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**Incorporation of National Universities in Japan**

– Reform towards the enhancement of autonomy in search of excellence –

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# Incorporation of National Universities in Japan

– Reform towards the enhancement of autonomy in search of excellence –

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## Abstract

The aim of this article is to describe and examine the incorporation of national universities in Japan. It is also to describe briefly Japanese higher education history from Meiji era and the evolution of the autonomy of national universities so that readers may understand the background of the reform of national universities.

## I. Brief history of Japanese Higher Education<sup>1</sup>

### 1. Development of higher education institutions

#### 1) Pre-war era

Although Japanese higher education goes way back in history, the modern higher education system began in the late 19<sup>th</sup> century when the University of Tokyo was founded in 1887 by the Meiji<sup>2</sup> government through the merger of two existing higher education institutions. Nine years later, the University of Tokyo became the Imperial University and was given the status of central institution in Japan's modern educational system. The Imperial University was then renamed Tokyo Imperial University in 1897 when the second imperial university was founded in Kyoto. Other imperial universities were subsequently established in several major cities in Japan, resulting in a total of 7 imperial universities (Tokyo, Kyoto, Tohoku, Kyushu, Hokkaido, Osaka and Nagoya), apart from those located in overseas territories. All these universities were organised based on the continental European model (especially Germanic), which was a bureaucratic system with quasi autonomous academic units (faculties).

Apart from the imperial universities, many governmental, local public and private higher education institutions were founded in the same period. In 1903, the Government enacted the Specialised School Order and revised the Vocational School Order to condition the establishment and activities of institutions previously classed as miscellaneous schools. In the same year, 47 of these institutions were recognised as specialised schools (39) or vocational specialised schools (8). In addition, those specialised schools having a preparatory course of at least one and a half years were authorised to use the term “university” in their names. Specialised schools increased remarkably since then. They were later given, with single-faculty institutions in special cases, the opportunity to seek the status of university by the promulgation of the University Order in 1918 (enforced the following year). A certain number of governmental, local public and private institutions were subsequently given university status.

The pre-war Japanese higher education system was thus characterised (but not exhaustively) by the well-organised bureaucratic administration system in governmental institutions and also by the coexistence of the three sectors of higher education institutions – governmental (national), public (local) and private, with massive investment in the national sector by the Government. Although they were not many in number (7 imperial universities, 12 (ordinary) universities and 58 specialised schools) (Table 1), governmental institutions, especially imperial universities, enjoyed the prerogative of acquiring abundant staff, facilities and prioritisation in other parts of budget distribution in comparison with institutions of other sectors.

1 The description of this chapter owes largely to Monbusho (1980, 1990 and 1995).

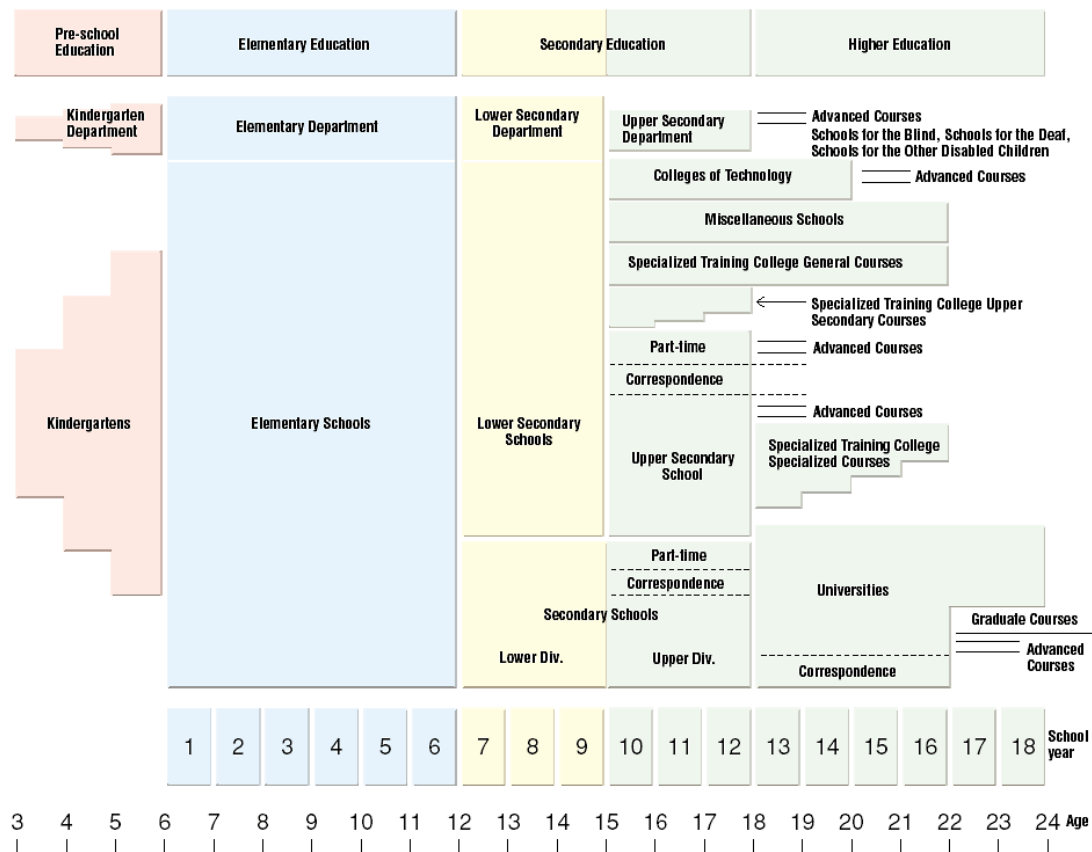
2 Reign name of the emperor (1868-1912). The Meiji era began with a revolution called the Meiji Restoration which marked the opening of modernisation of Japanese society.

**Table 1 Number of higher education institutions by type and sector as of 1943**

	<i>Universities</i> [imperial universities]	<i>Specialised Schools</i>	<i>Total</i>
Governmental (national)	19 [7]	58	77
Public (local)	2	24	26
Private	28	134	162
<b>Total</b>	<b>49 [7]</b>	<b>216</b>	<b>265</b>

## 2) Post-war era

After World War II, the Japanese education system was entirely revised under the occupation. The school system, from kindergartens to universities, was structurally rationalised and unified into a new educational system. The varying types of higher educational institutions were consolidated into a single four-year university system thus putting the finishing touches to the core of the new 6-3-3-4 education system (Figure 1 shows the actual organisation thereof).



**Figure 1 Organisation of the School System in Japan**

Source : [http://www.mext.go.jp/english/org/f\\_formal.htm](http://www.mext.go.jp/english/org/f_formal.htm)

Under the new system, any graduate of an upper secondary school was entitled to apply for entrance to a university. In effect, therefore, the doors of the universities were opened much wider in order to promote the spread of liberal education and the development of scholarship.

As for national universities, upon the request of the General Headquarters (GHQ) of the Allied Powers, it was decided to place at least one national university in each prefecture in order to avoid the concentration of national universities in large urban areas and thereby ensure that all would have equal access to higher education. Before that, the GHQ had called for the transfer of administrative authority over all national universities and specialised schools to local governments, with the exception of the national comprehensive universities (former Imperial Universities) which could remain under the auspices of the Ministry of Education (Monbusho)<sup>3</sup>. Opposition to this plan was voiced from all sides, particularly from people affiliated with the universities. The Education Reform Committee<sup>4</sup> also rejected this proposal on the basis that it would endanger the autonomy of the universities, that it would fail to take into account the need for a systematic distribution of public universities throughout the nation, and that the local authorities would lack the financial resources to support the university system. In the face of such extensive opposition, the GHQ withdrew its suggestion.

