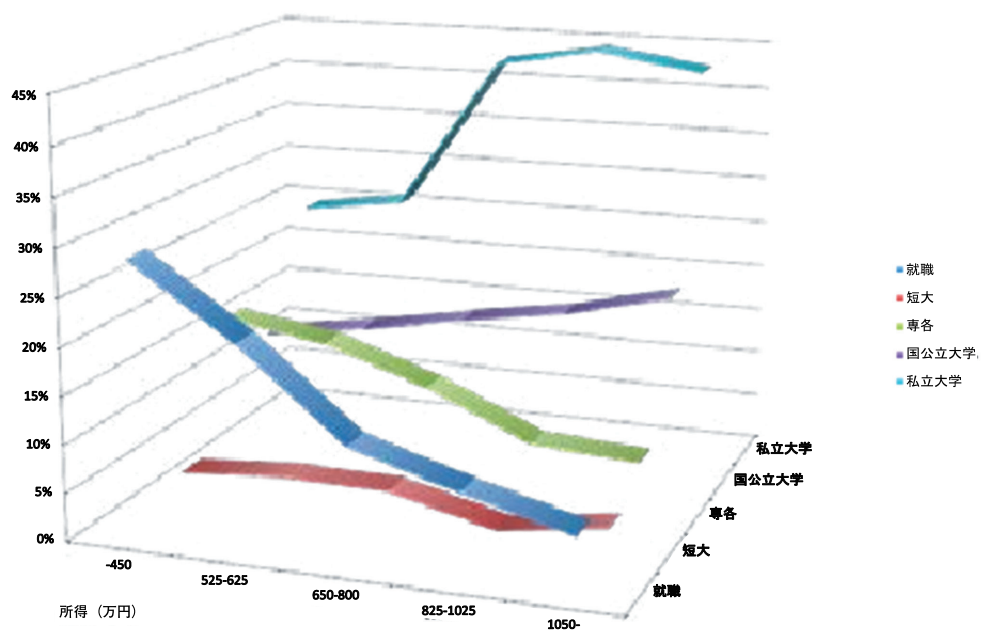


Access and Cost-Sharing in Japanese Higher Education: Tuition and Student Financial Aid Policy updated in 2012



Center for Research and Development of Higher Education
The University of Tokyo

March, 2013

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Tuition and Student Financial Aid Policy

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Foreword

This paper is an updated version of “Access and Cost Sharing in Japanese Higher Education: Tuition Fees and Student Financial Aid Policy” presented in the Beijing Forum 2012. The original paper is written by using “the High School Student and Parents Survey in 2006.” After the Beijing Forum authors were engaged in the new survey on parents of high school leavers (the Parents of High School Leavers Survey 2012). The survey is done as one of the research project, “An Empirical Study of Cost Sharing and Student Financial Aid,” sponsored by the Japan Society of Promotion of Science (Basic Study B). We can revise the paper comparing the results of the 2006 survey with the 2012 survey. We hope the readers will find the changes between two surveys are very interesting, and this working paper may be helpful for those who are concerned with this topic.

March 2013

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Contents

1. ISSUES	7
2. TUITION FEES POLICY AND STUDENT FINANCIAL AID PROGRAMS.....	9
3. HIGHER EDUCATION OPPORTUNITY BY INCOME CLASS	11
4. WHO SHOULD PAY?.....	13
5. THE SHIFT OF EDUCATION PAYMENT FROM PARENTS TO STUDENTS.....	19
6. A NEW TUITION WAIVERS PROGRAM OF THE UNIVERSITY OF TOKYO	23
7. CHALLENGES AND TASKS.....	25
8. REFERENCES	26

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1. ISSUES

This paper deals with five issues on accessibility in Japanese higher education: university tuition fees and student financial aid programs; the present state of access and equality in higher education; cost-sharing in higher education; the new program for tuition waivers at the University of Tokyo; and policies to tackle these issues, including our Survey of access and equality in higher education.

The first issue is a policy of the combination of tuition fees of universities and colleges and student financial aid programs. Japanese University tuition fees have increased dramatically over the last few decades; tuition fees charged by national universities in 2010 are more than forty times higher than in 1972. The main factor behind this increase is the rapid reduction of government subsidies provided to universities.

Though the tuition fees of Japanese universities and colleges are very high, we have scarce public grants for undergraduate students both in the public sector and private sector. On the other hand, public student loans, in particular loans of JASSO (Japan Student Services Organization) have been increasing rapidly.

The second issue is the equality of higher educational opportunities. The rapid increase in tuition fees and the loan burden have seriously affected families with prospective university students, influencing the decision of whether or not to apply to university. This is borne out by our 2006

nationwide survey of four thousand pairs of students and parents which provides very strong evidence of inequality in higher education due to family income. The enrollment proportion of the lowest income class is only 35%, while that of the highest class is 61%. In particular, enrollment in private universities is highly correlated with income class.

The third issue is cost sharing in Japanese higher education. In Japan, the parental burden ranks the highest amongst the world. Should we, or can we maintain this model of financing? Should we promote the shift of cost sharing from public to private, from parent to student? It's a very big issue.

Despite the above inequality of access, from a global perspective Japan has a comparatively high enrollment ratio and comparative equality in access to higher education, as higher inequality in the private sector is balanced by equality in the public sector. This may be described as the “success” of Japanese higher education. We also found that this success is sustained by very strong parental willingness to pay for their children's higher education, even among low-income families. It may seem ironic that the parents' willingness to pay for their children's education covers up this inequality in access to higher education, an inequality which would increase if parents did not pay. Parental behavior reduces the political and social impact of education inequality as an issue in the Japanese context.

If the income inequality is widened, as is discussed recently, the accessibility of higher education for low-income families may be shrinking because among low-income families widening loans might not be effective to decrease their financial burden. We found the loan aversion among low-income families, and this may affect the decision of student family to apply university. So this process might become a vicious circle. What policy do we need to improve this disparity crisis? This is a very big issue both for researchers and policy makers.

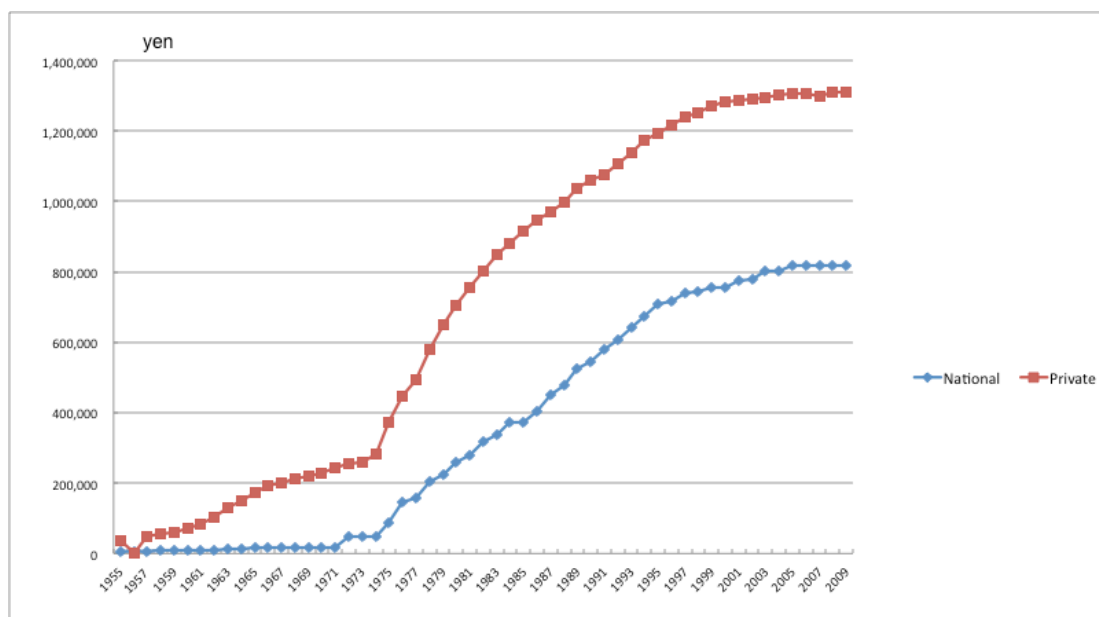
The fourth issue is introduction of a new program of tuition waivers at the University of Tokyo to improve the opportunity of students from low-income family. It allows for the waiving of

tuition fees for students from low-income families. Our new survey is expected to reveal the success of these reforms. The number of applicants for tuition waivers became doubled, and we had more enrollments from low-income family. What is the difference between the old scheme and the new scheme? Can this new policy be effective to improve the disparities of educational opportunity not only at our university but other universities?

