

Private Higher Education in Asia

Changing the Dynamics of Privateness
and Publicness

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Chapter 2

Japan's Private Higher Education

Long-standing and Diverse Prominence
under Demographic Pressure

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2 Japan's Private Higher Education

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Akiyoshi Yonezawa

2.1 Context

2.1.1 Introduction: Problem Statement and Purpose

Japan has developed a very prominent PHE (private higher education) sector, which is, along with South Korea and the US, exceptional among member countries of Organisation for Economic Co-operation and Development (OECD) (Levy, 2018). At the same time, Japan has also been the most widely cited case of an East and Southeast Asian pattern, where PHE possesses a dominant share of student enrollment in the process of massification of higher education (Altbach & Umakoshi, 2004). Part and parcel of this pathway, however, is that the large enrollment dominance stands in stark contrast to the general reality and perception of lower standing academically, socio-economically, and politically compared to the national public higher education sector, certainly as reflected in the disadvantageous or peripheral treatment generally accorded by national government policies for higher education (Breaden & Goodman, 2021; Levy, in press, 2024 forthcoming). Key to the latter has been government keenness to build and preserve the quality of public higher education and the concentration of research funding and facilities at its national universities, thus, between the 1960s and 1980s, when the demand for higher learning increased rapidly, looking to PHE to absorb the bulk of demand for higher learning among secondary school graduates.

However, by the early 1990s, the number of secondary education graduates started to decrease, and many PHE institutions experienced difficulties recruiting students and securing financial stability through tuition fee income. Closures and mergers, as well as the transformation of private universities into local public universities, became frequent. The government also changed its support, control, and incentivizing mechanisms, though policy directions have not always been consistent. Regardless, various types of private higher education institutions have survived and even developed

because the student market for private education institutions remains large and highly segmented, that segmentation allowing private institutions within the very differentiated private sector—and even its differentiated non-elite subsector—to map out their own individual strategies. That said, the continuous youth population decrease of the last three decades poses a challenge for the survival of many private higher education institutions that rely on market demand, while increased government interventions in PHE further blur already-blurring public–private borders.

Therefore, given this significant demographic pressure in the periods of both rise and decline, what has happened (and what might that suggest about what is going to happen) to Japanese private higher education in its relatively long history? What are the implications of higher education policy changes for the past, today, and future of private higher education and the public–private relationship in higher education in Japan, with what broader implications for proximate situations in Asia?

This chapter identifies and analyzes the profiles of various kinds of Japanese private higher education institutions that have been, and are facing pressure amid the drastic changes in national and global environments. After a brief overview of the historical pathways of Japanese private higher education, this chapter examines the governance, structure, and functions of private higher education of institutional categories laid out in Levy's (in print) typology. Then, I examine the blurring public–private distinctions in the Japanese higher education system, which reflects a series of inconsistent policy changes linked with demographic changes. Finally, I discuss the future directions of PHE under demographic decline from Japan's perspective.

2.1.2 *Historical Pathways*

Japan's PHE has a long history, sometimes being dated back to the 9th century (Wang & Zhang, 2022). However, it was after 1872 that Japan implemented its modern education system as a core part of the project to introduce Western civilization into the Japanese society, as various types of public and private higher education institutions were officially authorized by the national government. Some of these first-generation private higher education institutions were based on *Shijuku*, private schools for advanced studies, such as Chinese studies, Western studies, and Japanese national studies (Rubinger, 1982). To consider a representative case, Keio Gijuku (currently Keio University, founded in 1858) was established as a private school in Western studies (Dutch and then English) by the order of a feudal lord. Other schools, such as Doshisha English School (currently Doshisha University, founded in 1875), received support from charities of the Western world. However, most were created as a result of various active voluntary intake of Western-style higher education by the initiatives of domestic

founders with various background. For example, Tokyo Senmon Gakko, established in 1882, was a higher education institution with departments of political science, law, English, and physical science that later became Waseda University.

The current structure of both public and private higher education sectors goes back to the end of 1910s, when Japan experienced its first growth of private higher education institutions, which absorbed the increased demand for white-collar workers under the progressing democracy (Itoh, 2002). In 1918, the national government passed the University Ordinance, the legal system for authorizing universities, including private ones. However, prewar private universities faced difficulties in meeting government expectations regarding endowment sizes for sustainable operations. Then, under the military regime during the Sino–Japan War and World War II (1937–1945), PHE institutions were put under close governmental control, participating in the national mobilization in terms of human resource development through science and technology, even sending their students to the battlefield in the peak of the military regime in Pacific War.

In 1949, Japan implemented its current higher education system marked by strong academic autonomy and functional diversification both in public and private higher education sectors, which consisted of (1) universities with four-year bachelor, master, and doctoral programs; (2) junior colleges with two-year programs with associate degrees; and (3) colleges of technology with five-year (three years of upper-secondary education plus two years of higher education) programs with associate degrees in national, local public, and private sectors. This drastic reform, introduced during the US occupation with other Allied Forces, resulted in the significant increase in enrollments both in public and private four-year universities, upgraded from non-university higher and secondary institutions. Subsequently, enrollment in private universities and colleges was facilitated by the rapidly increasing demand for higher education brought about by rapid economic growth, which relied on tuition and fee income as the main source of funding (Kaneko, 1997; Pempel, 2019).

