

Demographic Change and Japanese Private Universities

That the Japanese population is ageing and that in the *future* Japan will have an exceedingly high proportion of benefit-receiving elderly to productive-age workers is well known. Less well known, but of considerably more immediate importance in terms of education, is the rapidly declining number of college age students. This demographic change has the potential to substantially alter the character of higher education in Japan, particularly in, but not limited to the private sector.

The first, and most obvious consequence of this demographic change is that competition rates for university entrance are dropping. When any applicant can gain admission to something called a “university,” there will be even more competition for entrance to the few universities that are selective and that offer more than a generic “university” education.

From the university side, the significance of the demographic change is even greater than for the individual in as much it represents an on-going, long-term environmental change. Whatever the competitive scenario that emerges, many universities are going to find themselves in the position of having to search for students from an ever-declining pool rather than select them from an ever-increasing body of aspirants. This is a change of immense and varied significance. Instead of being able to passively wait for students to apply, universities will have to, and have already turned to aggressive recruiting. Pressure to recruit, and more importantly, retain students will force universities into new, and unfamiliar patterns of behavior. The creation of “admissions offices” that are really concerned with recruitment is one already notable result of the demographic change.

The problem is not simply filling places or, in British terminology, putting bums on seats, even though some private universities are already operating substantially under capacity. Japanese private universities have heretofore derived a substantial portion of their operating revenue from the hefty fees they could charge for at least nominally competitive examinations.

Students have become increasingly “credential conscious,” seeking portable credentials in fields such as computing, counseling, and care of the elderly as hedges against unemployment. Some private universities have responded by shifting to more credential or certificate-oriented programs within a conventional university program. Others have contracted with commercial course providers who use the facilities of the host university saving the students the time and expensive of commuting to another school.

Despite early predictions of the now actual decline in the number of college age students, the Ministry of Education has made the situation worse by permitting, indeed encouraging, the continued creation of new universities, the expansion of existing universities, and the upgrading of two-year junior colleges into four-year institutions. Even with optimistic expectations for an increase in the proportion of high school graduates who seek to go on to university, the combination of a decline in absolute numbers of probable university students coupled to an on-going expansion of places now and for the near future, guarantees that a certain number of institutions and departments will experience a short

fall in enrollments.

Prolonged budget deficits on the part of the central government make it unlikely that the level of public assistance to private institutions will increase. Moreover, many private institutions are in poor financial condition. Most Japanese private universities live hand to mouth. Current fees pay current expenses. It is the rare Japanese university that has endowment income amounting to more than a few percent of operating expenses. Many have substantial debt burdens secured by land now worth much less than when it was mortgaged. Some institutions are likely to simply fold. Others will be forced into mergers.

Survival strategies are, however, rather limited. Much of the expansion encouraged by the Monbusho has been through facilities located far from city centers and public transportation. Such universities cannot expect to build any substantial new clientele among salaried workers seeking to gain credentials after hours and can expect to lose high school graduates to more centrally located institutions. Private universities moreover face competition from national universities that can offer lower tuition, higher prestige, and conveniently located campuses or branches. Current proposals to give national universities a larger measure of fiscal and managerial authority could well increase their entrepreneurial activities and thus competitive pressure on private universities.

Foreign students have been seen as a potentially lucrative market, but the prolonged recession has created a sense that “Japan’s day is over” among North American and European students. The economic malaise that hangs over many Asian economies has seriously curtailed the ability of students from the region to study in Japan and the country has a well-deserved reputation for discrimination against foreigners, especially Asians. Costly new facilities planned during the bubble years to cater to international students are just now coming on line. Survival prospects are not good.

Some private universities have begun to resort to de facto price cutting although the price elasticity of demand for university education in general and for any one particular private university is far from clear. Some institutions may well reduce their revenue without attracting more students and worsen their already shaky financial positions. Other competitive pressures, moreover, call for increased expenditures. Many Japanese universities are only just now entering the Internet age and even with the ever-declining cost of hardware they still face substantial expenditures for networking and staff with the expertise to maintain a sophisticated network system. Further, a widely noted decline in the basic preparation of university students has forced many schools into providing remedial instruction in addition to the existing course structure.

More pressure comes from the Ministry of Education which is placing increased administrative burdens on institutions while calling for changes that would be difficult to under the best of circumstance and which are positively utopian given the current and developing environment. British notions of “accountability” and “quality assurance” coupled to an admixture of American-style “accreditation” have achieved considerable currency within the MOE and are already bringing an increasingly costly administrative burden. Ministry pressures to encourage a more American-style system with a greater weight given to graduate education forces universities into expensive and time-consuming application procedures to add graduate programs as well forcing additional expenditures

for new staff and facilities even though it is not clear whether there is any substantial demand for graduate education other than in engineering and some science sectors.

Based on a rather selective perception of American higher education, the MOE has called for making graduation from university difficult. Aside from the lack of any tradition of rigorous grading in Japanese universities and corporate recruitment that gives little weight to grades, there is the very real problem that a reputation for rigorous grading may well put students off and turn them to other institutions putting the rigorous institution at a competitive disadvantage in an ever softening market. Truly rigorous grading that would force some students to drop out would cut directly into the institution's revenue stream. Even without a soft market and even ignoring traditional practices, the prospects for a rigorous evaluation system seem dim. Faculty teaching loads are heavy in private universities with high student faculty ratios. Students often commute three or more hours each day and spend more time at side jobs than studying. Sleeping in class is often less a sign of disinterest than of sheer fatigue. In recent years students have been forced to spend much of their final year job hunting to the extent that first term courses have attendance that is a tenth or less of the enrollment. The MOE has provided no guidelines for the realization of rigorous grading in this environment.

It is possible that some of the problems facing Japanese universities may be ameliorated in the near future. A revival of the Japanese economy in particular and of the Asian region in general would be of considerable help to private universities. No reasonably foreseeable economy recovery is, however, likely to be of sufficient magnitude to allow all Japanese private universities to carry on as they have heretofore. Fewer might go bankrupt in the short run, but even with an economic recovery there are certain to be failures and the survivors will be those with particularly good factor endowments or particularly good management. Analysis of the situation requires care to avoid an excess of pessimism that would be a mirror of the excessive optimism that prevailed during the bubble years. Nevertheless, even if all of the currently negative short-term factors are assumed to correct themselves in a few years, there remains the long-term problem of demographic change.

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