

<p>9. Study on Contemporary Changes and Multipronged Development of Higher Education: Issues and Directions in Higher Education Finance Leader: TSUKAHARA Shuichi, Director, Department for Higher Education Research</p>

(1) Purpose and Aim of Study

The emergence of the knowledge society is heightening interest worldwide in the role of universities and other higher education institutions as organs for the creation, organization, maintenance, and dissemination of knowledge. More than a few developed nations are advancing policy platforms for the expansion of higher education and working to raise participation rates and attract talented international students. Looking back on the history of universities, the core players in the higher education system, it can be seen that universities began as small-scale organizations for the training of advanced professional personnel and the leaders of society, and have maintained their character as bastions of scholarship while expanding up to the present day. In general terms, the effects of higher education can be divided into effects that pertain to the individuals who have undergone such education, such as increase in lifetime income, and effects that extend further and contribute to wider society in various forms. For this reason, countries with a mixture of publicly- and privately-established higher education institutions are not rare; in terms of funding, some are supported by the government and some rely on tuition fee income.

Informed by the trends outline above, this study investigated the ideals and the realities of higher education finance in Japan with the aim of identifying issues and directions therein, including comparisons with the policies in place in other nations. Attention was paid to the scale of government expenditure as well as to issues such as its apportionment methods and linkage with policies and programs. The core subject was expenditure on operation of national university corporations, but consideration was also given to private institutions and research funding. It involved tasks including (a) review of previous studies on educational expenditure, funding burdens and apportionment of funds, and collection and analysis of materials, (b) consideration of ideological perspectives through lectures by leading authorities and direct interviews with such individuals, (c)

cross-border comparison of higher education systems, (d) review of approaches to apportionment of research funding and the impact thereof, and (e) review of performance evaluation and budgetary allocations in higher education. Cross-border comparative research made use of resources from the Organisation for Economic Co-operation and Development (OECD); the Department for Higher Education Research also developed an institutional affiliation with the Programme on Institutional Management in Higher Education (IMHE) and obtained data through that channel.

(2) Outline of Research Results

- Issues and methods in research on higher education finance

The study clarified the issues addressed by research on higher education finance. These can be classified broadly into the areas of funding (expenditure), resources (responsibility for funding), and patterns of supply. Issues pertaining to expenditure include levels of funding for higher education (whether low or high in comparison with size of national economy), apportionment of national government expenditure (whether subsidies are direct or indirect, and apportionment between levels of schooling and among different items of expenditure), funding for student assistance (scope of financial aid programs and conditions for selection), and research subsidies. In the area of responsibility for funding, issues include responsibility for meeting higher education costs (division between public and private), and tuition fees and individual household burden (levels, disparities and tax reductions and exemptions). Issues pertaining to patterns of supply include the relationship between the public sector and the private sector (methods for apportionment of national government funding, tuition fee disparity, and the relationship between national and regional levels), private education policies (subsidy programs, public intervention, and efficiency in management of private educational institutions), and university location and educational morphology.

- International trends in higher education funding: How the behavior of universities is affected by patterns of research funding allocation

Calls for “selection and concentration” in research funding can be heard even in Japan. In terms of the study of research activity in universities, in the 1960s, researchers called attention to the public character of scholarly

knowledge and the legitimacy of public expenditure on academic research. In the 1990s, however, the focus was placed on the role of the university as part of the national innovation system, and market-oriented behavioral models were discussed. In contrast, Scotland's research pooling model provides a representative example of an attempt to develop research capacity as a public asset. A reaction against the concentration of research funds in three English universities (Oxford, Cambridge, and Imperial), this model saw Scottish universities collaborating to generate global-standard research.

- Economic benefits of university study

Using data from 1975 to 2004, the study analyzed rates of return on investment as an indication of the economic benefits of studying at university. Rates have escalated rapidly in recent years (from the latter half of the 1990s for males, and the start of the 1990s for females), a change thought to have been strongly influenced by the growing wage differential between university graduates and upper secondary school graduates in the younger (aged 20–34) and middle (35–44) age brackets. A survey of job placements among graduates of universities with standard admission scores of around 50 revealed that the personal return on investment (around 6% for males and 10% for females) was amply above market interest rates and that social returns were also estimated to be sufficiently high, suggesting that university study is a rational choice in economic terms. There is concern that the recent upward trend in the cost of university education will stifle university enrollment rates. This calls for measures such as expansion of scholarship systems and assurance of university study opportunities in provincial areas. It is also important to provide upper secondary school students with data on the economic benefits of university study.

- The role of private university subsidies

The study examined the effects of private university subsidies (government funding for operating costs) using data from fiscal 1972 through fiscal 2006. With the exception of fiscal 1973 and 1974, this period has seen consistent real growth in per capita tuition fees. It is thus possible to conclude that government funding has not played a sufficient role in reducing the financial burden on individual households, but rather has been applied to the improvement of educational conditions (including increases in faculty

personnel costs) or financial health. The use of factor analysis to investigate the contribution of government funding to improvement of educational conditions (in terms of faculty-student ratios) reveals that funding made a major contribution in the years to fiscal 1978 and that the contribution of tuition fees was greater thereafter, but that funding has assisted to some degree in curbing tuition fee increases since fiscal 1993.

- University evaluation and funding allocations by state governments in the U.S.

We examined state government grants to state universities in the U.S. as a case study in allocation of funds based on performance evaluation. In the U.S., the competence of each university is evaluated through a process of accreditation. Predicated on this system, a debate emerged in the 1980s concerning the accountability of higher education at the state level. The result was that state governments began to conduct performance evaluations on state universities. In the 1990s there was an increase in the number of states that linked performance evaluation results to funding allocations. However, this approach was not widely accepted across all states, and in some cases state governments even abolished such systems just a few years after adopting them. In recent years more and more states have been securing accountability simply through publication of the results of performance evaluation, rather than tying those results directly to funding.