In 1949, 70 institutions, including those with a single faculty, opened their doors as national universities. The imperial universities and other governmental universities were integrated into the newly created university system without difference in terms of legal status, and some of them later incorporated a few local public institutions as their faculties. A number of national universities started either from old normal schools or as branch schools responsible for two-year courses. In contrast to the former imperial universities and other former governmental universities, these new national universities would remain weak for a long time in terms of prestige, staffing, facilities, budget allocation and management ability.

In addition, 17 local public universities and 81 private universities also began teaching in 1949. Some of the older specialised schools reopened as junior colleges. Although the junior college system was initially regarded as a temporary measure, over the years this kind of institution spread from the big cities throughout Japan to fill an important gap within the higher educational system.

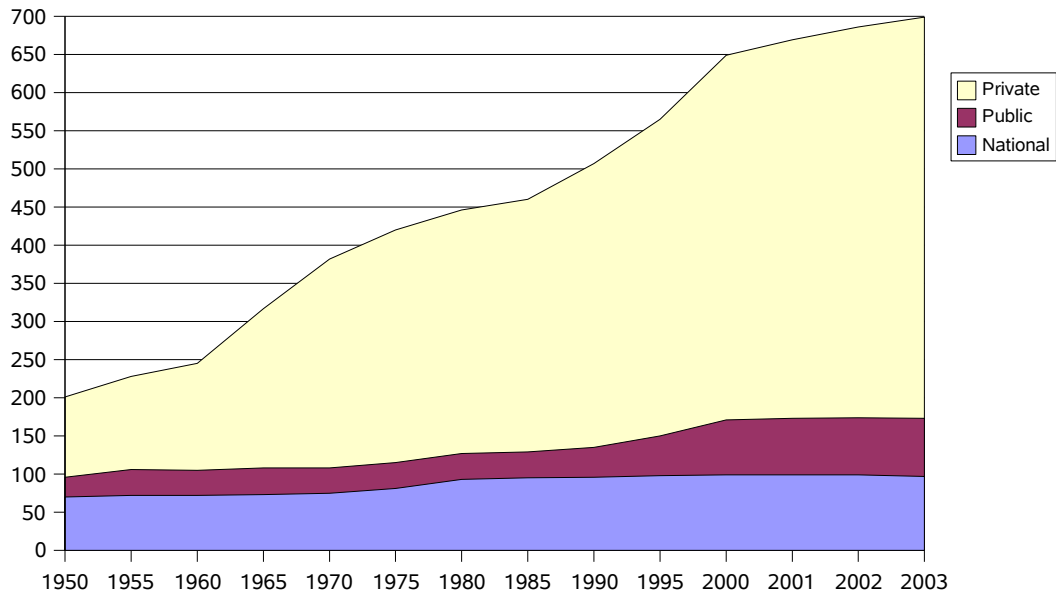
### 3) The expansion of higher education

After the reorganisation during the occupation period, the 1960s and early 1970s witnessed the most rapid growth of the higher education system. Numerically, whereas there had been 245 universities and 280 junior colleges in 1960, there came to be 420 universities (Figure 2) and 513 junior colleges by 1975. In terms of student numbers, by 1975 the population attending universities (including graduate schools) increased to 1,734,082, or 2.77 times the 1960 student population (Figure 3), and in junior colleges to 348,922, or 4.28 times the 1960 figure. The percentage of students continuing on to university or junior college by 1975 increased from 10.3% to 38.4% of the corresponding age group.

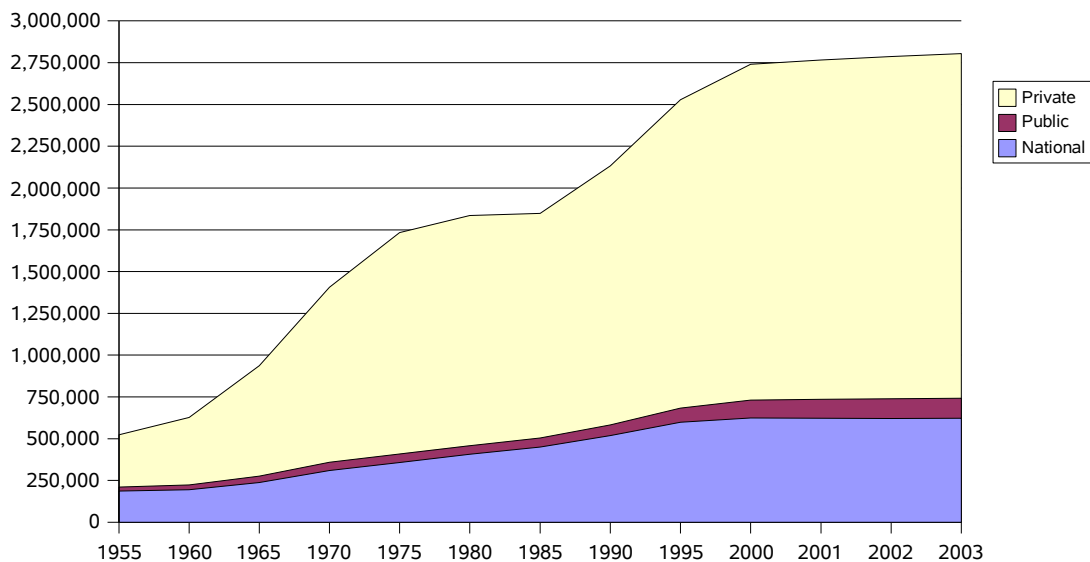
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3 Although it had changed with the times, the official appellation of the ministry was “Ministry of Education, Science, Sports and Culture” (“Monbusho” in Japanese), when the ministry was merged in 2001 with the Science and Technology Agency and became the Ministry of Education, Culture, Sports, Science and Technology (MEXT). In this paper, the Minister in charge of the Monbusho or the MEXT will be referred to as the Minister of Education.

4 Advisory body to the Prime Minister. It was established on 10 August 1946 for the purpose of the realisation of a “new education”.



**Figure 2** Number of universities by sector



**Figure 3** Student enrolment in universities (including graduate students) by sector

In response to the rapid growth of higher education, corresponding changes were made within the university structure, particularly on the part of the private universities. The development of private universities and junior colleges was well illustrated by the sharp increase in the percentage of their enrolled students out of the total student population : students enrolled in private universities and junior colleges rose from 64.4% for universities and 78.7% for junior colleges in 1960 to 76.4% for universities and 91.2% for junior colleges in 1975 (Figure 3 with respect to universities).

