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Higher education financing in Japan: Trends and challenges

Futao Huang

Research Institute for Higher Education, Hiroshima University, 1-2-2 Kagamiyama, Higashi-Hiroshima 789-8512, Japan

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ABSTRACT

The purpose of this study is to address the basic model of Japanese higher education financing mechanisms, the main changes that have occurred in these mechanisms, and their influences on higher education development. This analysis is based on previous academic studies, national statistics, and case studies of three different sectors since the early 2000s. The analysis begins with a brief review of earlier studies and a description of the research framework. Subsequently, the study outlines the main characteristics of Japan's higher education and the key features of its financing mechanisms. In the following part, the study analyzes major changes that have occurred in Japanese higher education financing in recent years, and key factors that have affected these changes. Furthermore, it discusses the major influences and outcomes of these financing mechanisms on higher education development and institutional strategies. The final part summarizes and offers implications for research, practice and educational development.

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1. Introduction

Unlike North America and most European countries, since the end of WWII Japan has formed a diversified higher education system consisting of three different and distinct sectors of higher education institutions: national,¹ local public,² and private. Prior to the early 2000s significant differences existed between national, local public and private sectors, not only in their roles, functions and student composition, but also in their financing mechanisms. However, since the early 2000s, especially with the incorporation of national universities in April 2004, followed by a similar incorporation of public universities, radical changes have occurred in the relationship between the central government and national and local public universities. On the one hand, there has been a

gradual and steady drop in the amount of government expenditure in both national and public sectors. On the other hand, the government has increased the amount of competitive funding, including both research project grants and special budgets for a variety of national projects or programs related to educational activities (Huang, 2010). As will be discussed in the following section, as the financing mechanisms have been restructured at a national level, since 2004 individual national and public university corporations have been granted more freedom and autonomy and asked to increase their own revenues by diversifying the channels through which they generate resources.

The purpose of this study is to address the basic model of Japanese higher education financing mechanisms, the main changes that have occurred in these mechanisms, and their influences on higher education development. This analysis is based on previous academic studies, national statistics, and case studies of three different sectors since the early 2000s. The analysis begins with a brief review of earlier studies and a description of the research framework. Subsequently, the study outlines the main characteristics of Japan's higher education and the key features of its financing mechanisms. In the following part, the study analyzes major changes that have occurred in Japanese higher education financing in recent years, and key factors that have affected these changes. Furthermore, it discusses the major influences and outcomes of these financing mechanisms on higher education development and institutional strategies. The final part summarizes and offers implications for research, practice and educational development.

E-mail address: futao@hiroshima-u.ac.jp (F. Huang).

¹ A university set up by a national university corporation. Due to the incorporation of national universities in 2004, every national university is now established as a legal entity by a corporation, according to the framework laid down in the *National University Corporation Act*. Formerly, they were operated as governmental organizations based on the *Act on the Establishment of National Schools*.

² A university set up by local public organizations including municipal or prefectural governments. Since the 2004 academic year, the organizations may establish, at their own discretion, municipal/prefectural university corporations, to which they may delegate the management of the university. A municipal/prefectural university corporation is a local incorporated administrative agency established by a local public organization with the aim of founding and managing one or more municipal/prefectural university(ies).

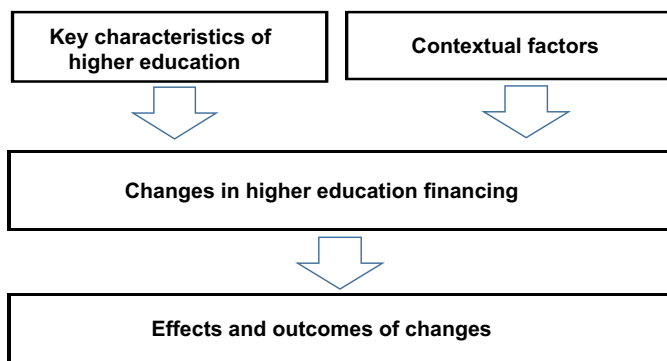


Fig. 1. Conceptual framework.