The junior colleges started off as a tentative legal framework for authorizing both public and private higher education institutions that did not meet the standards for becoming universities, turning into a permanent legal category in 1964. Junior colleges were originally meant to update prewar professional higher education institutions (*Senmon Gakko* or polytechnics). Although there were no legal assignments based on gender, the junior college sector was dominated by women's junior colleges, both for vocational and liberal arts education two-year programs, due to the widely recognized discrimination in job entry against female university graduates (Amano, 1997). In 1976, professional training colleges offering approximately two-year postsecondary vocational education were implemented and are now

recognized as a part of higher education sector (Itoh, 2002). In 2019, “professional universities” and “professional junior colleges” focusing on vocational education started to offer professional and vocational undergraduate and postgraduate education, while this sector is still marginal.

2.2 Structures, Governance, and Functions

2.2.1 Autonomy and Independence

The public–private distinction in Japan’s higher education system stems from differences in founders, which come in the following three varieties: (1) the national government (national), (2) municipal governments (local public), and (3) non-profit school corporations (private).

Under the Post-War Constitution enacted in 1946, a wide range of academic freedoms and autonomy were legally assured to all public and private universities, junior colleges, and colleges of technology. As to the financial relationship with the government, however, the three higher education sectors (national, local public, and private) have been clearly distinct from one another, specifically until the end of the 1960s. Private universities and higher education institutions, which were financially independent from the government, received high-level institutional autonomy in decision-making over tuition fees and student enrollment compared to national and local public universities and higher education institutions. The staff of national and local public universities had civil servant status and were under strict control in terms of budget and regulations until the beginning of 21st century (Amano & Poole, 2005). The following article of the Constitution prohibiting public support for education outside of public authority later led to disputes about whether the government could provide financial support to private (including higher) education institutions:

The Constitution of Japan, Article 89 (enacted in 1946). No public money or other property shall be expended or appropriated for the use, benefit or maintenance of any religious institution or association, or for any charitable, educational, or benevolent enterprises not under the control of public authority.

2.2.2 Structures and Governance

In general, PHE institutions (including universities) are operated by “school corporations”—that is, non-profit organizations defined in the Private School Act for the operation of private education institutions from kindergartens to universities. A school corporation can operate multiple private education institutions at various levels, which, among other things, may

increase financial stability through cross-subsidization among education institutions under the same school corporation. School corporations operating universities and/or junior colleges are under the jurisdiction of the Ministry of Education, Culture, Sports, Science and Technology (MEXT). Occasionally, groups of school corporations are voluntarily formed, acting as large conglomerates.

Since 2003, in some special districts of large cities marked for deregulation, for-profit stock companies have been allowed to operate private universities. However, in 2022, only four universities were operated by stock companies, three of which offered only professional graduate programs, with the remaining university exclusively offering correspondence (online) programs.

Financially, in addition to receiving tuition- and fees-based income, both public and private universities and colleges (except for professional training colleges and for-profit universities) are eligible for public support for operational expenditures, although public support for private universities is less than 10% of their annual expenditures on average, much smaller compared to public universities, which enjoy high public support and offer lower tuition fees (Fukui, 2021). Thus, while the same quality standards for education are applied regardless of the founding institution, the actual conditions of private universities and higher education institutions in terms of education expenditure per student and student–teacher ratios tend to be lower than those of public universities and higher education institutions.

The structure of universities and higher education institutions are generally the same in the public and private sectors, while institutional size varies from organizations with fewer than 1,000 students to those with over 70,000 students. In 2022, 620 out of 807 universities, 295 out of 309 junior colleges, and 2,531 out of 2,718 professional training colleges were private institutions. Private higher education institutions possessed the dominant share of student enrollments at the undergraduate level while lagging public universities at the postgraduate level, especially in terms of doctoral programs. More specifically, in 2022, the share of students studying at private higher education institutions was 94.6% among junior college students and 78.2% among undergraduate students, falling to 36.4% among master's students and 15.4% among doctoral students.

Japan has a distinctive tradition that the national government has set the quota of student enrollment to both public and private higher education institutions. This quota has been recognized as a core component of quality assurance of Japanese higher education. When universities, and other higher education institutions applies for the establishment of new institutions, departments and courses, the council under the MEXT, mostly composed by university academics assess their plan referring the establishment standards that set guidelines of appropriate staffing and facilitation fit to the

planned student enrollment. For public universities, the authorization of this student enrollment quota is linked with financial affordability of national and municipal government. As to the private universities and higher education institutions, the committee authorizes the application based on assessed feasibility: whether they provide enough staff, facilities and equipment, campus, as well as whether they have sufficient management capacity in operation and student attraction. The government poses the incentives and penalties to make public and private universities and higher education institutions to enroll the students equal to the authorized enrollment quota. These incentives and penalties as government subsidies and legal control are posed in face both too few enrollments and too much enrollment against the authorized quota.