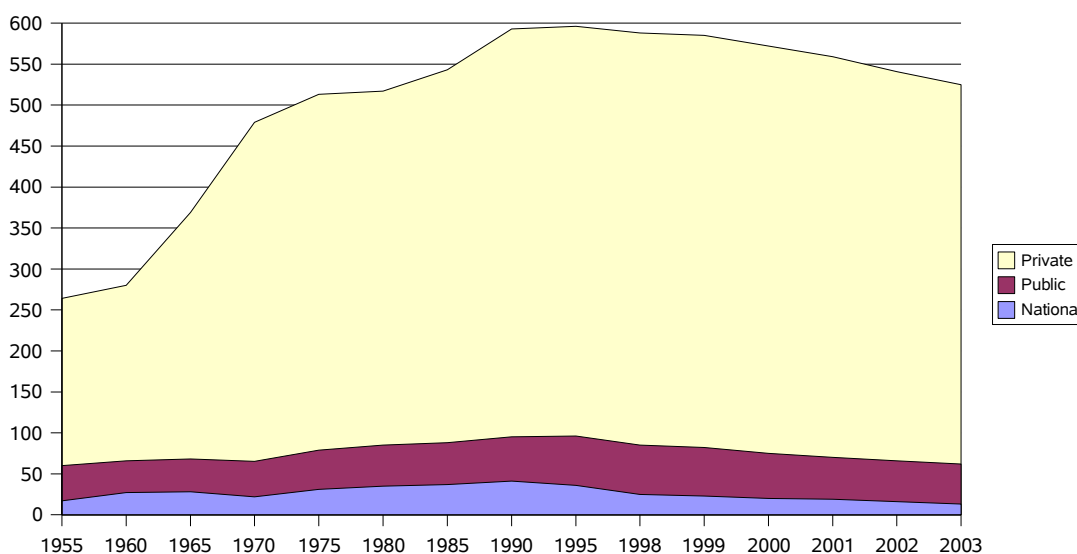
The rapid growth of the private school system gave rise to a serious problem of lack of adequate financing among private universities. Governmental financing of private schools in the form of loans had begun already in 1952, when the Private School Promotion Association was established as a channel through which the Government invested money on behalf of private schools<sup>5</sup>. Since that time, the Government has drawn up an annual plan to provide financial

5 The Private School Law (1949) had elaborated on the provisions concerning the appropriation of public subsidies to private schools in relation to Article 89 of the Constitution of Japan, which prohibited the expense or

assistance via this channel. Governmental direct subsidies to offset the cost of equipment were made available to private universities in 1953. Despite governmental allocations, revenue from student tuition was inadequate to cover the balance. In the face of rising personnel expenses on the one hand and limits on the amounts by which student fees could be raised on the other, the financial condition of private universities deteriorated rapidly, especially from the late 1960s. As a result, a noticeable gap emerged between the quality of education provided by private and national universities. The Government responded to this serious situation in 1970 by making subsidies available for ordinary operating expenses, including personnel expenditure. Furthermore, the Japan Private School Promotion Foundation Law was enacted in 1970, and subsequently the Japan Private School Promotion Foundation was set up in July 1970 to administer the expanded subsidy programme. The Private School Promotion Association was then dissolved.

#### 4) The beginning of decline

The second rapid expansion of higher education occurred in the 1980s and early 1990s (Figure 2 and Figure 3 above). The number of universities increased from 446 (93 national, 34 public and 319 private) in 1980 to 565 (98 national, 52 public and 415 private) in 1995, and 699 (97 national, 76 public and 526 private) in 2003<sup>6</sup>. However, the number of 18-year-olds reached its peak in 1992, and has been decreasing ever since. Although the number of universities is still increasing, the number of junior colleges reached its peak (596 in number) in 1996 and is now decreasing rapidly (Figure 4).



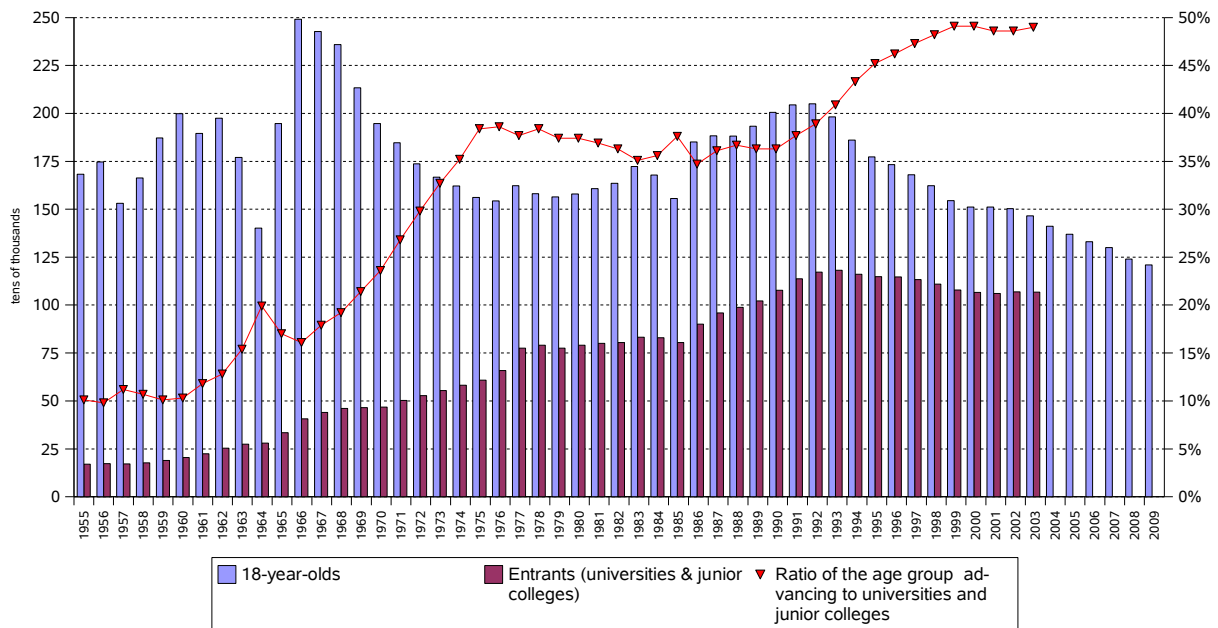
**Figure 4** Number of junior colleges by sector

In addition, the proportion of the age group advancing to universities and junior colleges reached 49.1% in 1999, and has been stagnant at around 49% since then (Figure 5). It is predicted that, in the near future, all the applicants for higher education will be able to be admitted to a certain university or junior college unless he or she makes a particular choice<sup>7</sup>.

appropriation of “public money or other property” to “any educational enterprises not under the control of public authority”.

6 All data concerning numbers of institutions and students are those as of 1<sup>st</sup> May in the corresponding year. As of 1<sup>st</sup> May 2003, there were legally 100 national universities because of the mergers of two pairs of universities (Yamanashi and Tsukuba), after which coexist forerunners until graduation of enrolled students. In this paper, these forerunners (3) are not included in the statistics. In addition, ten mergers of national universities occurred in October 2003, which are also not included.

7 In Japan, the total enrolment number to universities and junior colleges is controlled by the Government. The



**Figure 5 Trends in 18-year-old population and access to higher education**

## 2. Reforms and deregulation in higher education

The National Council on Educational Reform, established in 1984 as an advisory body to the Prime Minister, submitted reports on a wide range of issues, including the improvement and individualisation of university education, the sweeping enhancement and reform of graduate schools, fiscal policies relating to higher education, the organisation and management of universities, and the establishment of a “University Council”. In 1987, the Monbusho established the University Council as an organisation to deliberate on basic aspects of higher education in Japan. Immediately after its inauguration, the Minister of Education instructed the University Council to study specific measures for the advancement, individualisation and revitalisation of education and research in universities and other institutions of higher education. Monbusho (1995) summarised the reasons for university reform as follows :

1. Progress in scientific research and changes in human resources;
2. Rise in the percentage of students continuing to higher education and diversification of students; and
3. Growing need for lifelong learning and rising social expectations of universities.

Ever since the establishment of the University Council in 1987, measures such as quantitative and qualitative improvement of graduate schools as well as deregulation and improvement of university administration and management have been taking place to realise more advanced education and research, more individualised higher education and more active university administration and management. One of the most salient and repercussive recommendations was the abolition of subject areas to enable universities to structure curricula that reflect their own educational ideals and objectives, which resulted in 1991 amendment of the Standards for the Establishment of Universities. It was decided that there should be no definition of subject areas, such as general education and specialised education in the Standards for the Establishment of Universities. It was also decided to discontinue the practice of requiring students to obtain a certain number of credits in each subject area as a prerequisite for graduation and to make the acquisition of a minimum total number of credits the only requirement. Another most important recommendation was the qualitative and quantitative improvements of graduate schools and

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prediction suggests that the total enrolment number will be equal or superior to that of applicants.



making their system more flexible, in order to accept a larger population of students with diverse backgrounds.

