higher education expansion in the 1960s and 70s. Facing the huge demand for higher education at that time, the Ministry of Education, which lacked sufficient resources for expanding national universities, loosened regulatory control to allow easier establishment and expansion of private universities. National universities have for a long time been under the control of the Ministry of Education because they have been parts of government agencies. Private universities too, despite their autonomous status, are still under the strict supervision and control of the Ministry.

One of the concrete means by which the Ministry exerts its control over the private universities is the legislation “Standard for the Establishment of Universities”, which specifies the many rules that universities must abide by when seeking Ministry approval to establish or expand a university. The legislation stipulates the standard that university must meet, for example, in terms of the number of students, degree requirements of academic staff, number of teachers, number of books in the library, square footage of the campus building per student, and so forth. It usually takes several years to satisfy these requirements and open a new university. However, the Ministry gave up some degree of its control in the 1960s and 70s, such as admitting less qualified teachers as regular academic staff, so that it could respond quickly to the need to establish private universities and so that the newly established private universities could absorb the huge demand for higher education. This *laissez-faire* policy toward the private institutions predictably caused two problems later on: higher

cost for higher education opportunities passed on to the populace and poorer quality of higher education.



Before 1970, private institutions received no subsidies from the central government. However, during the era of expansion, since private institutions faced severe financial problems partly because of strong student opposition against rising tuition fees and partly because of huge loan payments for capital investment for new campus land and buildings, the central government started providing subsidies for private institutions in 1975 for the first time in the history of higher education in Japan. The legislation “Promotion and Subsidization for Private Institutions” allows for government subsidies of up to 50% of the current expenditure of private institutions, although this figure has never actually been achieved. The Ministry has subsidized private universities for thirty years now and the amount of public subsidies currently stands at 12% of the total current expenditure of private institutions. These subsidies have been in the form general block grants, but recently have shifted more to project-based allocations.

Public subsidies have helped the private institutions to regain some financial health and also to improve the quality of education provided there. However, in the early 21st century, the private universities have faced a quite different financial difficulty caused by a decrease in the population of 18 year olds. To provide higher

education and manage organizations financially, private universities have to depend heavily on tuition fees as the main source of revenue, especially since revenue from other sources such as interest from endowments, gifts, and other auxiliary activities is lacking. In such a situation, some private institutions that cannot attract enough enrollees are expected to go bankrupt and to close in the next few years.

It is traditionally recognized that the government should be responsible for providing higher education opportunities. The government has therefore opened national universities in every one of the 47 prefectures to train primary and secondary school teachers, medical doctors, and other professionals. Until the early 1970s, the tuition fees for national universities were low at about eight Euros per year. But the tuition fees for private universities have always been relatively high. In Japan, private universities have played a role to provide higher education opportunities for the masses while national universities with lower tuition fees have been functioning as elite training schools for nation building. This is one of the contradictory aspects of the Japanese higher education system. To compensate for tuition fee hikes in both national and private universities, the government has recently begun to provide more student loans.

Undergraduate and Graduate Education

When only a small number of students had opportunities to enter higher education, the universities used to function as training grounds for national leaders in areas such as politics, economics, academia, and administration. However, in an age when half of the same age cohort is enrolled in higher education institutions, universities are now expected to respond to the various needs of students. Each university is expected to have a distinct institutional identity and the system as a whole should be diversified.

The government expects universities to achieve functions such as (1) world-class centers of excellence, (2) fostering professionals with advanced specialized skills, (3) fostering professionals in various fields, (4) comprehensive liberal arts education, (5) education/research in specialized areas such as arts or sports; (6) centers for life long learning in the community, and (7) contributions to society, such as industry-academia cooperation, international exchanges, and so forth.

All universities, whether national or private, select their entering students by an entrance examination conducted by a national agency and by its own, which are generally achievement tests of Japanese language, foreign languages, social studies, math, and sciences at the high school graduate level. The process of selection differs

among universities and fields of study: the most selective is the University of Tokyo, and the other national flagship universities follow. Some traditional private universities are also highly selective in their choice of enrollees. At the other end of the scale, however, even the least competitive students can now enroll without difficulties in the current climate. Among departments, the departments of medicine are highly selective in both national and private universities. National universities are more difficult to enroll in than private universities because the former have a better quality of teaching on the one hand and a lower cost of education on the other. There are more teachers per student in national universities and tuition is about 3,300 Euros, rather than 6,000 Euros in private universities.