2.2.3 *Internal and External Politics*

The internal and external politics of PHE is diverse and complex, while generally linked to positions in the hierarchy based on prestige and historical length within the PHE sector. The balance of power between PHE institutions and the school corporations to which they are affiliated also varies considerably. According to Morozumi (2019), in 2019, at 22% of private universities and 27% of junior colleges, the same person was both the president of the university/college and the chairperson of the school corporation. The presidents at 37% of private universities and 47% of private junior colleges were the founders or their family members, which Breaden and Goodman (2020) refer to as “family-run” universities, PHE managed as family business (Altbach et al., 2019). The family-run universities tend to be historically new and generally non-elite. In other words, universities established as “family run” tend to gradually transition to non-family successors, provided there is no legal basis for family ownership. As a non-profit school corporation, the founder must donate and cannot claim legal ownership of the school corporation. Nevertheless, some behave as “owners” of private universities and higher education institutions. At private universities, 40% of presidents are appointed by the board of the school corporation, 30% by the selection committee, typically composed of both academics and non-academics (managers, local representatives, etc.), and 20% by elections among (generally) faculty members. At private junior colleges, 53% of presidents are appointed by the board of the school corporation, 31% by the selection committee, and 10% by elections among (generally) faculty members. In general, the power of university faculties and alumni in university governance is stronger in elite and semi-elite universities with a long history.

The political voices and actions of PHEIs are not homogeneous. Rather, they vary according to the associations to which they belong. First, private universities are divided into the following two associations: the Association

of Private Universities of Japan (APUJ; established in 1946, 411 member universities) and the Japan Association of Private Universities and Colleges (JAPUC; established in 1951, 123 member universities). JAPUC was established by separating private universities with prewar origins from newly established private universities under the new post-war education system. All elite and semi-elite universities mentioned above are members of JAPUC, which tends to represent the voices of prestigious and large private universities.

Junior colleges belong to a single association, the Association of Private Junior Colleges in Japan (APJCJ). Professional training colleges form the National Association of Vocational Schools in Japan, which also includes miscellaneous schools that are not necessarily higher education institutions. In addition to professional training colleges, the new professional universities that provide bachelor and postgraduate professional education can be seen as product-oriented by legal definition. However, product-oriented programs related to various vocational skills and qualifications, such as nursing, nutrition, and cartooning, are also widely offered by mostly non-elite universities and junior colleges, not only in the private sector but also in the (mostly local) public sector.

Universities and junior colleges are legally required to be accredited every seven years by a quality assurance agency certified by the national government. In principle, universities and junior colleges can choose which quality assurance agency they apply to. However, JAPUC members tend to apply to the Japan University Accreditation Agency established in 1947 under the US-led higher education reform, while APUJ members tend to apply to the Japan Institute for Higher Education Evaluation founded by APUJ itself in 2004. National universities tend to apply to the National Institution for Academic Degrees and Quality Enhancement of Higher Education, a national government agency that started its quality assurance activities in 2000. Every quality assurance agency has its own quality assurance standards, although all quality assurance agencies are certified by the national government.

Under the highly diversified, segmented, and hierarchical structure of the private education system in Japan, each association representing different stages and types of private educational institutions has different policy directions in lobbying on government regulation, financial support, and quality assurance. Under the circumstances in which a school corporation can operate various types of educational institutions from kindergartens to universities, the leading power in lobbying tends to lie with a small number of large comprehensive private universities, which have many other types of educational institutions affiliated with them. Since 1955, the Federation of All Private Schools (FAPS) has served as the lobbying body for private educational institutions. This federation is composed of alliances of university associations (APUJ and JAPUC), the Japan Private High School Federation,

the Japan Association of Private Elementary Schools, and the Japan Private Kindergarten Federation. The president of JAPUC serves as the president of FAPS (in 2023).

2.3 Functions and the PHE Typology

The education functions of public and private universities overlap; some are highly selective (elite), while others are not. However, the proportion of universities that are de facto open entry (the less prestigious, mostly small and located in remote suburbs, small cities, or rural areas) is much higher in the private sector. Given the low level of tuition fees and the pressure on public budgets, it is not common for national and local public universities to set enrollment quotas that are not met. In the case of non-university higher education institutions (apart from colleges of Technology), it is rare for the national government to establish and maintain national institutions; therefore, most of the demand for non-university higher education is met by PHE institutions.

2.3.1 *Elite and Semi-Elite*

When it comes to research activities and performance of universities, there is a large gap between national (public) and private universities. The top 20 universities in terms of the number of newly accepted projects for Grant-in-Aid for Scientific Research by the Japan Society for the Promotion of Science in 2021 was dominated by national universities, the two private universities being Keio University (12th place) and Waseda University (15th place).¹ A Leiden Ranking 2022 indicator of Proportion of Publications in Top 10% for scientific impact had these same two at 9th and 15th place, respectively, with Nihon University ranking 19th.