In 1998, the University Council submitted a report, *A Vision for the University of the 21st Century and Future Reform Measures : Distinctive Universities in a Competitive Environment*, which built upon the progress of university reform at that time. The report presented the basic policies of university reform in the perspective of the 21st century as follows :

1. Improve the quality of education and research with the purpose of nurturing the ability to investigate issues;
2. Secure university autonomy by making the educational and research system structure more flexible;
3. Establish university administration and management with responsible decision-making and implementation; and
4. Individualise universities and continuously improve their education and research by establishing multiple evaluation systems.

Based on the recommendation, the National School Establishment Law was amended in 1999 to enhance the responsiveness of each university to society and to reinforce the leadership of the president of the university, including the establishment of an advisory committee on administration composed of non-university members in each university, and the building up of a managerial system under the leadership of the president.

To further promote the reform, *Policies for the Structural Reform of Universities (National Universities)* in June 2001 defined the future direction of the reform, with a view to making universities more dynamic and internationally competitive. It stipulated : (1) that the realignment and consolidation of national universities should be boldly pursued; (2) that the management methods of the private sector should be introduced into national universities; and (3) that a competitive mechanism with third-party evaluation should be adopted by universities. The private sector management methods referred to in (2) above were meant to turn national universities into independent administrative institutions (mentioned later) and require outside participation in university administration and merit-based human resources management.

In 2002, the School Education Law was revised and provided more flexibility to institutions for a reorganisation of faculties and departments, while a continual third-party evaluation system was introduced. Under the revised law, only notification to the Ministry is required of the institution in cases of reorganisation without change in the kinds and fields of degrees awarded by that institution, and ministerial authorisation itself is no longer necessary.

## **I. The evolution of the autonomy of national universities**

In Japan, university autonomy has long been regarded in the same light as or confused with academic freedom (Terasaki 1998, p. 183). Although these are closely interrelated, they are different notions. A declaration of the International Association of Universities, a UNESCO-affiliated organisation, in 1998, entitled “Statement on Academic Freedom, University Autonomy and Social Responsibility”, clearly defined each notion respectively. According to the definition, university (institutional) autonomy refers to the necessary degree of independence from external interference that the university requires with respect to its internal organisation and governance, the internal distribution of financial resources and the generation of income from non-public sources, the recruitment of its staff, the setting of the conditions of study and, finally, the freedom to conduct teaching and research. In the strict sense of that definition, Japanese national universities have never fully enjoyed autonomy in a perfect manner, either in the pre-war era or in the post-war era.

After the war, academic freedom was for the first time explicitly ensured by the Japanese Con-

stitution promulgated in 1946, which stipulated in Article 23 that “Academic freedom is guaranteed”. Similarly the Fundamental Law of Education referred to this respect vis-à-vis academic freedom. The School Education Law stipulated in Article 57 that a faculty meeting should be established in each university so that faculty might deliberate on important matters, which was regarded as a measure to ensure academic freedom. As for national universities, in order to guarantee the observance of this principle, the Law for the Special Rules for Public Educational Personnel and Staff stipulated procedures for the appointment of teaching staff, disciplinary affairs, selection of president, etc. It was also understood thereby that the institutional autonomy of each university was constitutionally guaranteed, even though it was not to be explicitly ruled by law or other forms of legislation (Ienaga 1962, pp 107-108).

In contrast to some critical pre-war cases where academic freedom was violated by public power, such as the Takigawa Affair in Kyoto Imperial University in 1933<sup>8</sup>, in the post-war period academic freedom has mostly been an issue in private institutions. The case of Meijo University in 1959, where a professor (president) was dismissed by the board of directors without consulting the faculty meeting<sup>9</sup>, can be cited as a specific example. On the other hand, in national universities, academic freedom has been relatively well respected thanks to the Law for the Special Rules for Public Educational Personnel and Staff.

However, being well protected against external pressures, while the massification of higher education was proceeding, national universities failed to respond to the change in societal needs. This was typically illustrated by student movements in the late 1960s and 1970s, symbolised by the occupation by radical students of Yasuda Hall of the University of Tokyo in 1969, which resulted in a fierce confrontation between students and police and forced cancellation of entrance examinations that year. Many universities could not make any important decisions against these movements and were thrown into confusion for a long time. The movements finally came to an end following the enactment of the Law concerning Emergency Measures on the Operation of Universities, promulgated in August 1969.

From 1970, the Ministry began to take various measures to enable universities to make the university structure more flexible so as to enable individual universities to carry out appropriate reforms on their own initiative in response to a variety of demands from society. For example, in 1970 the Ministry gave more flexibility to the organisation of the general education curriculum at universities. In 1972 the Ministry created arrangements for credit transfers between universities (in 1982 these arrangements were extended to credit transfers between universities and junior colleges). In 1973 the Ministry helped make the educational and research structure of universities more flexible, for example, by allowing universities to set up new types of basic educational and research units other than the faculty (e.g. college clusters and research institutes were created at the University of Tsukuba). In 1976 the Ministry authorised universities to admit students (or to allow students to graduate from a university) at the beginning (or the end) of a school term, rather than at the beginning (or the end) of an academic year<sup>10</sup>. In 1985 the Ministry gave more flexibility to the qualification of university teachers so as to enable universities to appoint working people from other sectors as university teachers.

Thus, deregulations concerning university education and research have gradually been implemented, and further enhancement was realised in the 1990s, as mentioned earlier. However, these deregulations have led to little enhancement of institutional autonomy. In many universities, academic units, especially faculties, have still been quasi autonomous in the name of academic freedom, and a president of a university is often no more than *primus inter pares*.

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8 Yukitoki Takigawa, professor of the Faculty of Law, was suspended from office because of his doctrine, and this was followed by the submission of resignations by all the faculty members.

9 In this case, the dismissal was later judged illegal and invalidated by court.

10 In Japan, an academic year is composed of two terms.

## II. Quality assurance in higher education

Quality assurance in higher education in Japan is in the first place based on the School Education Law. The law stipulates that educational institutions including universities should be established according to the standards set by the Minister of Education (Article 3). Among these standards, those related to universities are stipulated in a ministerial ordinance – Standards for the Establishment of Universities; the ordinance prescribes requirements for the establishment of a new institution, including those concerning organisation, enrolment number, qualifications of academic staff, educational programmes, facilities and equipment. The law stipulates also that the Minister of Education should set the standards for degree programmes provided by higher education institutions (Article 68-2). Requirements for degree awards are stipulated in a ministerial ordinance – Regulation concerning Degrees.

The Japan University Accreditation Association (JUAA), organised in 1947 as an independent body under the sponsorship of universities, set up its own university standards with a view to improving the quality of universities by “self-directed efforts and the mutual support of its members”, and has put into practice its accreditation system for examining the qualifications of its member institutions<sup>11</sup>. JUAA was initially conceptualised as an entity to approve the establishment of universities and the accreditation thereof. But since 1956, when the Monbusho set up the University Establishment Standards via a ministerial ordinance, the Association's university standards have been administered solely as standards for accreditation by the association, and the accreditation of a member institution has been practised on a voluntary basis. For that reason and others, JUAA's activities have been marginal and have not contributed so much to the quality assurance of Japanese higher education.

