

Higher Education Finance and Cost-Sharing in Japan

I. A Brief Description of the Japanese Higher Education System

The Japanese higher education sector is characterized by its dual structure that includes a limited public sector controlled by national and local governments and a very large market-driven private sector. There are three types of university-level institutions, 87 national universities, controlled by the Ministry of Education; 72 public universities run by local or regional governments and 596 private universities. In addition there are also 525 junior colleges (of which most are private) and 63 technical colleges. According to Ministry of Education statistics, the higher education system embraces over 4 million students (72.9 percent of the relevant age cohort in 2003). In 2003, there were 2,803,980 students in universities, and 250,062 in junior colleges.

According to a 2000 survey by the OECD, Japan's funding to higher education accounted for only 0.5 percent of its GDP, compared with 0.9 percent in the United States, 0.7 percent in the United Kingdom, and 1.0 percent in both Germany and France. Two factors explain the relatively small proportion of public expenditure allocated to higher education: 1) Japan's total public expenditures are smaller as a proportion of GNP than other industrialized countries; and 2) Japan's higher education, unlike the US and Europe, has been mainly supplied by the private sector.

The Japanese higher education system has recently undergone a dramatic change. Reforms, passed in 2004, granted independent corporation status to the 87 national universities. While they will still be part of the public sector, they are to be independently managed with their staff no longer being civil servants. They will also be able to set their own tuition fee levels, but may not exceed 110 percent of the standard tuition fee set by the Ministry of Education and the Ministry of Finance. In 2005, the standard fee was raised to 535,800 Yen (US\$4,059 using the 2004 PPP conversion) and most national university corporations raised their tuition fees accordingly despite the promise made by the Japan Association of National Universities (the organization established in 1950 that is made up of national university presidents).

Private institutions are, in principle, self-financed by tuition, application and entrance fees, donations and income from auxiliary services. However, subsidies are granted by the national government through the Promotion and Mutual Aid Corporation for Private Schools of Japan with respect to current expenditure, mainly to maintain and improve educational and research conditions and ease the financial burden of the students. The Corporation also provides long-term low interest loans for funds necessary to improve facilities and equipment in private higher education institutions. In addition, the national government provides direct grants to private institutions of higher education for the purchase of educational and research equipment so that their distinctive education and research can be promoted.

State subsidies for private universities have been decreasing since 1980. The proportion of subsidies for current expenditures is 12.2 percent and most of the expenditures are to be covered by tuition fees. Many private universities are suffering from financial difficulties. As the number of children decreases due to declining birth rates, it will be increasingly difficult to secure sufficient enrollment levels

Student Loans

In 2004, the new student loan system was introduced under the Independent Administrative Institution Japan Student Services Organization (hereafter JASSO), formerly known as the Japan Scholarship Foundation. Under the new system, there are two types of student loans, both of them means-tested, for Japanese students. The Independent Administrative Institution Japan Student Services Organization (JASSO) First Class loans have a zero rate of interest and are academically selective. They are meant to cover maintenance costs only and provide about US\$315/month¹ for public university students living at home and \$360/month for those who are not. Higher loans (\$380 and \$450 respectively) are also available to students attending private universities. The JASSO Second Class Loans are interest bearing (prime rate) and not as academically selective as the first class loans. They can be used for both tuition and living expenses. Undergraduate students may borrow a maximum of \$720/month and an additional \$2,160 for just the first month. Both loans have a grace period of six months after leaving school and a maximum repayment period of 20 years. The JASSO decides the individual repayment periods based on each student's total amount of indebtedness.

When they apply for the loans, students choose between a personal guarantee or an institutional guarantee. If they choose the latter, the Japan Educational Exchanges and Services (JEES) will cosign the loan, but students have to pay a certain amount of monthly insurance to the institutions.

¹ Using 2003 PPP conversion of \$1 = 139 JY.

Japan
Higher Education Expenses Borne by Parents and Students
Undergraduate, Academic Year 2002-2003

National Currency (Japanese Yen) converted to \$US by 2003 purchasing power parity
estimate \$1=JY139

University (Daytime Program)

		National	Public	Private
Instructional Expenses	Tuition	JY468,400 (\$3,370)	JY474,100 (\$3,411)	JY886,600 (\$6,378)
	Books & Other Educational Expenses	JY108,300 (\$779)	JY100,200 (\$721)	JY352,900 (\$2,539)
	Subtotal Expenses of Instruction	JY576,700 (\$4,149)	JY574,300 (\$4,132)	JY1,239,500 (\$8,917)
Student Living Expenses	Transportation	JY50,300 (\$362)	JY63,600 (\$458)	JY77,500 (\$558)
	Food	JY254,400 (\$1,830)	JY225,500 (\$1,622)	JY207,900 (\$1,496)
	Lodging	JY353,000 (\$2,540)	JY300,300 (\$2,160)	JY244,200 (\$1,757)
	Other Personal Expenses	JY355,500 (\$2,558)	JY380,100 (\$2,735)	JY376,200 (\$2,706)
	Subtotal Expenses of Student Living	JY1,013,200 (\$7,290)	JY969,500 (\$6,975)	JY905,800 (\$6,517)
	Total Cost to Parent & Student	JY1,589,900 (\$11,439)	JY1,543,800 (\$11,107)	JY2,145,300 (\$15,434)