However, regarding student selectivity of undergraduate programs, the number of universities in the most selective group, according to Kawaijuku,² is almost equal between public and private universities: in law and political sciences, there are five national (Tokyo, Kyoto, Hitotsubashi, Osaka, and Tsukuba) and five private (Waseda, Keio, International Christian, Aoyama-Gakuin, and Chuo) institutions; in Science and Engineering, two national (Tokyo, Kyoto, and Tokyo Tech) and private (Waseda, Keio, and Tokyo University of Science) ranked as most selective. The graduates of these highly selective universities are considered to belong to the elite in the domestic labor market. In the field of medical science, many private universities are selective because of the highly limited enrollment numbers as quota authorized by the national government linked to the national control of medical licensing. The required educational resources outlined by the standards for university establishment, as set by the national government, are

also high among medical programs, and the tuition fees of private universities in medical science are distinctively high. For example, at Nihon University, the largest private university in terms of student number, total first-year tuition fees excluding the residential fee amount to 6.35 million Japanese yen (JPY)³ in medical science, which is five times of tuition in legal studies (1.29 million JPY). In contrast, at national and local public universities, there is, in principle, no difference in tuition fees among academic fields and the tuition fee deference range is legally set within 20% among national and local public universities; at the University of Tokyo, for example, the sum of the tuitions and fees for the first year is 817,800 JPY, that is, two-third of the tuition fees of legal studies at (private) Nihon University.

Although some prestigious private comprehensive universities and private medical universities tend to be highly ranked in the international university rankings based on research performance and resources par faculties, their main income sources are tuition fees and clinical services of affiliated university hospitals. Regarding the educational function, in 2023, 53.3% of private universities and 92.0% of private junior colleges experienced difficulties in attracting enough students to meet the student enrollment capacity authorized by the government as quota.

Therefore, it is difficult to clearly group private universities and higher education institutions according to the functions. Keio University and Waseda University, two comprehensive private universities with high performance in research and highly selective entry standards, can be categorized as “world-class” private universities, or very close to “world class.” These two universities are members of Research University 11, a national consortium of 11 top comprehensive research universities with other top national research universities such as the University of Tokyo. In the QS ranking 2024, Waseda University is ranked 199th and Keio University is ranked 214th while occupying ninth and tenth places among Japanese universities, respectively. They are clearly distinguished from the next top private universities, Toyota Technological Institute (446th: a small sized technological institute heavily supported by Toyota Foundation), Ritsumeikan University (631–640th: a top comprehensive university located in Kyoto), and Tokyo University of Science (661–670th: a top private university in the field of science and engineering).

Among the reasons it is almost impossible to clearly distinguish between semi-elite and the upper tier of non-elite universities is that student selectivity is highly diverse according to the schools and departments, even within a single university. Domestic rankings⁴ have established groupings of selective universities, and the following universities can be categorized as semi-elite according to Levy’s typology: Sophia University, Meiji University, Aoyama Gakuin University, Rikkyo University, Tokyo University of Science, International Christian University, Chuo University, Hosei University, and

Gakushuin University, located in the Tokyo metropolitan area, and Kansai University, Kwansei Gakuin University, Ritsumeikan University, and Doshisha University, located in the Kansai area (Osaka, Kyoto, and Kobe). Among these institutions, Sophia University, Aoyama Gakuin University, Rikkyo University, International Christian University, Kwansei Gakuin University, and Doshisha University have Christian origins, although student recruitment is widely open to non-Christian students as well. This is partly a reflection of the fact that only 1% of Japanese are Christians,⁵ in addition to the internationally observed tendency of academic ascendancy toward elite or semi-elite characteristics seen in religious universities. Gakushuin was originally established by the emperor as a special higher education institution for peerage families, but the current Gakushuin University is a private comprehensive university open to all citizens. Whereas the current emperor and the crown prince graduated from Gakushuin University, some royal families choose other universities, such as International Christian University.

2.3.2 Identity

Universities with religious backgrounds are not limited to Christian institutions. For example, there are universities set up by Buddhists (e.g., Ryukoku University, Komazawa University, and Soka University), while Kokugakuin University has a Japanese Shinto background. Ejima et al. (2023) defined religious universities and junior colleges as either (1) the founding body of the university or junior college is a religious organization or deeply involved in a particular religion, (2) the founder is a religious person or a believer belonging to a particular religion, or (3) the university or junior college expresses a religious spirit in its founding and educational principles. According to their survey in 2017, out of 615 private universities at that time, 125 were religious universities (19 Catholic, 59 Protestant, 41 Buddhist, two Japanese Shinto, and three New religious movements). Then, out of 306 private junior colleges, 77 were religious (17 Catholic, 26 Protestant, 32 Buddhist, two Japanese Shinto, and one New religious movements). The balance of power between these religious organizations or individuals and universities or junior colleges is diverse and cannot be generalized.