The stringent entrance examinations have forced students to engage in time consuming preparation and have led to the enrollment of highly able students, making it easier to educate them and for them to learn independently. It is because of the current sellers' market that the universities and university professors have lost enthusiasm for teaching and have become oriented toward research (although it does not hold they are all first-rate researchers either). Academic staff both in national and private universities tend to regard themselves as researchers rather than teachers. This is creating dissatisfaction among students, educational reformers, and policy makers. Recent university reforms emphasize teaching at the undergraduate level as well as institutional research activities. The increase in numbers of non-traditional students, mature students and international students who are more concerned about the merits of higher education is also one reason why universities must make serious attempts to be more education-oriented institutions.

Most students go to university at age 18 and most graduate four years later. The dropout rate is not so high, about 10 to 20% at most. After undergraduate education, some students continue to study at graduate school, which involves two years for a master's course and then three years more for a doctoral course. This structure of graduate program is similar to that of the United States, although there are far fewer Japanese graduate students: 8.6% of students in Japan are under-graduate students compared with 13.6% in the US. There were about 100,000 graduate students in 1991, but this number has grown steadily to more than 250,000 students enrolled in master's and doctoral programs in 2005.

The Ministry of Education recently tried to enhance the functions of education and research of graduate programs in order to promote global competitiveness and to secure international validity and reliability. Graduate school education has hardly been well organized or structured, although the eagerness of professors who educate

their graduate students as their own successors has compensated for the systemic failure. However, recent reform initiated by the Ministry emphasizes that graduate education should be course-oriented, providing clear definitions of educational goals, terms of study, structure of curricula, and the process of degree earning such as course work, guidance in theses writing, and examination of academic dissertations.

After finishing a master's program, some students enter the labor market to work in the public or private sector. Doctoral students, however, tend to have difficulty to securing employment except academic profession. But the market of academic profession is not big enough to absorb doctoral students. So there is a serious problem in that some students have fewer opportunities of employment in areas that properly reflect their qualifications.

Quality Assurance and Evaluation

The Ministry of Education has controlled the establishment of universities since the 1950s. This control has a quality assurance function in higher education institutions. Before opening a new private university, the Ministry examines the application for establishment with regards to the quality of teaching, facilities and equipment, and other conditions of education. If the Ministry judges the level of quality unsatisfactory, it can refuse to grant approval to open. The quality assurance of universities has depended on Ministry control for a long time, but once open, private universities have some considerable freedom to manage the provision of their higher education opportunities. Thus, to assure the continuation of quality after establishment, in the 2000s quality assurance is now determined by evaluation.

Quality assurance of higher education and evaluation as a means to achieve higher quality are important issues in the recent university reforms. Until recently, there has been more demand (applicants) than supply (the capacity of universities and junior colleges) in the higher education market, so the quality of students has, to some extent, been assured by implementing selective entrance examinations. However, now that the supply exceeds the demand in this market, some students are being allowed to enroll without sufficient basic knowledge and learning skills to study there effectively. The quality assurance of higher education is also an important issue for institutions to manage as international cooperation and competition continues to increase, such as increases in the number of foreign students studying in Japan, Japanese who study abroad and students on exchange programs.

The Ministry of Education well acknowledges that it has responsibility for

arranging the higher education system of quality assurance and operating it effectively in order to provide higher quality education for students and to secure international validity for Japan's higher education. In the present system, all universities, both national and private, should carry out self-monitoring and self-evaluation, and should make the results public in efforts to improve and enrich their levels of education and research activities. This should go hand-in-hand with the efforts they make in their evaluations by the Organization for University Evaluation which is certified by the Ministry of Education. Mainly three organizations are engaged in the evaluation of universities: one is national institute and the others are private or voluntary ones.

The achievement by national universities of a mid-term target and plan must also be evaluated at the end of a six-year mid-term period. This evaluation is very comprehensive, including both self-evaluation and third-party evaluation, and it covers the evaluation of achievement not only for mid-term goals and targets, but also the level of education and research activities, and individual research outcomes. This evaluation system requires tremendous energy and time from the academic and administrative staff involved, and it is often pointed out that the system ironically deteriorates the level of education and research activities in universities. Tradition and experience of self-evaluation and third-party evaluation have been relatively lacking in the world of Japanese higher education, and the new emphasis on quality assurance will place a heavy burden on higher education institutions.

The introduction of quality assurance in higher education follows the government's plan for deregulation in various areas, from ex-ante regulations to ex-post-facto checks. However, in light of a recent case of misconduct at a private for-profit university, the Ministry considers that regular evaluation is not sufficient and that the examination before establishment should still be done in order to maintain the quality of higher education.

Latest Developments in Higher Education Financing in Japan

The government expenditure for higher education relative to GDP is rather smaller than that of other developed countries. Figure 2 shows the government and private share of investment for higher education in eight countries. Although Japan's total expenditure is comparative to that of Germany, the UK, and France, Japan's government spending is smaller. This means that investment in higher education depends on households and enterprises. The larger share of private investment is a reflection of the larger private sector in higher education which receives less money

from the government.