The fifth issue is the challenge to tackle these problems. The Japanese Central Council on Education under the Ministry of Education (MEXT) proposed a new grant and loan scheme aimed at improving access to higher education amongst low-income classes. Additionally, our research project is planning a new nationwide survey on access and equality of education opportunities in collaboration with MEXT. Our project also plans a comparative survey contrasting with educational reforms in other countries. We are thus trying to reduce disparities in access to higher education in the face of very tight public finance.

2. TUITION FEES POLICY AND STUDENT FINANCIAL AID PROGRAMS

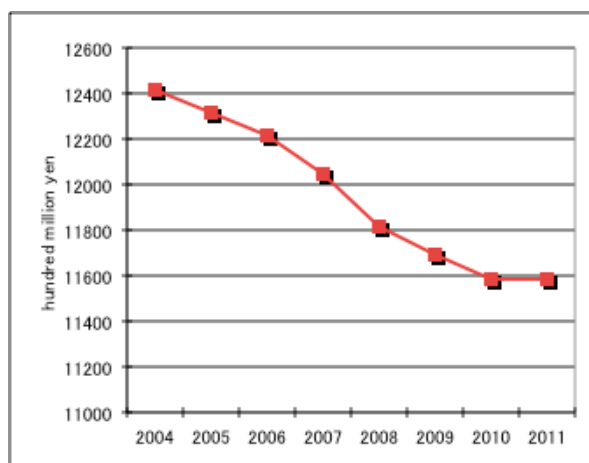
Figure 1 Changes in the Tuition Fees of National University, Current Prices



Data: MEXT.

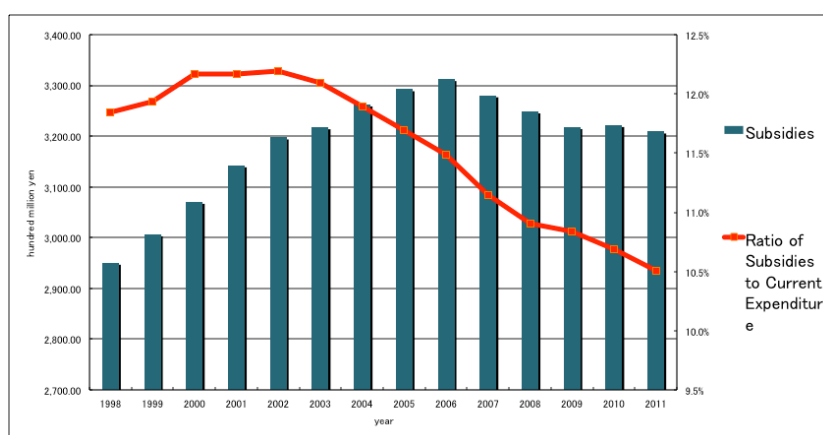
Japanese University tuition fees have increased dramatically over the last few years; tuition fees charged by national universities in 2010 are more than forty times higher than in 1972, as is shown in Figure 1. Tuition fees charged by private universities and colleges are also rapidly increasing (Figure 1). The main factor behind this increase is the rapid reduction of government subsidies provided to universities. The governmental subsidies to national universities have been decreasing since 2004 (Figure 2). The governmental subsidies to private universities have not been decreasing in absolute volume, but decreasing as the proportion of subsidies to their revenue (Figure 3).

Figure 2 Changes in Governmental General Subsidies to National Universities, Current Yen



Data: MEXT.

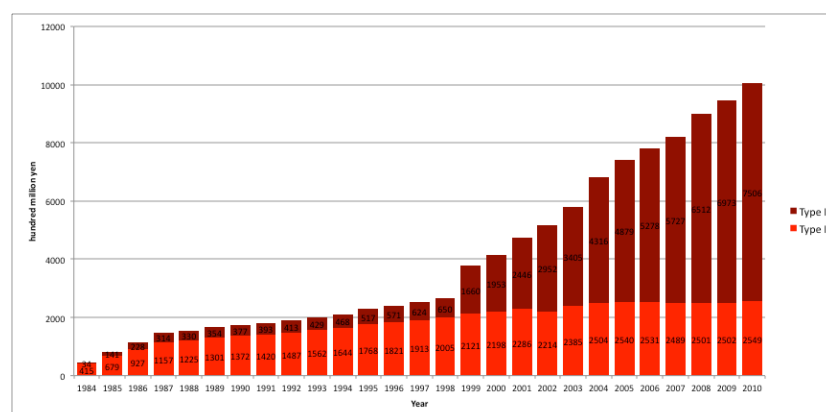
Figure 3 Changes in Governmental Subsidies to Private Universities



Data: MEXT.

On the other hand, loans awarded by the Japan Student Services Organization, the largest public student loans body, have been increasing rapidly; the total loan volume today is more than ten times larger than ten years ago (Figure 4). As these are loans and not grants for undergraduate students, the loan burden is heavier than before.

Figure 4 Changes in Student Loans of Japan Student Service Organization



Data: Japan Student Service Organization.

3. HIGHER EDUCATION OPPORTUNITY BY INCOME CLASS

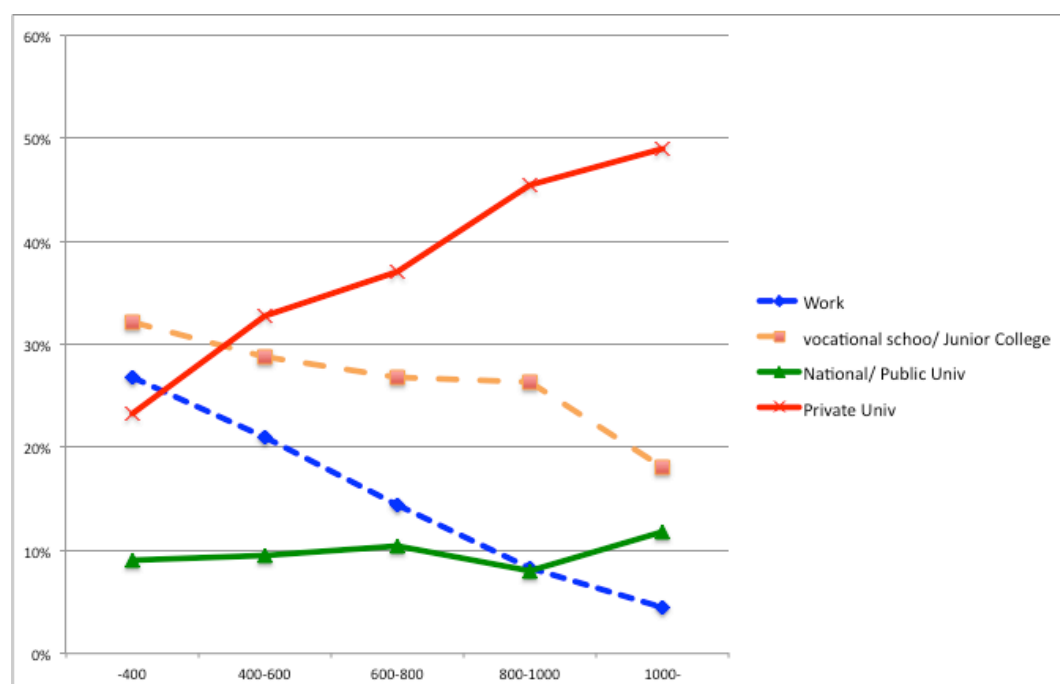
The rapid increase in tuition fees and the loan burden have seriously affected families with prospective university students, influencing the decision of whether or not to apply to university. This is borne out by our 2006 nationwide survey of four thousand groups of students and parents, which provides very strong evidence of inequality in higher education due to family income. The Survey Report has been published in Japanese by the Center for Research University Management and Policy, at the University of Tokyo led by Professor Kaneko, Motohisa.¹

Some results are included in my paper (Kobayashi 2008). The enrollment proportion of the lowest income class was only 35%, while that of the highest class was 61% (Figure 5). In particular,

¹ This was a nationwide random sampling survey. The four thousand pairs of parents and their high school children were randomly chosen from 400 areas all over Japan. The first survey interviewing parents and their children was done in the fall of 2005. Then the follow-up survey for the children was done in the spring of 2006. This was the large scale nationwide survey for high school students and their parents in Japan.

enrollment in private universities was highly correlated with income class. However, this was not the case at national and public universities. National and public universities contributed to opening up higher education opportunities to all income classes, offering relatively inexpensive tuition fees compared to private universities.