2. Earlier studies and research framework

Compared to research into other aspects of Japanese higher education, such as higher education policy, the internationalization of higher education, and governance of Japanese higher education, it seems that very few international publications have considered Japanese higher education financing mechanisms. Ichikawa, Kaneko, and Asonuma are representative of the few researchers in Japan who have published in English on this topic since the late 1980s. For example, both [Ichikawa \(1979\)](#) and [Kaneko \(1989\)](#) identified the basic structure, main issues, and general trends of Japanese higher education financing up to the early 1990s. Subsequently, [Asonuma \(2002\)](#) argued a need to reconsider resource allocation and the distribution of functions among whole universities based on his analysis of changes that had occurred in the financing mechanisms of Japanese higher education. In contrast, many more publications have been written in Japanese on this topic, especially since the early 2000s when all national universities became national university corporations. Recently, drawing upon previous reviews of this literature, [Shima \(2014\)](#) published a systematic and in-depth review of existing studies into the funding and finance of Japanese higher education. Shima summarizes that studies on these themes have accumulated very rapidly, both in terms of empirical studies and also efforts to develop theories that can be applied to the Japanese context.

Numerous studies have been undertaken on concepts and theories of higher education funding and finance, the main characteristics of higher education financing at a national level, mechanisms of funding in different sectors of higher education, as well as the actual financial situation in individual universities. However, little is known of what changes have taken place in different sectors of Japanese higher education in relation to finance and funding in recent decades. This includes the reasons behind these changes, and effects and outcomes resulting from these changes from an international perspective based on case studies. Therefore, this study attempts to address these main research questions:

1. How have key characteristics of Japanese higher education and the main contextual factors influenced recent changes in the financing mechanisms of Japanese higher education?
2. What specific changes have occurred in financing and funding mechanisms of higher education at both national and institutional levels?
3. What outcomes and effects have these changes brought about?
4. What implications does this study offer for research and practice?

In order to answer these questions, the author employs the following conceptual framework.

In [Fig. 1](#), key characteristics include the basic structure of Japanese higher education, general frameworks of Japanese financing mechanisms, the origins and tradition of higher education, and the extent of higher education expansion. The main contextual factors considered include both global and domestic factors such as economic globalization, marketization of higher education, a drop in the 18-year-old population, corporatization of both national and public universities, and so forth.

3. Higher education in Japan and its financing mechanisms

3.1. Key characteristics of higher education

Contemporary Japanese higher education basically consists of three major types of institution: universities, junior colleges (*Tanki Daigaku* in Japanese), and colleges of technology.³ In some cases, specialized training colleges (*Sensyuu Gakkou*)⁴ are also considered as part of higher education. In addition, the number of students being officially enrolled in the Open University of Japan (changed from the University of Air in October 2007), and those pursuing their higher education learning through TV or radios in other regular universities and junior colleges are also included in the data regarding Japan's post-secondary education.

As shown in [Table 1](#), as of 2015, excluding 3201 special training schools, there are 1254 higher education institutions in Japan, of which the private sector accounts for 77.5%. By institution type there are 779 universities, 346 junior colleges, and 57 colleges of technology. With regard to the proportion of individual types of institutions by sector, while the national sector provides the majority of colleges of technology (89.4%), in contrast the private sector constitutes the biggest share of both universities and junior colleges, at 76.7% and 94.8% respectively.

As indicated in [Table 2](#), as of 2015, there are 2,860,210 students in total, including 249,474 students at graduate level, 2,716,134 students at undergraduate level in universities, junior colleges and colleges of technology, and 187,528 students in correspondence schools. The proportion of enrollments in the private sector constitutes 75.7% of the total. Furthermore, with an enrollment of 2,514,228 students, students at the undergraduate level make up the largest proportion. A closer look at percentages of students at different levels by type of institution reveals that the national sector represents the largest enrollment percentage of students studying at the graduate level and in colleges of technology, at 61.2% and 89.6% respectively. Conversely, private institutions represent the largest share of student enrollment in undergraduate universities and junior colleges, at 77.5% and 94.8% respectively.

Key characteristics of Japan's higher education may be practically identified as follows.

First, by the early 2000s, on the one hand, the central government maintained strong regulatory control of the scale, budget, and organizational structures of each college and university. For example, until March 2004 when all national universities became national university corporations, faculty

³ A higher education institution that offers a unified five-year education (five years six months for mercantile marine studies) aimed at nurturing technical experts. It requires graduation from lower secondary schools or equivalent academic ability for admission. A minimum of 167 credits are required for graduation (147 credits for mercantile marine studies). Graduates are awarded the title of "Associate".

⁴ A higher education institution that provides practical and technical learning and skills in a wide variety of disciplines such as medical care, technology, culture and general education, business, personal care and nutrition, education and welfare, fashion and home science, agriculture and much more. Graduates are conferred with "Certification".

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