It can be said that, in spite of the micromanagement over the establishment of institutions by the Government, quality assurance after its authorisation has been regarded essentially as the responsibility of each institution. However, quality assurance has gradually been systematised by the Government in parallel with the enhancement of the autonomy of higher education institutions. Nowadays, the Standards for the Establishment of Universities require each institution to review and evaluate its activities and make the results public in order to fulfil its objectives and societal mission, and also require it to make an effort to have recourse to a third party to ensure the validity of those results (Article 2). The relevant article was stipulated in 1999, modifying the existing article laid down in 1991 which only requested universities to make an effort to review and evaluate their activities, without mentioning the participation of a third party.

In 2002, the National Institution for Academic Degrees (NIAD) was reorganised so that it could carry out university evaluation in addition to degree awarding (National Institution for Academic Degrees and University Evaluation (NIAD-UE)<sup>12</sup>), and began to implement evaluations of national and local public institutions on a trial basis. The first results were compiled in March 2002, and were reported to the relevant institutions as well as to society at large. Regarding these results, many universities which had undergone the evaluation forwarded counterarguments. The Association of National Universities (ANU), after analysing evaluation activities, commented that the evaluation tended to be uniform and standardised because of the framework set forth by the NIAD-UE with respect to the missions of universities, and that the burden of the universities which underwent the evaluation was too heavy, especially for small universities, to the extent that routine work could possibly be prevented. The NIAD-UE has been revising its evaluation activities, and put forth in August 2003 an interim report on its overall roles and activities in the future for public comment.

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11 <http://www.juaa.or.jp/english/>

12 It was not until May 2003 that this institution's English name was changed, although the Japanese appellation was modified. Until then, the original English name was kept (NIAD). NIAD-UE will be incorporated in April 2004 at the same time as national universities, and will become an IAI (mentioned later).

The scheme and schedule of the NIAD-UE's evaluation activities are shown in Figures 6 and 7 (NIAD-UE 2003).

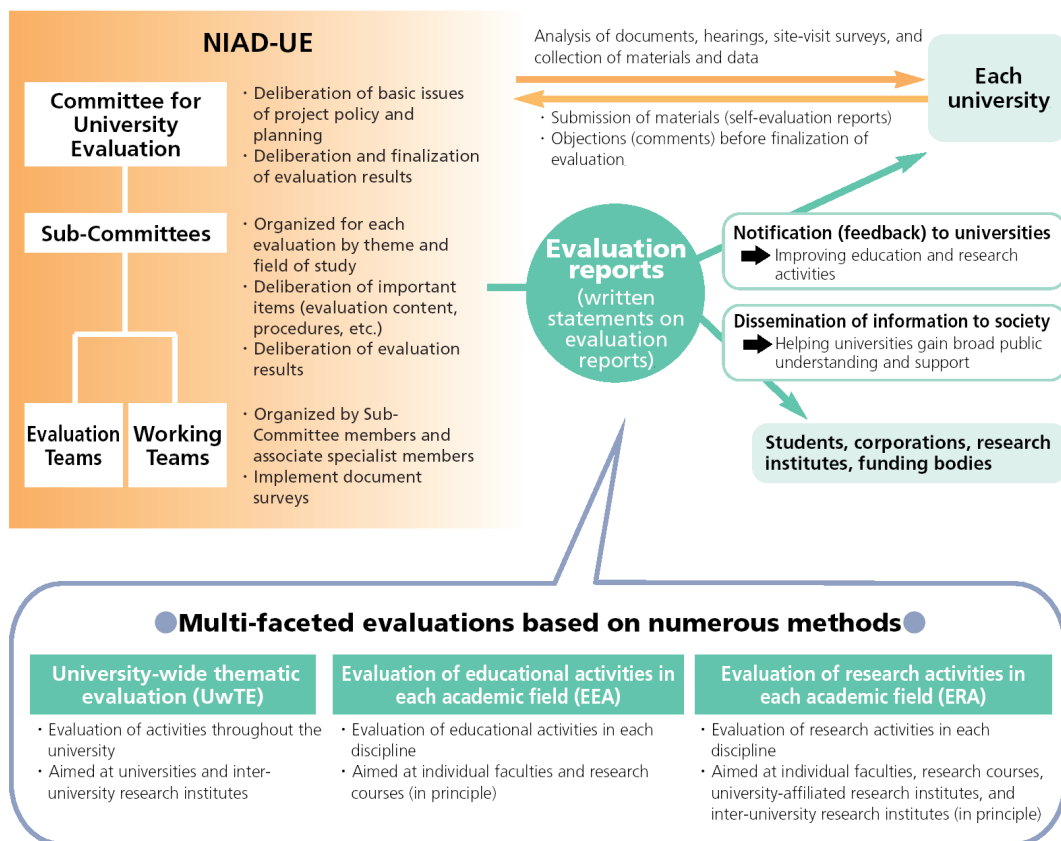


Figure 6 Conceptual diagram of university evaluation at NIAD-UE

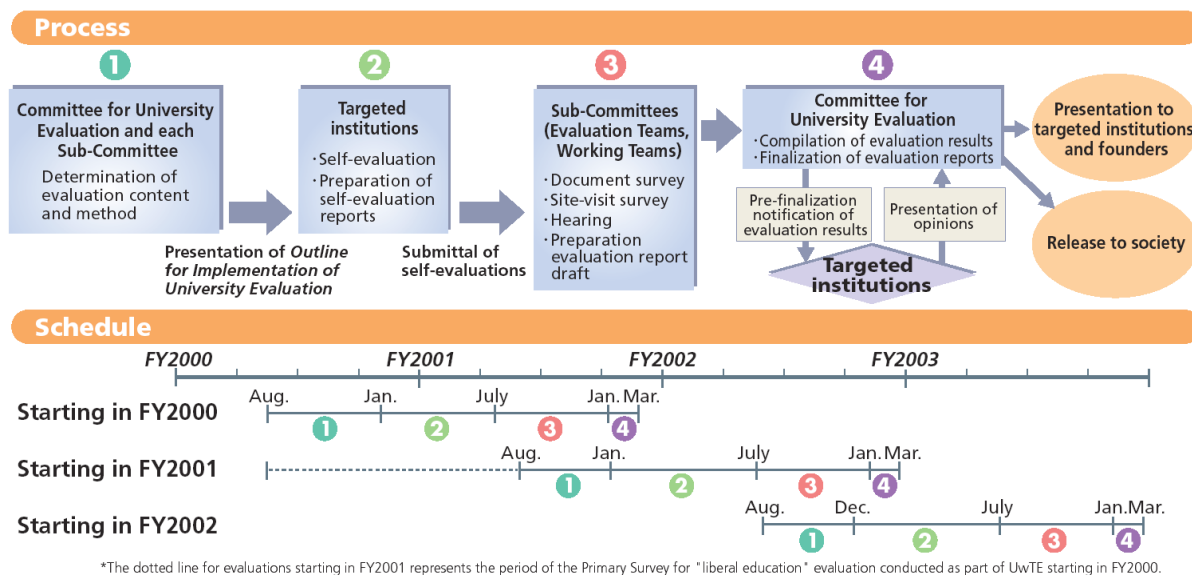


Figure 7 University evaluation process and schedule at NIAD-UE

In 2002, the Central Council for Education recommended the Minister of Education to refrain from micromanaging universities so that they might develop their education and research activities to respond to the changes of society, and at the same time the council recommended setting up a new total quality assurance system including a continual third-party evaluation. In response to the recommendation, the School Education Law was amended in the same year, and

a continual third-party evaluation system was introduced as mentioned earlier.