Figure 5 Destinations of High School Leavers by Income Class, 2006



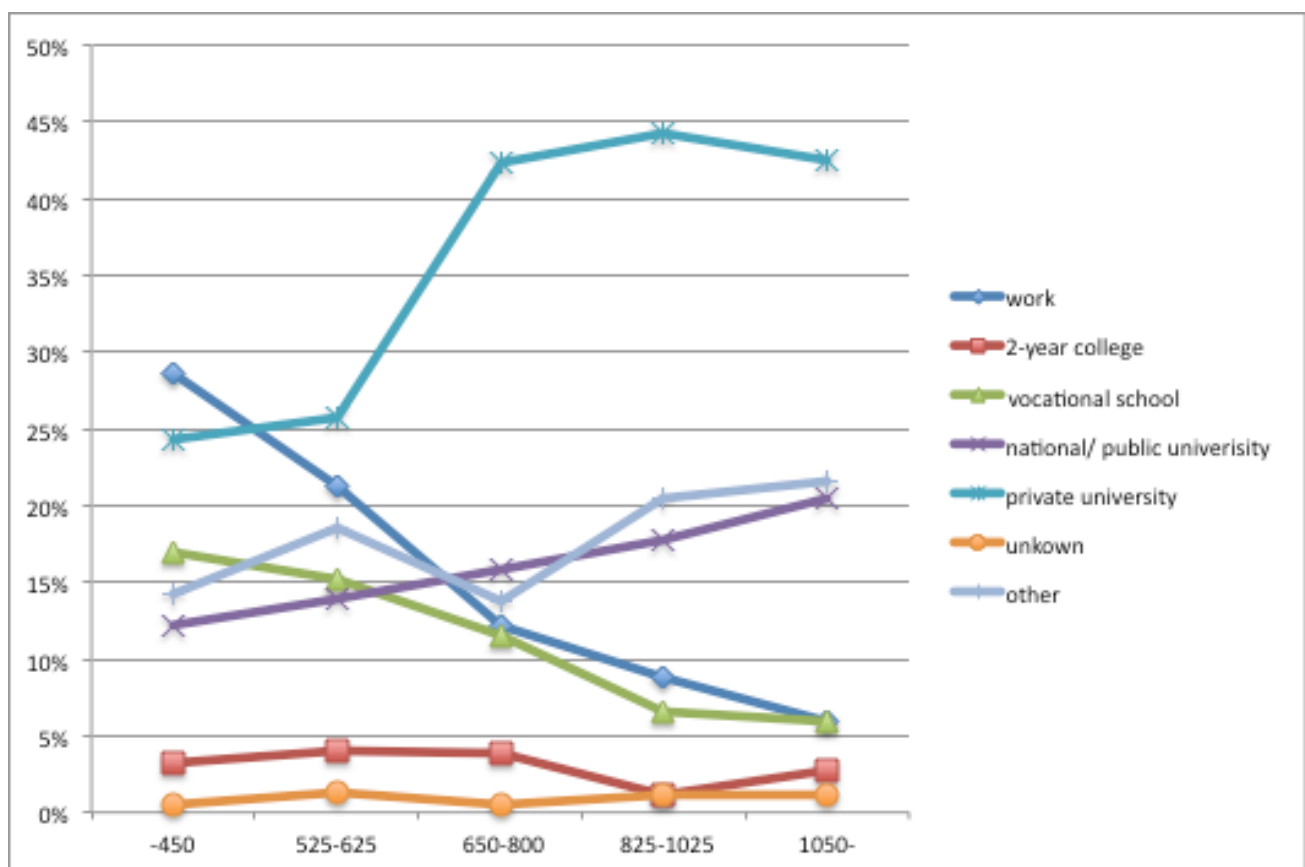
Data: CRUMP, High School Student Survey, 2006.

However, the situation has drastically changed in the parents of high school leavers survey of 2012. As is shown in Figure 6, the participation rate of private university is highly correlated with the income class as well as the 2006 survey. But the participant rate of national/ public university is also strongly related with the income class, which was not seen in the 2006 survey.

One of the reasons of this difference is the economic situation of families, because disparities of income class might be widening after the financial crisis in 2008. The other reason we could suppose is that the 2012 survey is a web-based survey, while the 2006 survey is the interview survey for parents. Generally speaking, the latter is more precisely sampling the population. But if

the former is the case, this is a very serious result, because the mission of national/ public university is to provide the opportunity of higher education to all income class. We will have to investigate the survey data more closely to make the inequality of educational opportunity in national/ public universities more clear.

Figure 6 Destinations of High School Leavers by Income Class, 2012



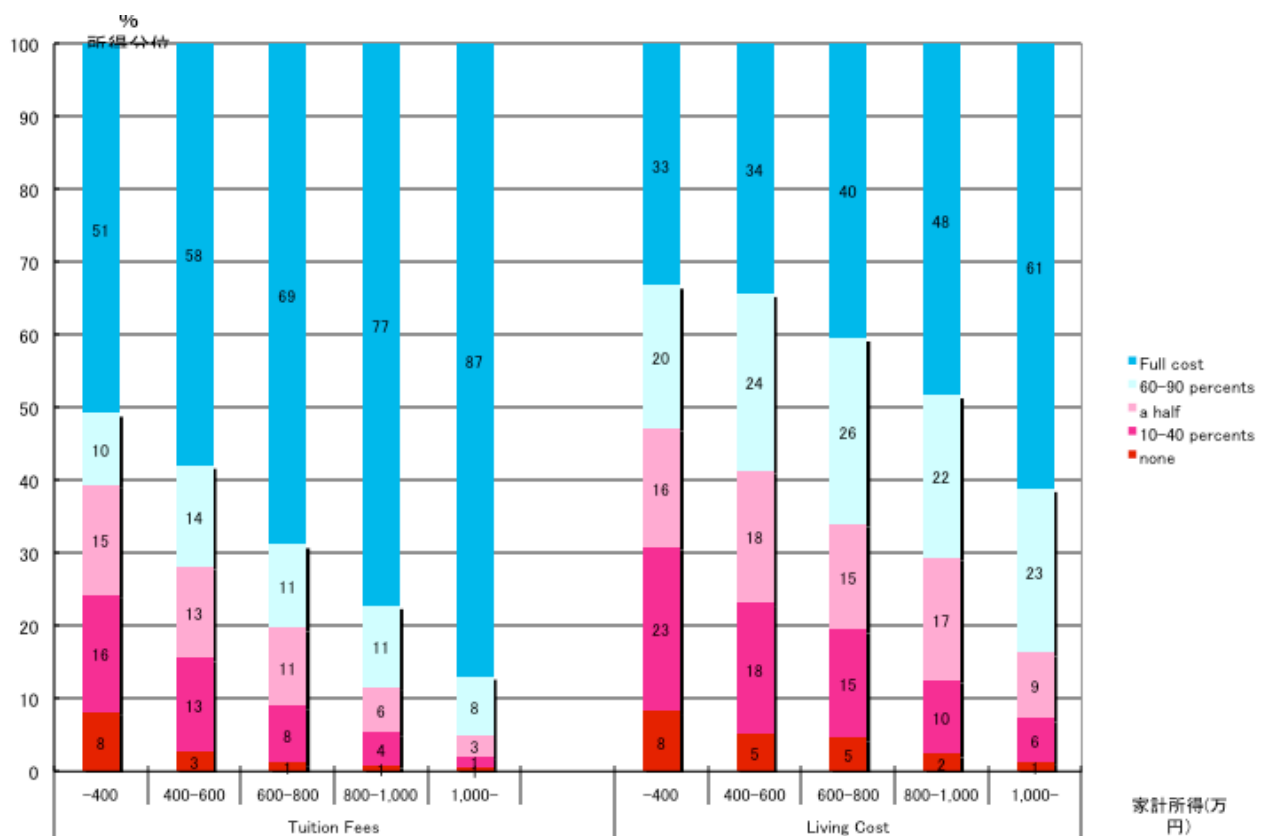
Data: Parents of High School Leavers Survey 2012.