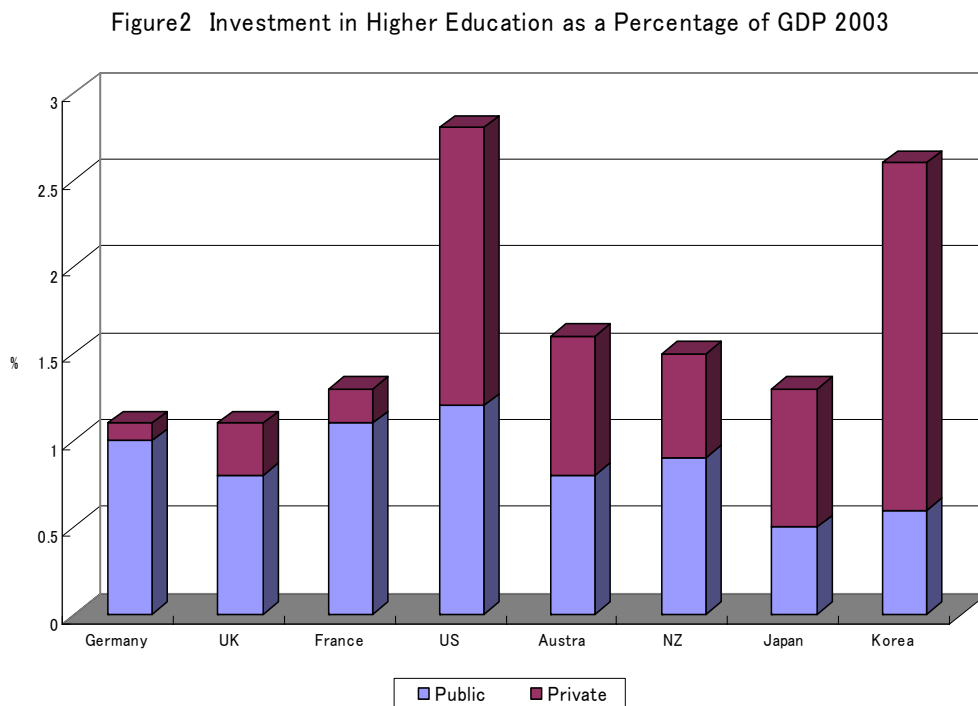
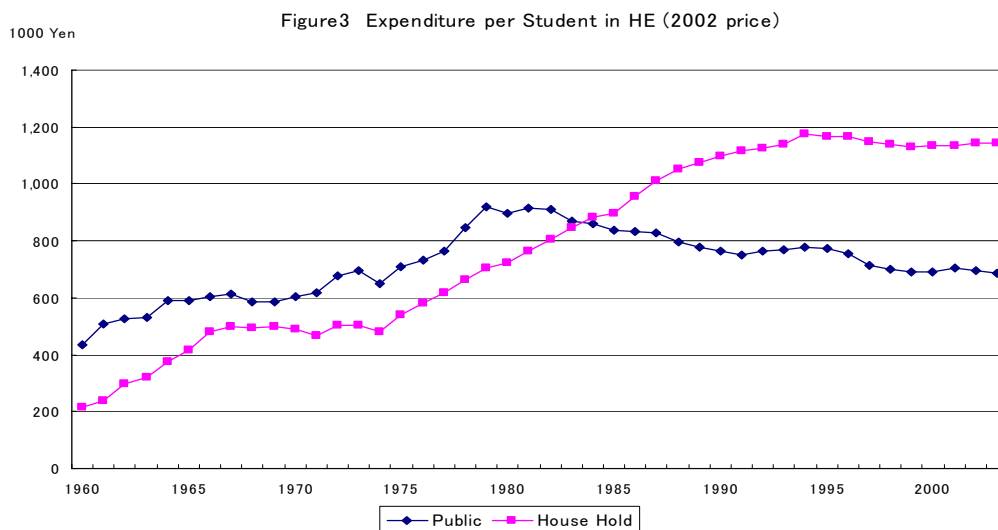


Figure 3 shows the expenditure per student, taken from both government and other sources, is provided mainly by households. Before 1984, government expenditure was higher than household expenditure for higher education, but thereafter the household burden has taken the larger share. The household burden started to increase after 1975, which explains why the college entrance rate stopped growing during the late 70s and 80s.