In addition, Japanese PHE has been home to a significant presence of women's universities and especially junior colleges. Some women's universities are prestigious—for example, Japan Women's University, Tokyo Woman's Christian University, and Tsuda University are regarded as top (semi-elite) women's private universities and have set up a consortium with two top national (public) women's universities, Ochanomizu University and Nara Women's University. Regarding private junior colleges, currently almost all private junior colleges are women's colleges because historically junior colleges have provided short-cycle (two-year) higher education for

women. Currently, there are no male-only universities or higher education institutions in Japan. Male students tend to prefer either universities with bachelor programs or professional training colleges, mostly offering two-year diploma programs that are directly linked to professional and vocational training. After the mid-1980s, female students' preferences gradually approximated the legal setting of gender-equal job opportunities. Thus, the junior college sector has gradually shrunk due to market preferences.

2.3.3 Variations in Demand Absorbing Behavior

Demand-absorbing was originally developed as a type in Levy's typology as the main category of non-elite institutions. In the case of Japan, however, this behavioral pattern more or less applies to almost all PHEIs under the condition that their main source of income is tuition and fees. Nevertheless, there is also a wide variation in the characteristics of targeted demand, and this variation is basically determined by the timing of establishment.

Kaneko (1996) proposed a typology of Japanese private universities based on the year of establishment; this typology has been widely employed by higher education experts in Japan. According to Kaneko, first-generation private universities established before 1960 can be further divided into the following three categories: (1) core: ten large comprehensive universities (Keio, Waseda, Meiji, Rikkyo, Hosei, Chuo, Kwanseigakuin, Kansai, Doshisha, and Ritsumeikan); (2) periphery: 54 mid-sized and large universities with 4,000 students or more; and (3) niche: 71 small universities. Then, he proposed a category for second-generation universities established in 1960–1974: 162 universities launched under a *laissez-faire* market setting before the establishment of the legal framework for public subsidization and national enrollment control. The final category put forward by Kaneko consisted of third-generation universities established after 1974. All the elite and semi-elite universities mentioned above belong to Kaneko's first-generation category. At the same time, non-elite universities (which also include many first-generation universities) do not necessarily absorb the entirety of demand, which is why Kaneko used the term "niche" to refer to private universities aiming for specific markets (women, medical training, religion, arts, etc.) in a highly complex and segmented student market.

2.4 Blurring Public–Private Distinctions

As discussed above, while a legal framework based on the founders provides a clear distinction between the private and public higher education sectors, wide intra-sectional variation in institutional types and characteristics is observed in both the public and private sectors. Under this condition, we can observe some overlapping in function, especially among leading elite private

and public universities. These overlapping characteristics are the product of historical trajectories that have not necessarily been consistent. In this section, I examine the blurring of the public–private distinction in the Japanese higher education system, which reflects a series of inconsistent policy changes linked to demographic trends.

2.4.1 Recognition of Public Roles of PHE under Welfare State Policies

In the 1970s, the distinction between public and private higher education sectors faced its first significant challenges, as seen widely in other countries with PHE, under the influence of welfare state policies internationally popular at the time (Breaden & Goodman, 2021). In the 1960s, Japan's private universities experienced rapid expansion and various conflicts, such as the deterioration of the learning environment caused by the rapid expansion,⁶ tuition increases that produced financial difficulties among students from various economic backgrounds, and student movements against the tuition fee increase and the authoritarian tradition of university governance (Pempel, 2019). In 1975, the Act on Subsidies for Private School was enacted. In this document, Article 4 states that the national government can subsidize school corporations that establish universities, junior colleges, or colleges of technology by covering up to half of their operational expenses for education or research. This legal definition is based on the premise that private education institutions, including PHE institutions, play an important public role in Japan's school education. This idea did not have a prior legal basis, as the Basic Act on Education enacted in 1947 involved no regulations regarding private schools. However, when the Basic Act was amended in 2006, the following article provided official recognition of the role of private education institutions:

Basic Act on Education (amended in 2006), Article 8: Taking into account the public nature of privately established schools and their important role in school education, the national and local governments shall endeavor to encourage private school education through subsidies and other appropriate means, while respecting school autonomy.

In 1979, the ratio of national government subsidies reached a quite substantial 29.5% of the total operational expenditures of private universities. At the same time, the national government also strengthened its control over the student enrollments of private universities and junior colleges, utilizing incentives and penalties in financial support. In 1976, the national government established a five-year national higher education plan that set a target for total higher education enrollments of the whole nation, including for the private sector. To ensure educational quality and the effects of public

subsidies, the government strengthened its control over student enrollments through the allocation of student enrollment quotas for both public and private universities and junior colleges. This market-control measure for the total enrollment capacity of private universities functions as a policy cartel led to rises in tuition fees among private universities and junior colleges and improved their financial stability. In addition, the national government started to raise the tuition fees of national universities as well, which should be understood as a transformation from nominal, almost free, tuition to a partial beneficiaries-pay principle (Yonezawa, 2013).