4. WHO SHOULD PAY?

Despite the above inequality, from a global perspective Japan had a comparatively high enrollment ratio and comparative equality in access to higher education, as higher inequality in the private sector was balanced by equality in the public sector. This may be described as the “success” of Japanese higher education. We also found that this success is sustained by very strong parental willingness to

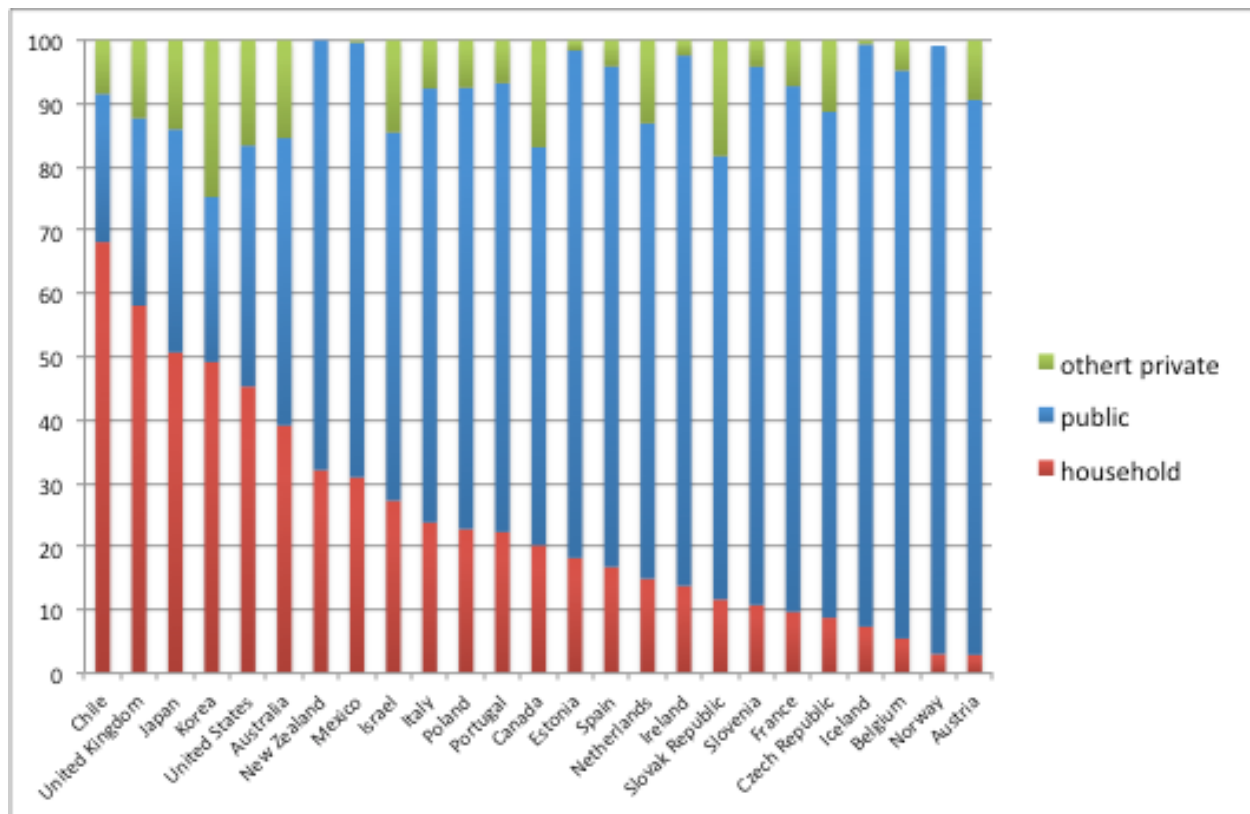
pay for their children's higher education, even among low-income families. The family of the lowest-income class has a very strong willingness to pay their children's education. Just a half of them have a willingness to pay their children's full tuition fees, and a third of their living expenses, though the proportion of the willing to pay is increasing as the income-classes become higher (Figure 7). The household share of higher education expenditure is a half of the total cost of higher education, and is one of the highest share countries in the world (OECD, Education at a Glance 2012, Figure 8).

Figure 7 Parental Perception of Higher Education: Willingness to Pay the Higher Education Tuition Fees Cost and Living Cost by Income Classes



Data: CRUMP, High School Student Survey, 2006.

Figure 8 Public and Private Investment in Tertiary Education, 2009

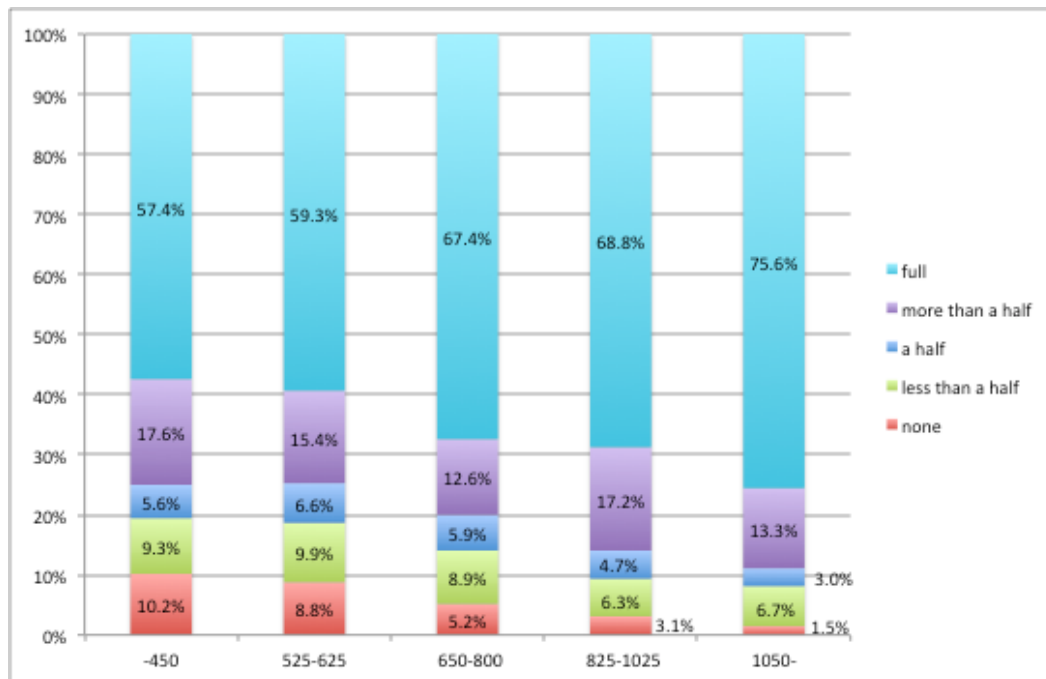


Data: OECD, 2012.

Comparing with the 2006 survey, we can find the similar very strong willingness to pay for the children's education among all income classes in the 2012 survey as is shown in Figure 9. The 2012 survey asks the real payment of their children's education, while the 2006 survey asked the willingness to pay,. But we can confirm very strong parents' willingness and feeling of responsibility to their children's education by both surveys.

Those strong willingness pay forces the household to spend too much for their children's education. Figure 10 shows the saving rates of households by children's stage. The saving rate is minus when children are college students, that is, they are hard to make ends meet to pay for their children's education. The savings rate is the ratio indicating how much of the annual disposable income is routed to savings, and when this ratio goes into the negative, it indicates that the household is breaking into and depleting their bank accounts and other savings.

Figure 9 How much parents pay for the living cost of their children who is a college student by Income Classes

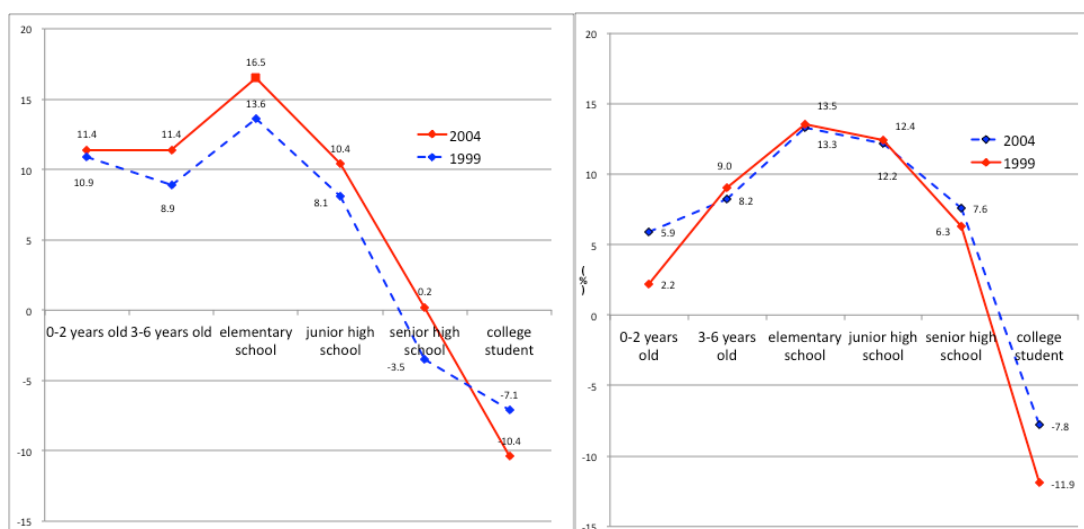


Data: Parents of High School Leavers Survey 2012.