Under the revised law, third-party evaluation bodies, independent from both the Government and higher education institutions, shall be recognised by the Minister of Education, in accordance with published criteria that cover standards, methods, and organisation for evaluating higher education institutions in continual external quality assurance activities. From April 2004, universities and junior colleges will be required to ask an evaluation body to conduct an evaluation once every seven years, with results being reported to each institution and the Minister, as well as being made available to the general public. The MEXT will authorise several third-party evaluation bodies, likely to include the NIAD-UE and the JUAA, with the chance these organisations may also receive financial support (Kimura et al. 2003).

In addition, the Government has promoted accountability to taxpayers and has increasingly adopted a contract-based or performance-based funding system. In 2002, the MEXT initiated a new funding scheme called “The 21<sup>st</sup> Century COE Programme”, in relation to the 3<sup>rd</sup> policy of the *Policies for the Structural Reform of Universities (National Universities)* in 2001 mentioned earlier (p. 7)<sup>13</sup>. It subsidises programmes proposed by universities (not limited to national universities) to found world-class research/education centres, of which the proposals are to be screened by a committee composed of specialists from various disciplines. In 2002, 113 programmes were selected out of 464 proposals, among those selected 49 were programmes proposed by 7 former imperial universities. In 2003, 133 programmes were selected out of 611 proposals. These programmes are to be financed for 5 years, the amount of money to be given being dependant upon the nature of disciplines and programmes.

In 2003, the MEXT undertook a new project called the “Promotion of distinctive university education activities”. It aims at improving university education nation-wide by sharing the best practices in educational activities. Although it is not a grant project like the COE Programme mentioned above<sup>14</sup>, 664 programmes were proposed by universities out of which 80 were selected.

In the era of globalisation, quality assurance for transnational higher education has become increasingly problematic. Japan has actively participated in the discussion of trade in the education services market. On 15<sup>th</sup> March 2002, the Japanese Government submitted a negotiating proposal on education services to the World Trade Organisation (WTO), which emphasised the importance of liberalisation and quality assurance to protect consumers/learners from low quality services. The Japanese Government has reiterated that the promotion of trade liberalisation and the assurance of educational quality should go hand in hand in the educational services sector. The introduction of a new system of third-party evaluation in Japan is expected to contribute not only to national but also to international quality assurance of Japanese higher education. (Kimura et al. 2003)

### **III. Incorporation of national universities**

#### **1. Progress towards incorporation**

The idea of incorporating national universities is not a new one. The earliest appearance of the idea can be found in the proposal *Teikokudaigaku dokuritsuan shiko* [Private study on independence of the Imperial University] in 1899 where academics suggested placing the Imperial University under the patronage of the Emperor conferring juridical personality on it. In the 1960s, a certain number of proposals were made by academics, such as Michio Nagai's *Daigakukosya* [university corporation] in 1962. In 1971, the Central Council for Education proposed, as one alternative, incorporating national universities to help self-development by giving

<sup>13</sup> At the time of disclosure of the policies, this new funding scheme plan was called “Top 30”.

<sup>14</sup> Some programmes are, however, to be financed within the limit of existing resources.

them more institutional autonomy.

In the late 1980s, the National Council on Educational Reform vehemently discussed the possibility of incorporating national and public universities. At the same time, the incorporation of national universities came to be studied as part of governmental administrative reforms. In 1990, the Provisional Council for the Promotion of Administrative Reform recommended that the Government revise national university management, and suggested the incorporation of national universities as an option. In 1997, the Administrative Reform Council recommended in their final report that the reform of national universities should be pursued immediately, respecting their autonomy, to enhance the quality of education and research, and also suggested the incorporation of national universities as one option.

Meanwhile, a new administrative system called the “Independent Administrative Institution (IAI)” was set up in 1999, which was to separate some organisations from the central government, giving them autonomy to enhance the effectiveness and efficiency of their operation in providing administrative services<sup>15</sup>. In April 2001, 57 new autonomous governmental corporations were created, and the incorporation of other governmental agencies is still in process. The incorporation of national universities came then to be studied as part of this organisational reform in the Government.

The study on incorporation of national universities came to be officially undertaken by the Monbusho in September 1999, when the Minister of Education announced in front of national university presidents the fundamental direction of the study on the incorporation of national universities, and a wide range of consultations began. In 2001, a study group composed of academics and non-university people was set up in the Ministry and proceeded with the study on the incorporation of national universities in close consultation with the Association of National Universities (ANU). The study group put forth the final report in March 2002 on a framework of the incorporation of national universities (hereafter referred to as the “final report”). Finally, in July 2003, the National University Corporation Law and other related five laws were legislated and were partially implemented in October. All the national universities will be individually incorporated as of 1<sup>st</sup> April 2004.

## 2. Objectives of the incorporation

National universities are at present a part of the national government, and are directly operated by the latter. By acquiring the status of “national university corporations”, they will acquire juridical personality and become more autonomous from the Government. This reform is regarded as one of the most dramatic reforms of Japanese university since the Meiji Era (MEXT 2003).

New national universities will be expected to develop distinctively their educational and research functions on the basis of their management autonomy and independence. Meanwhile, the Government will have the responsibility of supporting national universities in terms of promoting academic research and producing professionals with the highest capabilities. The principles of the incorporation of national universities are described as follows (*ditto*) :

1. Incorporating respectively each national university
  - Breaking away from support for national universities in the style of an “armed convoy”

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<sup>15</sup> Article 2 of the Law concerning the General Rules of the Independent Administrative Institutions defines independent administrative institutions as “legal entities established pursuant to this Law or other specific laws enacted for the purpose of efficiently and effectively providing services or businesses that may not necessarily be offered by private entities or that need to be exclusively offered by a single entity, from among those services or businesses that must be reliably implemented for the public benefit, such as for the stability of socio-economic or national life, but that need not necessarily be directly implemented by the Government on its own”.

- Deregulation concerning budgets and personnel leading to a competitive environment by ensuring each university's autonomy
  - Production of more attractive education and research
2. Introduction of management techniques based on "private-sector concepts"
    - Top-management by the board of directors centred on the president
  3. People from outside the university participating in the management of universities
    - Participation of people from outside the university as executives
    - An administrative council composed of insiders and outsiders
  4. Improvement of the process of selection of the president
    - Selection of candidates by a president selection committee in which non-university experts participate to reflect opinions from society
  5. Selection of the non-civil servant type as status of personnel
    - A flexible personnel system based on capability and performance of personnel
    - Transfer of the power to appoint all the administrative staff to the president
  6. Thorough disclosure of information and evaluation
    - Allocation of resources based on results of third-party evaluation
    - Transparency and increased contribution to the public

### **3. System of the national university corporation**

#### **1) Foundation**

Each national university will be individually given juridical personality and become a national university corporation<sup>16</sup>. It should be noted that some existing IAs are regrouping plural former governmental organisations, such as the the Independent Administrative Institution National Museum which incorporated three former national museums. This policy – individually incorporating national universities – aims at extending individuality by enhancing the institutional autonomy of each institution.

Article 4 of the National University Corporation Law stipulates that each national university corporation will set up a national university as listed in the annex of the law. As of April 2004, there will be 89 national university corporations and the same number of institutions (87 national universities and 2 junior colleges) founded by these corporations.

The functions to be fulfilled by national university corporations are defined as follows (Article 22) :

1. Establish and operate national universities;
2. Provide students with counselling on matters such as studies, career planning and physical and mental health, and other forms of help;
3. Conduct research under the commission of or together with parties other than the relevant national university corporation, as well as engage in educational and research activities in co-operation with parties other than the relevant national university corporation;
4. Offer opportunities for study to persons who are not students, including courses open to the general public;
5. Disseminate and promote the application of research results;
6. Finance those who implement projects that both promote the application of technology-related research results at the relevant national university and are specified by government ordinances; and
7. Carry out other functions necessary for implementing functions enumerated above.