However, the economic stagnation of the 1970s, along with two oil shocks and an aggressive public finance policy based on government bonds, resulted in a significant budget deficit. In 1979, the national government introduced austerity measures to restore public finances.⁷ Since then, the total amount of public subsidies for the operational expenditures of private universities has stagnated, and the share of subsidization gradually decreased below 10% by 2015 (Breaden & Goodman, 2021). Thus, the once near dichotomy of private versus public in funding of the private and public sectors, which had been significantly blurred by the major government subsidization of PHE starting in the mid-1970s very quickly saw that blurring itself diminish, private–public financial distinctiveness largely restored.

2.4.2 *Neoliberalism in Parallel with Public–Private Partnership*

In addition to national budgetary constraints, the neoliberalism of the US and the UK policy shifts became influential in Japanese higher education policy debates in the 1980s. By the mid-1970s, Japan had implemented universal participation up to senior secondary education, and Japan's national government had to address the increasing demand for higher learning, especially at the bachelor level. Moreover, the economic recovery after oil shocks in 1970s, along with the second baby-boomer generation (the children of the first baby boomers born after World War II), increased the demand for higher education in 1980s. However, after the second wave of baby boomers passed their peak enrollment, Japan's youth population was expected to begin a long-term decline from 1990s due to lowered fertility. To meet this temporary increase in demand for higher education by the second baby boomers, the government increased the enrollment capacity of public and private universities and other higher education institutions.

Furthermore, the enactment of the Equal Employment Act in 1985 provided gender-equal job opportunities for university graduates in terms of executive careers. Since then, a drastic shift in enrollment from (women's) junior colleges to (mostly coeducation) universities with bachelor programs has occurred. As the demand for junior colleges, which mostly provided short-cycle higher education for female students, was expected to decrease, the government-guided junior colleges upgraded to four-year universities.

Afterward, as already expected in 1980s, the 18-year-old population reached its peak at the beginning of the 1990s and has been continuously decreasing since then: 2.05 million in 1992, 1.12 million in 2022, and estimated to be 0.80 million in 2042. Under the circumstances that significant increase of demand in higher education were no longer expected, in 1991, the national government stopped setting policy targets of the student enrollment at the national level. Thus, the government began to allow new universities, colleges, and programs to be started if they met the government's standards for establishment to ensure the quality of education. Under these circumstances, the excess demand for higher education, particularly for university education, almost disappeared by the end of the 1990s (Yonezawa, 2020). The population decline, however, has been significant especially in the rural areas. The concentration of the population, especially in Tokyo, has secured the private universities located in the downtown area of Tokyo with the continuous inflow of local, national, and international students. Under these circumstances, a policy action to cap the enrollment quota for universities located in downtown Tokyo is still in place by the national government as a measure to avoid an over-concentration of students in Tokyo.

The neoliberal, market-driven deregulation implemented by the national government did not necessarily decrease the extent of public policy interventions in private universities and higher education institutions. Due to the national government's hesitation to engage in financial commitments, local municipality governments strengthened their financial commitments to private universities. The main incentives for local governments to invite and support private universities and higher education institutions were to attract young people to their local communities and to meet local demand for higher learning. In 1984, the national government released policy guidelines for promoting "public-private partnerships" in the establishment of private universities in local areas; in other words, collaborations between local governments and private school corporations in establishing and developing private universities and higher education institutions. Moreover, in 1985, the government suggested a "third sector" model, whereby local governments commit to inviting and establishing new universities by providing campuses and facilities, while invited school corporations operate these new institutions as private universities. These policy guidelines led to a boom in partnerships between local public governments and private universities and higher education institutions, both in establishing and operating higher education institutions (Breaden & Goodman, 2021).

2.4.3 New Public Management; Dual Sector Application

In contrast to the fundamentalist interpretation of neoliberalism that advocates limited government and a privatization involving some government withdrawal from the market, the Japanese government was more inclined to

adopt the new public management (NPM) policies employed in the UK administrative reform since the end of 1980s. Under this model, the government contracts out its “public education services” to universities and higher education institutions and provides funding based on performance assessments. In the UK, where PHE was only very marginal, this model was applied to public sector universities and higher education institutions. In Japan, however, the NPM idea became influential not only in the public (national and local public) higher education sector but also in the (non-profit) PHE sector, at least partially. Thus, Ohmori (2022) argued that, in Japan, higher education policy interventions by the government have been rather strengthened by applying the NPM policies towards higher education over the last two decades.

In 2001, Atsuko Toyama, the Minister of Education, Culture, Sports, Science, and Technology at the time, submitted a brief memo on the direction of higher education policy, stressing the importance of a higher education reform based on market competition across the national, local public, and private sectors. The “Toyama Plan” has constituted the basic framework for market-driven higher education reforms up to the present.

This plan was composed of the following three main policies: (1) promotion of the restructuring and integration of national universities, (2) introduction of private sector-oriented management methods into national universities, and (3) introduction of market competition principles into universities through third-party evaluations. The second policy was realized as the incorporation of all the national universities in 2004. The idea behind this incorporation scheme was a drastic reduction in the number of civil servants in order to foster more limited government. National universities that operated directly under MEXT were transformed into national university corporations—that is, into public organizations that operate national universities following mid-term goals and plans authorized by MEXT. Most of the local public universities established and operated by municipal governments were also incorporated based on the decisions of their respective municipal governments under the principle of local autonomy.