Figure 10 Average Saving Rate of Household by Child's Stage of Growth

<Average Saving Rate of One-Child Household>

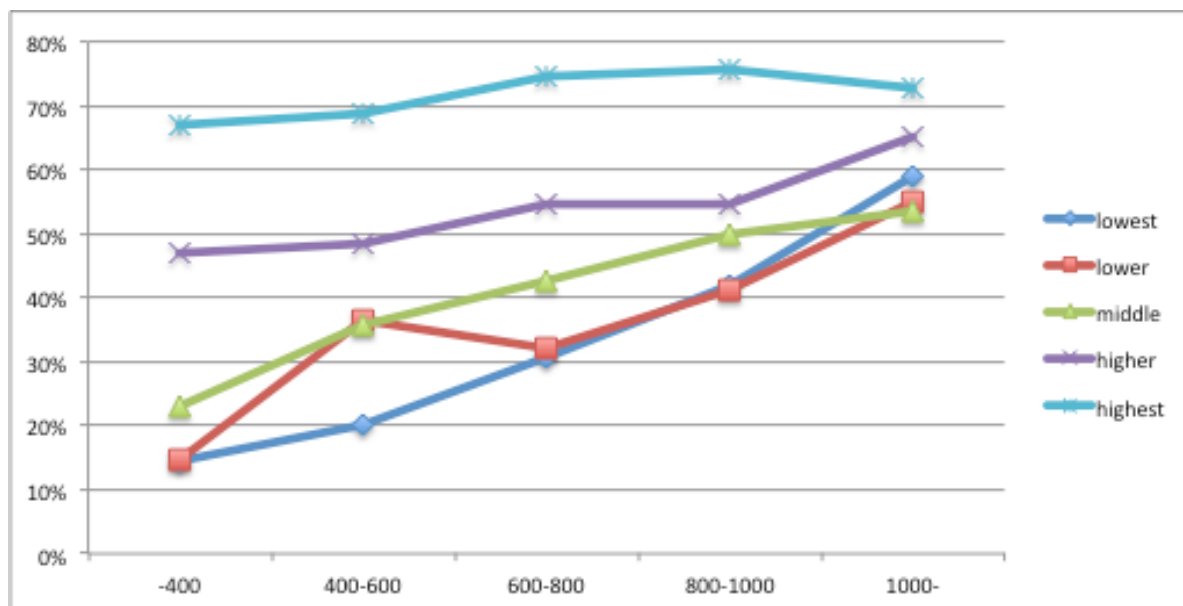
<Average Saving Rate of Two-Child Household>



Data: MEXT, 2008.

It may seem ironic that the parents' willingness to pay for their children's education covers up this inequality in access to higher education, an inequality which would increase if parents did not pay. Parental behavior reduces the political and social impact of education inequality as an issue in the Japanese context. In particular the enrollment ratios to university and college by income class are not correlated with the income classes when their children's academic achievement was the highest in the 2006 survey (Figure 11). This proves that even the lowest class families pay their children's educational expenditure, while they sacrifice their own living cost.

Figure 11 Enrollment Ratios by Income Class by Student Academic Achievement, 2006

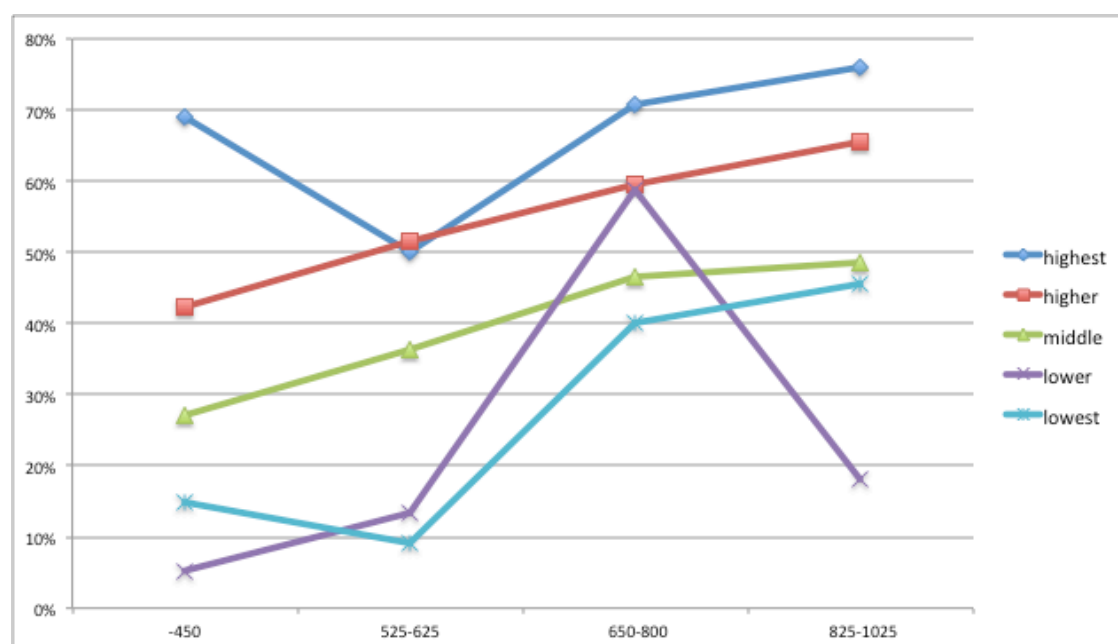


Note: Student academic achievement is student self evaluation of the grade in 15 year-old.

Data: CRUMP, High School Student Survey, 2006.

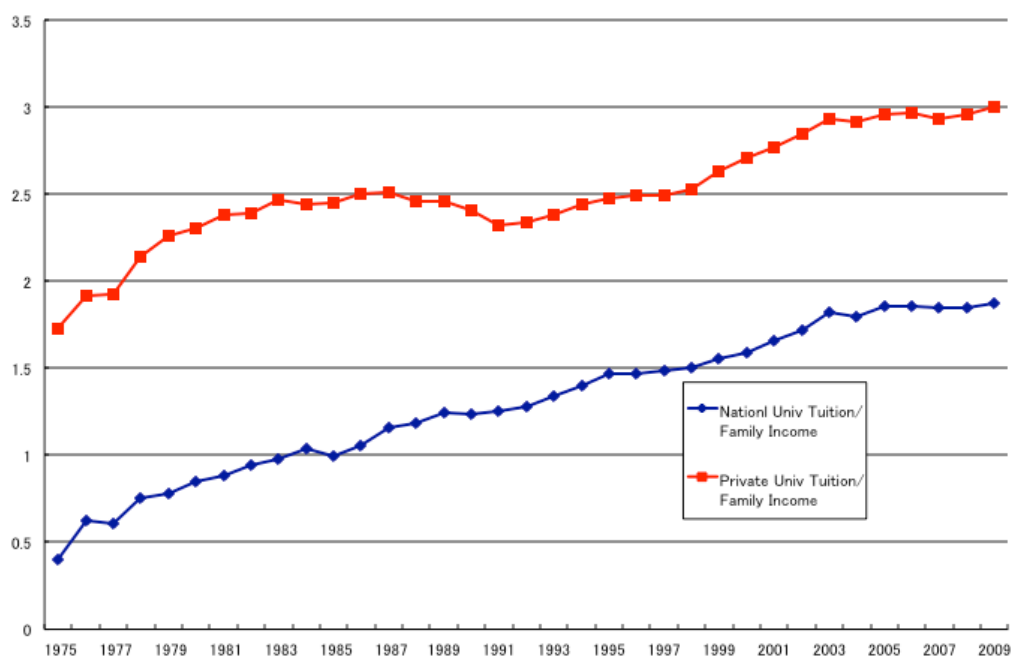
We can see the almost same pattern in the 2012 survey. Figure 12 displays the highest achievers are going to college in all income class except the lower income class (annual income is between 5.25 million yen and 6.25 million yen).