<sup>16</sup> More precisely, each national university will be founded by a national university corporation (see below).

The government is required to pay continual attention, with regard to implementing the law, to the characteristics of education and research at national universities (Article 3).

## 2) Evaluation committee

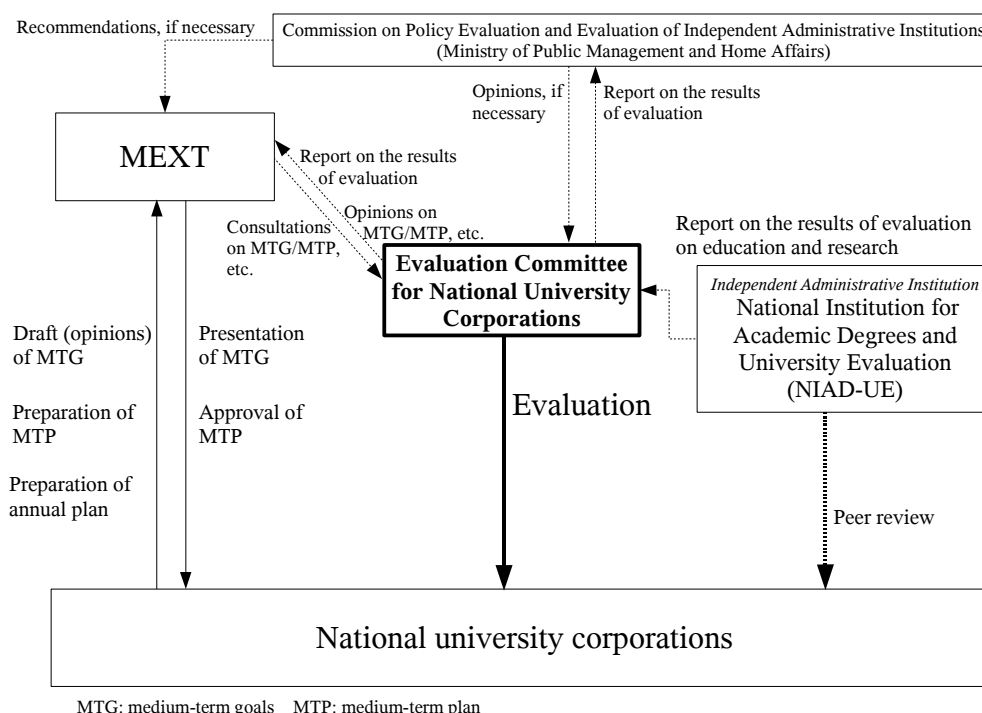
Article 9 stipulates that an Evaluation Committee for National University Corporations (hereafter referred to as the “evaluation committee”) shall be set up in the MEXT. The same article stipulates that the evaluation committee shall be in charge of the following matters :

1. Evaluation of the performance of activities of national university corporations; and
2. Other items in relation to the competence attributed to the evaluation committee by this law.

With respect to the matters essentially related to education and research, the evaluation committee shall be reported by the National Institution for Academic Degrees and University Evaluation (NIAD-UE), in order to respect the specialised nature of education and research of universities.

The evaluation committee will report the results of evaluative activities to the MEXT as well as to the Commission on Policy Evaluation and Evaluation of Independent Administrative Institution in the Ministry of Public Management and Home Affairs. The aforesaid commission may make recommendations to the evaluation committee as well as to the MEXT, if it deems this to be necessary.

The evaluation committee was, prior to the foundation of national university corporations, set up on 1<sup>st</sup> October 2003. It held its first general meeting on 31 October, and selected Ryoji Noyori (2001 Nobel laureate in chemistry) as its chairman.



**Figure 8 Evaluation system of national university corporations**

## 3) Governance and management

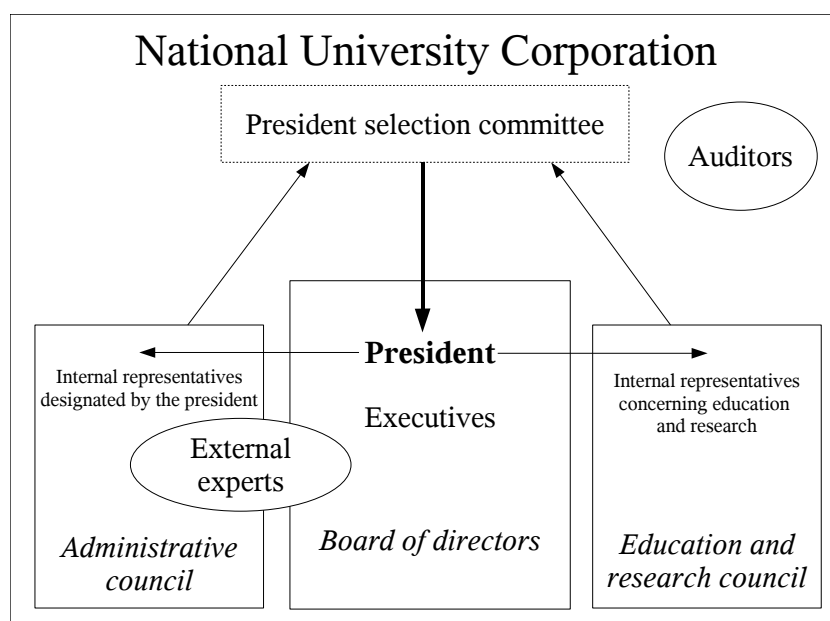
Concerning the organisational operations, the ministerial study group set forth following three perspectives :

1. Establishment of dynamic and manoeuvrable management framework centring on the



- president of the university and the deans of each faculty;
- 2. Realisation of management systems open to society by participation from non-university persons; and
- 3. Flexible structure of organisations capable of making the most of individuality and innovations of individual universities and development of diverse activities.

Each national university corporation will have the president of the university and executives in its governing body. In contrast with the current national universities having the sole deliberative organisation (council), three deliberative organisations will be set up in each corporation : (1) board of directors, (2) administrative council, and (3) education and research council. The governance will be shared by these three organisations. In addition, the structure of the secretariat will be at the discretion of each university.



**Figure 9 Governing bodies of national university corporations**

**a. President and other directors**

Each national university corporation will have as directors the president of the university, two auditors and executives (not more than the number set by the law) (Article 10). The president of the university will be the head of the corporation. Therefore, the president will fulfil the functions both as the head of the university and as the head of the corporation. The president and the executives compose the board of directors. The president will obligatorily consult the board before making relevant decisions concerning the following matters (Paragraph 2, Article 11) :

- 1. Opinions on the medium-term goals to be submitted to the Minister of Education and items related to the annual plans;
- 2. Items requiring the permission or consent of the Minister of Education according to the law;
- 3. Budget plan and its implementation, as well as accounts;
- 4. Establishment or abolishment of the relevant national university, faculties, departments, and other important units; and
- 5. Other important items fixed by the board of directors.

The president of the university will be appointed by the Minister of Education based on the proposal by the relevant national university corporation (Article 12). The aforesaid proposal will be elaborated on by a president selection committee consisting of members both from the

administrative council and from the education and research council. Both groups of members from the two councils shall be equal in number. The term of office of the president will be fixed by the regulations of each national university corporation for not less than two years nor more than six years after deliberation in the president selection committee (Paragraph 1, Article 15).