Amano and Poole (2005) point out that under the Japanese Constitution (1946), private universities are guaranteed greater freedom from government rules than national universities. Before their incorporation in 2004, as widely seen in continental Europe, national universities were under the direct control of and surveillance by MEXT, both at the level of personnel, as the staff were national civil servants, and finance, as national schools were part of the national government budget (Kaneko, 2004). Under these circumstances, the idea of the “privatization” or “corporatization” of (especially top) national universities, became actively discussed, similarly to the corporatization of top public universities in Malaysia in 1998 (Lee, 1998) and widely in Southeast Asia.

In 1991, in a series of policy debates on the education reform from the 1980s, the national government, in the spirit of neoliberal ideas favoring deregulation and market principles, conducted a comprehensive revision of the University Establishment Standards to introduce greater deregulation into the university system. After the revision, private universities were given more flexibility in course provision according to market demand. In 2002, the MEXT Central Council for Education released a report titled “Establishment of a New System for University Quality Assurance,” indicating a shift from ex-ante regulations to ex-post checks in the quality assurance system, which now focused more on regular accreditation by government-authorized quality assurance agencies than did MEXT’s controls at the time of the establishment of new universities and colleges. In addition, from 2004 onward, for-profit universities have been allowed in special deregulation districts (Yonezawa, 2008). However, for-profit universities have not proliferated, especially in the provision of undergraduate programs as the main market for PHE, where the for-profit universities do not have access to favorable tax treatment or government subsidies. Instead, the professional programs in business studies and online-based correspondence programs are provided by a few for-profit universities where the corporate-style management with limited participation of academics in university governance is more feasible.

However, this neoliberal policy direction has been implemented only partially. In reality, policy tools that belong to NPM policies were widely applied as a tool for elaborated manner of policy drives and controls, where the public–private relationship entails complex, stratified understandings of the “publicness” in higher education (Kobayashi, 2019). Legally, universities and junior colleges are part of the national education system under the School Education Act. This applies not only to national and local public universities and colleges but also to private universities and colleges. As Japan’s Constitution prohibits the use of public funding for educational enterprises not under the control of public authority, the national government and municipal authorities provide financial support to private universities and higher education institutions operated by non-profit school corporations. Such private universities and higher education institutions are legally recognized as entities “under the control of public authority.”

In addition, the school corporations that operate universities and other types of education institutions are legally categorized as a type of “public benefit corporation, a benevolent corporation protected by the government for public benefit through preferential tax treatment and public subsidies.” In 2023, the national government enacted a policy to revise the public benefit corporation system, including school corporations, as part of an administrative reform. Thus, school corporations and their private universities and colleges were rediscovered as non-governmental agencies that provide education as public services and were included in the NPM framework.

Under these circumstances, the national government has strengthened its detailed and wide range of interventions in the governance of school corporations as well as universities and higher education institutions by, for example, proposing governance codes, information provisions, guidelines for management reforms, mergers, and closures. For the governance reform of school corporation, the business models of private enterprises were emulated, especially regarding the reforms of corporate governance; corporate governance codes as soft law, inclusion of external members in the governing boards, enhanced power of institutional leaders, governing boards of universities and school corporations in parallel with the limitation of the autonomy among faculties other than for academic affairs (Yonezawa, 2023).

Local governments have also strengthened their interventions: the transformation of private universities and higher education institutions into local public universities and higher education institutions has occurred, mostly to ensure financial stability of these institutions. For example, Kochi University of Technology, a small engineering university located in Kochi Prefecture with a population of 675,000, originally started as a private university with full provision of campus by the local government in 1997. However, faced with a difficulty to sustain as a private university, this university was transformed into a local public university in 2009 and seek stable support from public resources.

Moreover, the youth population is estimated to decrease further, with the pace of this decrease accelerated by the COVID-19 pandemic. Thus far, Japan, where the majority of higher education content is provided in Japanese, has not been successful in enlarging its commercially oriented intake of international students, as seen in English-speaking countries. Instead, Japanese private higher education institutions have strengthened their reliance on the domestic student market for bachelor programs immediately after secondary education. Finally, although the government and even the industry are promoting lifelong learning to upskill university graduates and postgraduates, so far, the presence of these markets in the private sector remains modest (Breaden & Goodman, 2020). Based on the expectation of further decline in youth population, the national government strengthens its strict assessment to new establishment plan, as well as guide and support to reorganization, merger, and closure of PHE. In 2025, the Central Council of Education of the MEXT published a report on the future of higher education. This report outlined a scenario for downsizing undergraduate enrollment in response to the expected further decline of the youth population. The government's actions indicate a strategy of eliminating PHIs with inadequate competitiveness from the higher education market. However, the current structure, balance between the private and public sectors, and geographical distribution of higher education provision are not subject to change. These policy interventions with strengthened market control may rather discourage the innovative approach for non-traditional student market.