Figure 12 Enrollment Ratios by Income Class by Student Academic Achievement, 2012



Data: Parents of High School Leavers Survey 2012.

Figure 13 Changes in the Ratio of Tuition Fees to Family Disposable Income



Note: Family Income is monthly disposable income of household (age 45-55).

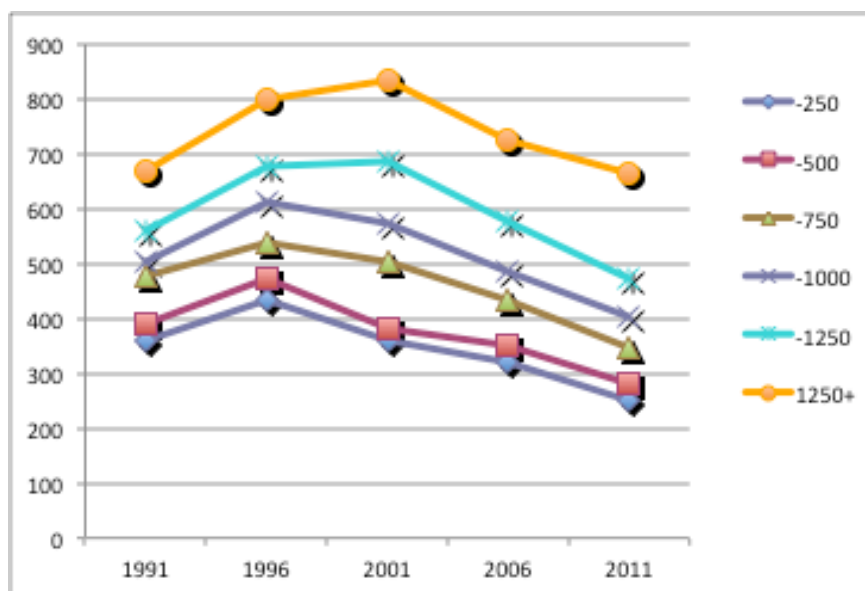
Data: Government Budget for National University tuition fees, MEXT for Private University tuition fees, Family Income, Household Survey of Bureau of Statistics.

However, parents may not be able to sustain this behavior in the future. The burden is already too heavy for households who have college children. They have to spend more than one fourth of their income to pay for their children's education (Figure 13). Moreover, the burden of children's education cost has been heavier and heavier as is shown in Figure 13. Parents in the low-income class in particular may not be able to pay for their children's higher education because of increasing inequalities in income in Japan.

5. THE SHIFT OF EDUCATION PAYMENT FROM PARENTS TO STUDENTS

Thus households have been suffering to make ends meet for paying their children's education, in particular, in the case of low-income family the burden is very heavy. Figure 14 shows the changes in the average households payment to their child going to college by income class. The average amount was a peak in 2001 and gradually decreasing among all income class. This shows the family burden of spending to their children's education has been decreasing.

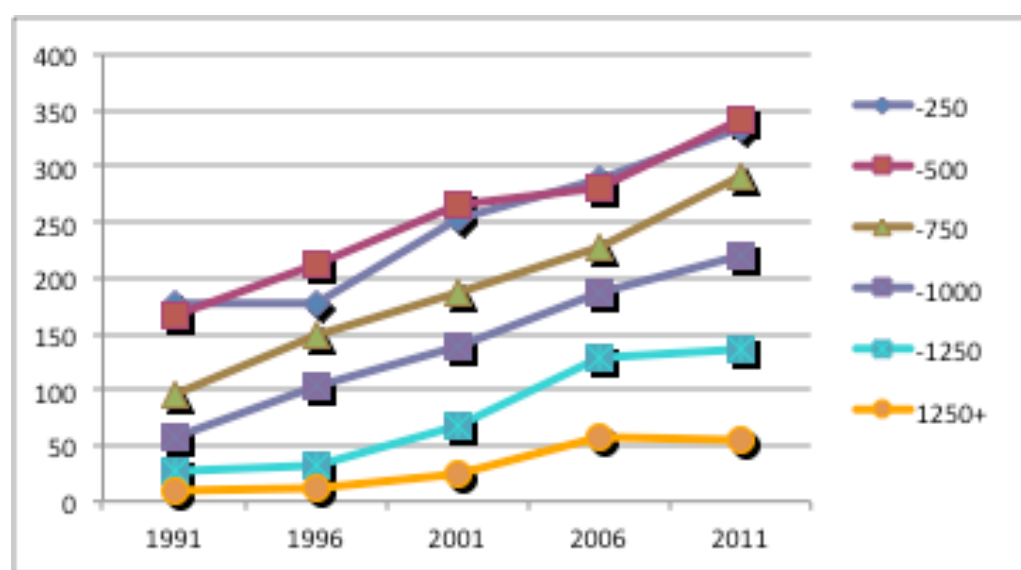
Figure 14 Average households payment to their child going to college by income class.



Data: National Federation of University Co-operative Associations, Student Life Survey, various years, calculated by authors.

Why the family burden of paying for their children's education is decreasing? This is because of the increasing amounts of student loan borrowing. Figure 15 shows the average amounts of student loans of college students by income class. Among all income classes the amounts of loan borrowing have been increasing. That means the burden of education has been shifting from parents to student themselves.

Figure 15 Average amounts of student loans of college students by income class.

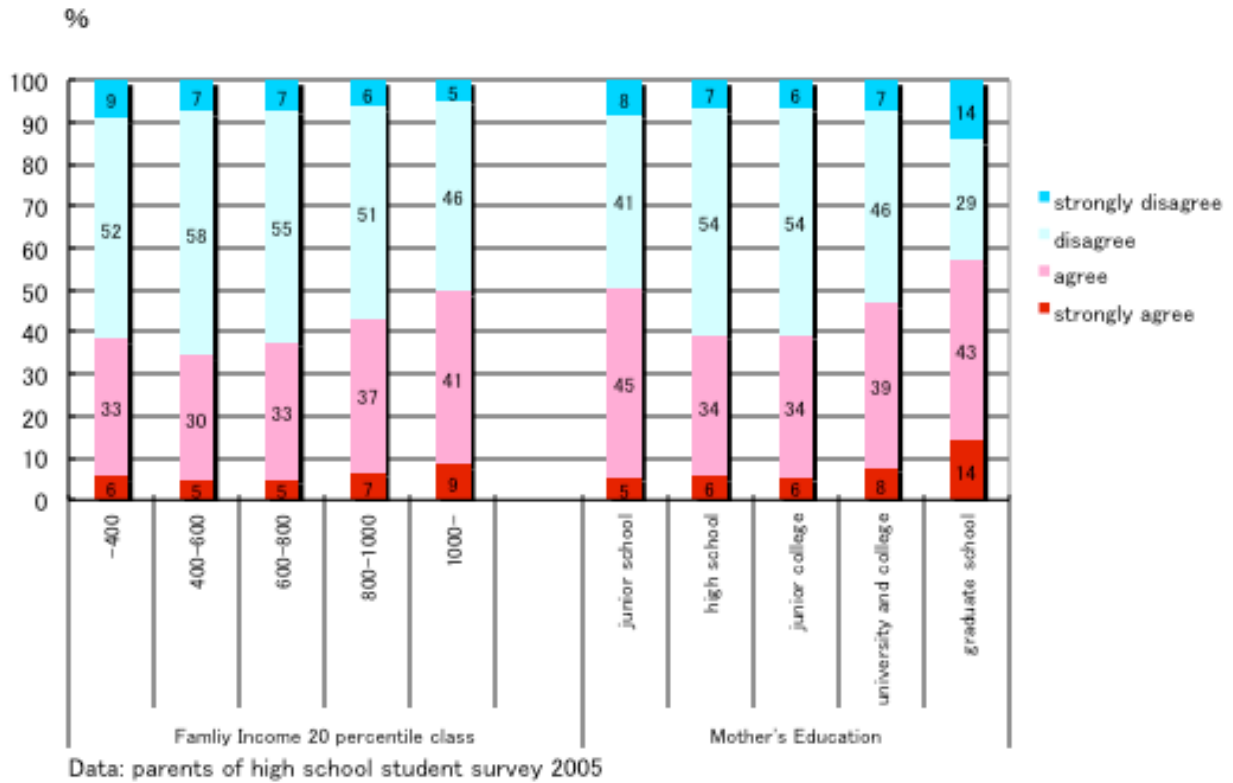


Data: National Federation of University Co-operative Associations, Student Life Survey, various years, calculated by authors.