Since the spring of 2004, each of Japan's 87 national universities has been given an independent corporation status. Before that, national universities were state-owned institutions controlled by the government for over a hundred years. Both faculty members and administrative staff were civil servants, although the former were mainly chosen by peer faculty members. The universities' assets were owned by the State and the Ministry of Education allocated to each national university its earmarked budget which had to be spent by the end of the fiscal year.



This old system was changed in April 2004 when national universities became state's agencies, and while still part of the public sector they are expected to be independently managed under the strong leadership of university presidents. Although the Ministry of Education still approves the mid-term target and plan, each university can now set its own goals. University staff are no longer civil servants, their salaries can be determined by each university, not by the national standard of payment. University assets now legally belong to the university although they are still under the control of the Ministry.

The Ministry of Education funds approximately half of the universities' current expenditure as a block grant which is allocated according to the number of academic staff and students. Each university raises the other half of its income from attached hospital revenue, tuition fees, competitive-based project grants, gifts from private donors, research contracts with local governments and private firms, and so forth. The university can use the funds at its discretion, make surpluses, and carry them over to the following year. The university can set its tuition fee up to 10% (20% from 2007) higher than the Ministry's designated standard, which is about 3,300 Euro a year, regardless of the field of study.

Since the Ministry has decided to decrease the amount of block grant by 1% every year for the next few years, institutions are individually responsible for spending less and earning more. To compensate the current decrease, the Ministry tries to swell the several types of research funds available to universities. One such fund is the Subsidies for Scientific Research, which has a 60-year history and amounted to

approximately 1.2 billion Euro in 2004. It has been increased by 70 million Euros every year since 1992. The research subsidies, which are offered to researchers in both national and private institutions, are distributed through the process of researcher application and peer review.

The Ministry has changed its resource allocation policy from one based on the number of staff and students to one that is more competitive and project based. The Centre of Excellence (COE) program is symbolic of this policy shift, which allocates research funds to several core universities in selected fields of study in order to foster and reward world-class institutions.

The current national university reform seems to mirror what is happening in some European countries: strengthening international competitiveness of both universities and the economy by using less government money for higher education through a combination of various means; deregulating institutional management by concentrating authority with the university president, by government target-based control through evaluation of achievement, and by emphasis on the new public management system and accountability to stakeholders.

This university reform aims to enhance the quality of teaching and research, improve institutional responsiveness to social needs, and promote diversification of universities. An evaluation of the university reform is premature, but one apparent result is a tuition fees hike at national universities. National universities have traditionally offered higher education opportunities to students from less affluent families by keeping tuition fees low. But some universities have recently begun to raise these fees to compensate for the decrease in the government block grant.

The OECD report classifies the four types of university governance as shown in Table 1. Through the 2004 reform, Japan's national university system has shifted from a state-owned to an agency-of-state system. In the recent trends toward decentralization, deregulation, small government, managerialism, and new public management, there are relatively few state-owned systems in European countries. Finland is one example of state-owned system, although even there institutions have been given more responsibility in financial and personnel management.

Table 1 Some Characteristics of National Systems of Governance

Type of system	Key characteristics of higher education institutions				
	Legal entity	Structure and Plans	Staff	Assets	Funding Sources/ Commercial freedom
State owned	Public Sector	State Determines	Civil Servants	Owned by State	State budgets no scope to make or retain surpluses
Agency of state	Public sector but separate legal entity	State Approves	Key staff are appointed by State and pay and conditions set nationally	Funded by State which controls disposals etc.	Predominantly core funded; limited power to raise income and create surpluses
State/private Partnership	Private sector but subject to state controls	State consults and can influence (through funding)	Institution employs with States influence or controls	Privately owned, but some funding by State	Both core and contract income; can generate and retain own income
Private/State	Private sector	State has little Involvement	Private	Private little state funding	Contract and commercial income

Source: OECD, *On the Edge: securing a sustainable future for higher education, 2004*

Summary

One of the characteristics of the Japanese higher education system is that the private sector quantitatively occupies a larger part than does the public sector; more than 75% of students are enrolled in private colleges and universities. The vastness of the private sector is partly attributable to the higher education policy implemented by the Ministry of Education in the era of expansion in the 1960s and 70s. Facing the tremendous demand for higher education, the Ministry, which had insufficient resources to provide higher education opportunities through public institutions, permitted the establishment of private institutions or allowed the expansion of existing ones by adopting less strict regulations. This thrifty model of higher education expansion is a double-edged sword however. While it certainly helped lessen public spending, it placed a heavy cost burden on households and the quality of education has not necessarily been assured. In this paper, after describing the expansion of higher

education in the 1960s and 70s, it is pointed out that teaching has become emphasized on both undergraduate and graduate education reform. It is also shown that quality assurance is an important issue in Japanese higher education. Finally, recent developments in the financing of higher education are discussed.