2.5 Conclusion and Discussion

Over a century and a half, Japan has developed a highly diversified private higher education sector based on student demand and tuition fees, ranging from world-class elite universities to identity, niche, and product-oriented institutions. Japan saw the bulk of its student enrollments concentrated in this diversified sector. However, under severe national and higher education demographic decline, as well as a series of changes in policy directions, Japan's private universities and higher education institutions are now struggling to transform themselves as they manage their changing relationships with the student market, the industry, and national and local governments. Responses and results vary across different segments of private and public higher education institutions. The shrinking student market threatens continuity, especially on the non-elite side. Below, I consider the features and future perspectives of the Japanese higher education system, along with the historical prominence of the private higher education sector.

First, the decline of the youth population has increased government interventions in all parts of private universities and higher education institutions. When the higher education sector were characterized by high demand in 1960s and 1980s, the government had an incentive to provide laissez-faire market conditions to allow private universities and higher education institutions to pursue demand-absorbing market behaviors. However, when there is sufficient or even oversupply under the shrinking youth population as seen partly in 1970s and particularly in the last three decades, private universities and private higher education institutions tended to seek public support to compensate for decreases in tuition fee incomes. In such cases, the government tends to recognize private higher education provision as part of national (public) higher education provision, supporting learners as national citizens. The private universities, especially those seeking elite status and local commitment, tend to emphasize their public role. Under such a demand-supply mechanism, private universities with diversified types have often changed their behavior patterns; for example, they became more demand-absorbing when demand was high, and, if their positioning in the market allows, more elite or product-oriented (i.e., seeking distinguished niche markets) when they faced severe marketing pressure under the declining youth population.

Second, in the case of Japan, local governments have played active roles in these public interventions in the private higher education sector; sometimes, private universities and other PHEIs that faced difficulty in attracting enough number of students even be transformed into local public education institutions. This occurrence is linked to the situation of non-elite universities and higher education institutions, especially those located in small cities and rural areas: their markets tend to be limited in terms of geographical

areas as well as academic and vocational fields. In local areas, universities have symbolic value in addition to providing higher learning opportunities.

Third, the idea of introducing market-driven competition into the public higher education sector has led to the blurring of the line between policies for public higher education and policies for private higher education. This is particularly true for NPM policies originally designed for the public higher education sector. In Japan, the NPM policies have tended to be applied also to private universities and higher education institutions operated by non-profit organizations treated rather as somewhat “public” while they are still private. In Japan, for-profit private higher education remains experimental under existing government policies which does not provide incentives in for-profit HEIs. In these conditions, the public–(non-profit) private distinction tends to become blurred. However, this blurring has remained partial under the continuing systemic division between national, local public, and private higher education sectors.

Finally, the functions of public and private higher education, especially those of elite and semi-elite public and private universities, tend to overlap. Having said so, the PHE sector is highly diversified. World-class and semi-elite universities have strong market brands and may develop further, occasionally reducing the market of their less competitive peers. The national government, as well as the local governments, supports such prestige-driven behaviors for promoting public contribution by both public and private higher education sectors. At the same time, many non-elite universities and higher education institutions are more (mass and niche) market-driven, occasionally facing a crisis for survival. Some are seeking non-traditional new markets, others will choose to be transformed into local public institutions, but many may simply withdraw from the higher education market by downsizing and closing. So far, the extent of market withdrawal among universities has been modest compared to non-university institutions, while further population declines are estimated (Breaden & Goodman, 2020).

The concluding discussion above assumes that the Japanese higher education market will not become internationalized in a drastic manner. This is partly because very strong national government interventions in the private higher education sector are ongoing. Thus, it is difficult to expect for-profit and foreign universities and colleges to enter the market or to see Japanese private universities and higher education institutions expand overseas. The legal setting that divides the national, local public, and private higher education sectors remains in place, although this division clearly does not match reality in terms of functional differentiation and the public–private relationship.

While Japan is a mature country with a long tradition of PHE, its higher education system is facing a significant challenge now. However, if the

global-level examination of the public–private relationship proceeds, along with the functional diversification of PHE sector, this will certainly influence Japan's policy direction regarding PHE again in the future as another policy borrowing trials.

Notes

- 1 https://www.mext.go.jp/a_menu/shinkou/hojyo/1422129_00002.htm.
- 2 <https://www.keinet.ne.jp/>.
- 3 1 USD equals 150 JPY (October 18, 2023).
- 4 Kawaijuku (2023). <https://www.keinet.ne.jp/university/ranking/>.
- 5 United States Department of State, Office of International Religious (2022) Freedom 2022 Report on International Religious Freedom: Japan. <https://www.state.gov/reports/2022-report-on-international-religious-freedom/japan>.
- 6 The student/full-time teaching staff ratio (average) increased from 26.4 in 1960 to 31.6 in 1973 in the private university sector compared to 8.0 in 1960 and 8.4 in 1973 in the national university sector.
- 7 https://www.esri.cao.go.jp/jp/esri/prj/sbubble/history/history_01/analysis_01_01_06.pdf.

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