Some may argue that student loans are very helpful for students from low-income families, but loans might not be an effective means of reducing the financial burden. This shift mitigates the family burden to pay for their children's education. But the burden is shifted to their children. This shift may cause the prospective students do not want to borrow the student loans because of the future loan burden. This is known as the "loan aversion" problem in the US and the UK. We found evidence of loan aversion among low-income families in the 2006 survey (Figure 16). Low-income family might not invest in their children's education as before. This will make worse the disparities of access of higher education among income class.

Figure 16 Loan Aversion by Income Class and by Mother's Education

I would not borrow student loans, because they will be a burden for my children in the future.

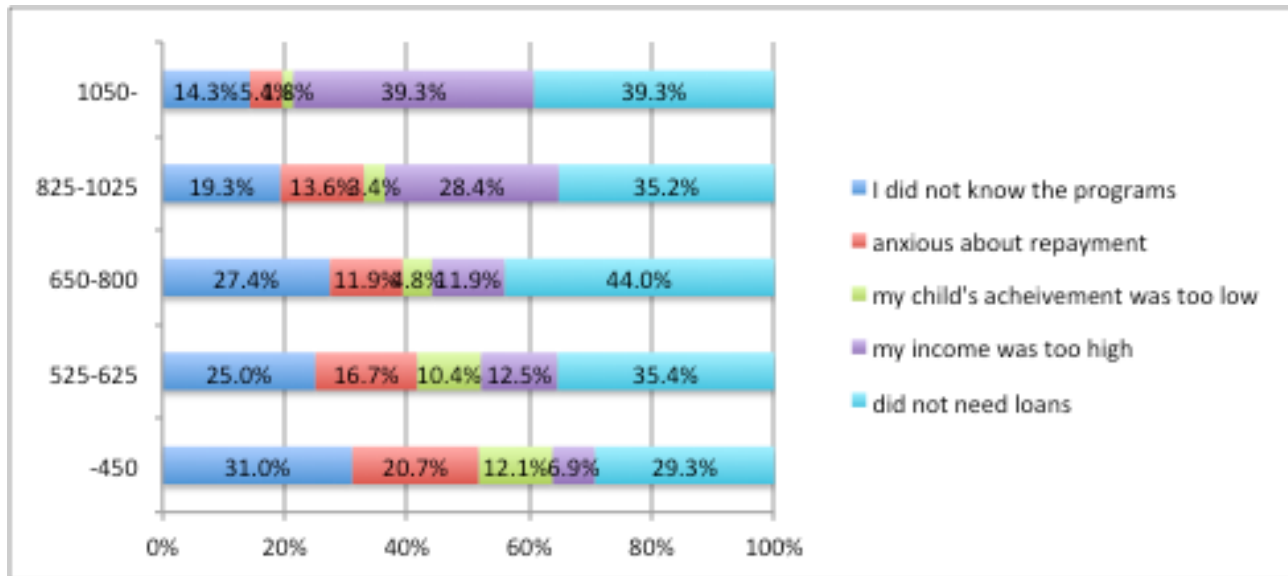


Data: CRUMP, High School Student Survey, 2006.

We found the same loan aversion in the 2012 survey as is shown in Figure 17. Parents who did not borrow the student loans are anxious about loan repayment. This proportion is highly related with the income classes. While only 5.4 percent of the highest income class parents are anxious about loan repayment, 20.7 percent of the lowest income class parents answers that this is the reason why they did not borrow the student loans.

Figure 17 Loan Aversion by Income Class and by Mother's Education

The reasons why my child did not apply for the student loan programs when my child was in high school



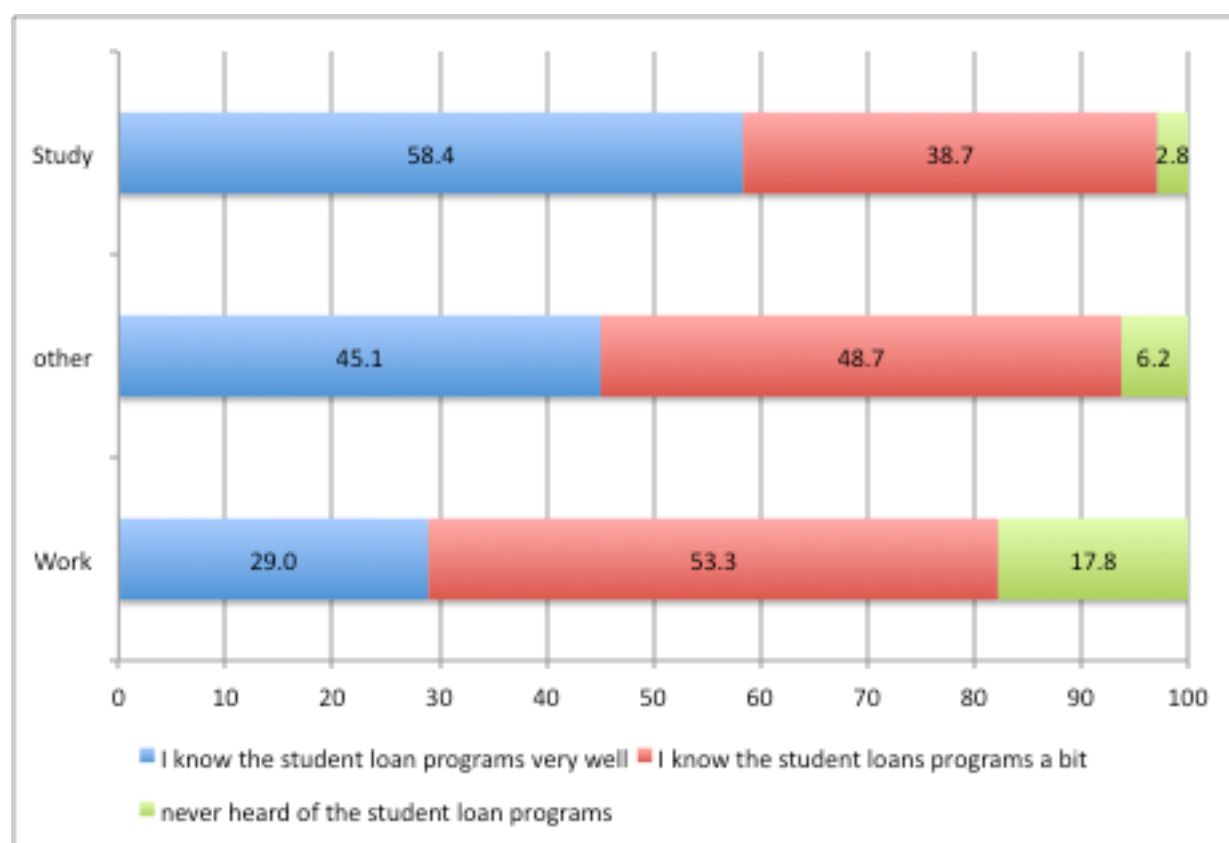
Data: Parents of High School Leavers Survey 2012.

But we can consider another reason why parents do not want their child borrows the student loans. One of the reasons is that they simply do not know student loan programs well. The previous question asks if they did not know the student loan programs for the reason why they did not borrow the student loans. Figure 17 displays the perception of student loan programs is highly correlated with the income class among parents who have a college student. Thirty one percent of the lowest income class parents (annual income is less than 4,500,00 yen) do not know the student loan programs, in spite of their child is eligible for borrowing the student loans.

There is a possibility that some families may abandon college education because they do not know the possibility of borrowing student loans. Figure 18 suggests it. Parents whose child is not a student do not know the student loan programs very well. Only 29 percent of parents whose child is working know the student loan programs very well. More than a half of them (53.3%) know them a bit. Seventeen percent do not know them at all.

We confirm that there is an information gap problem among families even whose children are college students. This is a serious problem because the burden of education payment has been shifted from parents to children. Some families may abandon college education because they do not know the possibility to make ends meet by borrowing.

Figure 18 The perception of JASSO student loans by child's situation



Data: Parents of High School Leavers Survey 2012.

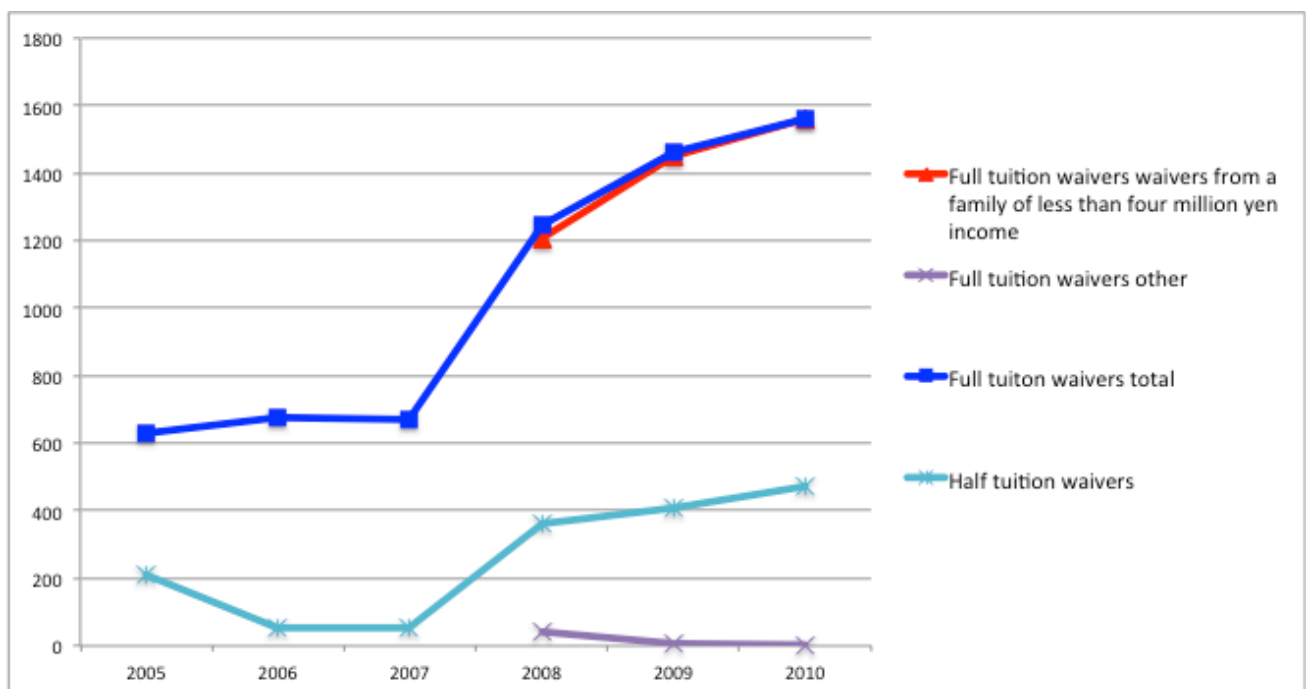
6. A NEW TUITION WAIVERS PROGRAM OF THE UNIVERSITY OF TOKYO

The fourth issue is introduction of a new program of tuition waivers at the University of Tokyo to improve the opportunity of students from low-income family. It allows for the waiving of tuition fees for students from low-income families. The result reveals the success of these reforms. The number of applicants for tuition waivers became doubled, and we had more enrollments from low-income family. The proportion of students from the lowest income class increased from 11.6 percent in 2007

when the new tuition waivers program had not introduced to 17.6 percent in 2008 when the new tuition waivers programs installed (Figure 19 and Figure 20).

What is the difference between the old scheme and the new scheme? Can this new policy be effective to improve the disparities of educational opportunity not only at our university but other universities? In my opinion the difference is the simplicity of the new program. The old program has been still working, but it is very complicated that the decision to decide tuition waivers is done by very complicated formula. Most student cannot understand this formula and do not know whether they will be tuition waivers or not.

Figure 19 Changes in the numbers of tuition waivers at the University of Tokyo



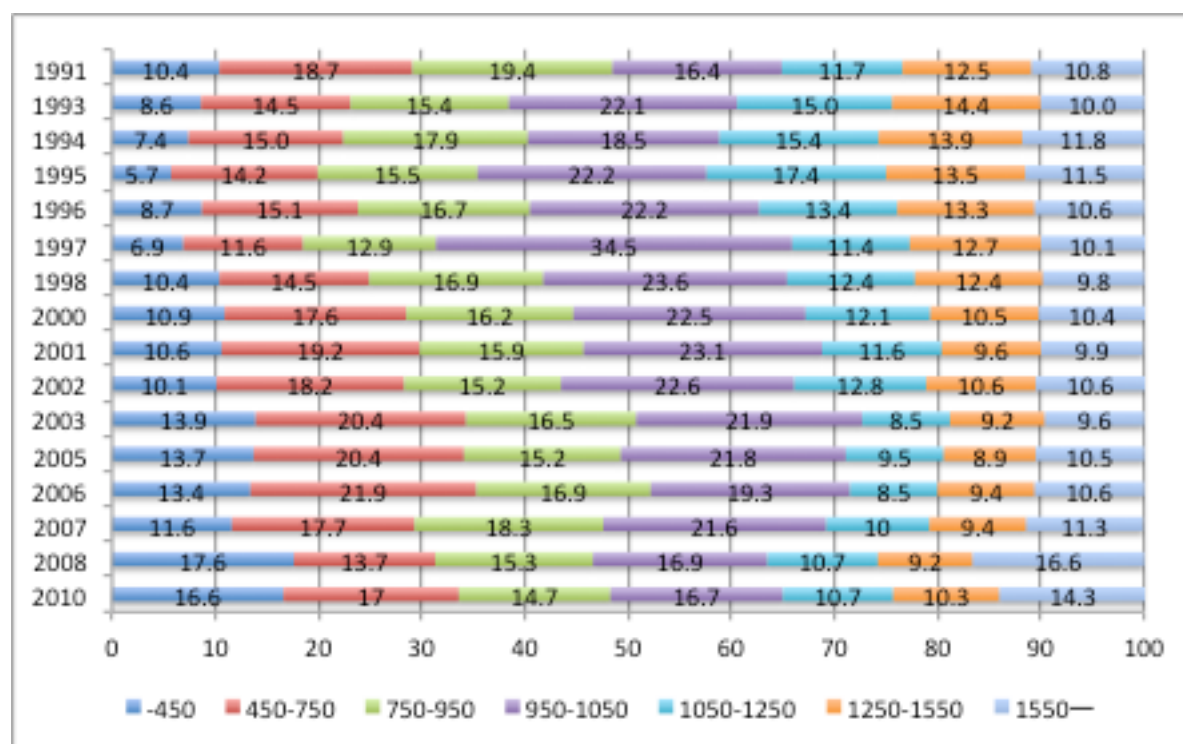
Data: The University of Tokyo

The new program is very simple. Applicants from low-income family whose family income is less than four million yen and show high grade point average become tuition waivers. Thus every student who only knows the family income, and GPA can easily know whether they become tuition waivers or not. This is the reason that so many students apply this new program. And we have

more students from low-income family.

Some other universities introduced similar program with us. But many universities still have old program to decide tuition waivers. We expect more universities will have similar programs.

Figure 20 Changes in the distribution of student income class at the University of Tokyo (ten thousand yen)



Data: Student Life Survey, The University of Tokyo, various years

7. CHALLENGES AND TASKS

To tackle the problems of access and family burden of educational expenditure, the Japanese Central Council on Education proposed a new grant and loan scheme aimed at improving access to higher education amongst low-income classes. MEXT will launch a new committee to discuss the reform of student financial aid programs.

Our research project provides the results of the new nationwide survey on access and equality

of education opportunities, as we mentioned above. We found the loan aversion problem and the low perception of student loans. We will have to tackle these problems to widen the educational opportunity particularly of low-income family. Our project did, and will do a comparative survey contrasting with educational reforms in other countries. We have been surveying educational reforms, in particular, policies on tuition fees and student financial aid programs, in Australia, China, England, Germany, Japan, Korea, Sweden, and the United States. Some of the results of the study have been already published in Kobayashi (ed.), 2008 and 2012. And we will publish a new survey results to contribute to the reform. We are thus trying to reduce disparities in access to higher education in the face of very tight public finance. We hope these survey results will help for the reform of Japanese student financial aid.

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