The auditors will be appointed by the Minister of Education (Paragraph 8, Article 12). At least one of them shall be a person from outside the relevant university (Article 14). Consultation with the relevant national university corporation on their appointment is not required by the law. The auditors will audit the functions of the relevant national university corporation and, based on the audit, may submit recommendations to the president or the Minister of Education when it is deemed necessary (Paragraph 4-5, Article 11). The term of office of auditors is 2 years (Paragraph 3, Article 15).

The executives will be appointed by the president (Article 13). Similarly to auditors, one of them at least shall be a person from outside the relevant university (Article 14). Executives will assist the president and, according to his or her instructions, execute the functions of the corporation, delegate the president in case of accident, and perform the functions of the president when absent (Paragraph 3, Article 11). Their term of office will be fixed by the president, but it will not be longer than 6 years and the last day in office shall lie not later than the last day in office of the president (Paragraph 2, Article 15).

### ***b. Administrative council***

The administrative council consists of the president of the university, executives and other staff members designated by the president, and people outside the university having broad knowledge of and excellent insight into matters concerning universities designated by the president after consultation with the education and research council (Article 20). Not less than half of the total members shall be appointed from outside.

The administrative council will be presided over by the president of the university. It will deliberate over :

1. Opinions on the medium-term goals which are related to the administration of the national university corporation;
2. Matters concerning the medium-term or annual plans which are related to the administration of the national university corporation;
3. Establishment, alteration, and abolition of important regulations concerning the administration, including the school rules (limited to the part which is related to the administration of the national university corporation), the accounting regulations, the standards for the payment of honoraria for directors and their retirement payments, and the standards for the payment of employee salaries and retirement payments;
4. Budget plan and its implementation, as well as accounts;
5. Checks and evaluations of the organisational and administrative situations that are conducted by the council itself; and
6. Other important matters concerning the administration of the national university corporation.

### ***c. Education and research council***

The education and research council consists of the following members (Article 21) :

1. President of the university;
2. Executives designated by the president of the university;
3. Heads of important units for education and research, including faculties, graduate schools and research centres attached to the university that the education and research council

determines; and

4. Staff members designated by the president according to the decisions of the education and research council.

The education and research council will be presided over by the president of the university. It will deliberate over :

1. Opinions on the medium-term goals (except those deliberated by the administrative council);
2. Matters concerning the medium-term plans or annual plans (except those deliberated over by the administrative council);
3. Establishment, alteration, and abolition of important regulations concerning education and research, including the school rules (except the part related to the administration of the national university corporation);
4. Personnel affairs of faculty members;
5. General orientations concerning the organisation of curriculum;
6. Support provided to students necessary for their studies and other issues, including advice, instructions and other forms of help;
7. General orientation concerning enrolment policies, including admission and graduation of students, termination of educational programmes, as well as general orientation concerning the conferment of degrees;
8. Checks and evaluations of the educational and research situation that are conducted by the council itself; and
9. Other important matters concerning education and research at national universities.

#### ***d. Secretariat and other clerical organisations***

Currently the structure of clerical organisations of each university is directly administrated by the Government. After incorporation, it will be possible for universities to reorganise them at any time at the discretion of the university within the range of the budget.

The final report urges that clerical organisations' duties should not be limited to functions centring on the support of education and research activities by academic staff as well as administrative clerical processing in accordance with legislation, but that they should also bring into full play their function as a group of experts in university administration, by actively participating in the formulation of plans for university administration in collaboration with academic staff, directly supporting the president and other directors.

#### **4) Personnel**

Concerning the personnel systems, the ministerial study group set forth in the final report the following three perspectives :

1. Lending flexibility to personnel systems that enable diverse activities by academic staff;
2. Introducing impartial performance evaluation systems and providing incentives; and
3. Wide-ranging appointment of appropriate and suitably qualified personnel, and expanded diversity and mobility of academic staff to handle international competition.

#### ***a. Status of personnel***

With regard to the status of personnel, two options were studied by the study group : the public servant type and the non-public servant type (Table 2).

**Table 2 Public servant type and non-public servant type**

	<b>Public servant type</b>	<b>Non-public servant type</b>
<b>Guarantee of status</b>	Stipulated by law	Stipulated by rules of employment of each corporation
<b>Rights of labour</b>	Disputes are prohibited.	Disputes are not prohibited.
<b>Recruitment of administrative staff</b>	Selection among successful candidates in the national public service examination	According to the criteria defined by each corporation
<b>Dual employment, side business, and political activities</b>	Restricted by the National Public Service Law	Stipulated in the employment rules of each corporation
<b>Foreigners</b>	Impossible to appoint them to management positions	Possible to appoint them to management positions
<b>Salaries and working hours</b>	Determined by each corporation	(idem)
<b>Medical insurance and pensions</b>	Similar to the national public servants	(idem)
<b>Provisions of the penal code such as bribes</b>	Similar to the national public servants	(idem)

The study group opted for the non-public servant type, which was then finally adopted by the Government, because of the following reasons :

1. More flexible forms of recruitment, salary structures and working hours that are not tied to the framework of the National Public Service Law;
2. Diverse forms of employment which are not tied to the framework of the Law Concerning Special Measures for the Appointment of Foreign Nationals as Instructors at National and Other Public Universities, such as the appointment of foreigners with outstanding education and research capacity as university presidents, faculty deans and other management positions;
3. Flexible operation based on corporation policy with regard to dual employment/side business of directors of commercial enterprises; and
4. With regard to personnel other than academic staff, recruitment that emphasises specialised knowledge and skills, based on the personnel strategies of each corporation, without depending on the principle of exam recruitment in the National Public Service Law.

### **b. Appointment of academic staff**

The ministerial study group recommended in the final report the following matters :

- Under the new administrative framework of universities, presidents and faculty deans should play a larger role as the people responsible for the administration of the university and its faculties.
- To improve the objectivity and transparency of the selection process for academic staff, advertising systems should be actively introduced, and selection criteria and results made public.
- It should be necessary to create mechanisms to enable more comprehensive decisions, such as listening to opinions from outside the university, such as demanding participation in selection committees from academic staff in related fields from inside and outside the

university, and by demanding and referring to evaluations and recommendations by external experts.

- To ensure that outstanding personnel from inside and outside the country would be actively recruited, flexible personnel systems should be adopted which would respond appropriately to the nature of the work of academic staff (education, research, university management and administration, etc.)
- To increase the mobility and diversity of academic staff personnel, necessary measures, such as actively introducing term systems and advertising systems, and clarifying concrete innovations in medium-term plans, should be taken.
- It is necessary to provide conditions and give consideration to the recruitment of graduates of other universities, foreigners, females, and handicapped academic staff.
- In order to develop outstanding young academic staff with a rich international perspective, considerations in terms of personnel administration and provision of conditions are necessary, such as introducing sabbatical systems to enable young academic staff to gain research opportunities in universities overseas.

Although the academic staff appointment system will not be nationally modified by the incorporation of national universities, it should be noted that, in 1997, a Law concerning the Term of Office of the Teaching Staff of Universities was promulgated, which enabled national and public universities<sup>17</sup> to implement a contract-based employment system with term limits in specific cases. Since its enactment, many national and public universities have set up regulations concerning the term of office of teaching staff and have implemented such systems. In some faculties, the employment of the entire academic staff, including full professors, has moved to contract-based ones with term limits, and such moves are spreading among national and public universities<sup>18</sup>. In addition, a systematic evaluation on teaching staff is increasingly applied or studied in many universities, which is in some cases linked to the salary and promotion.

### ***c. Personnel systems for non-academic staff***

At present, non-academic staff are public civil servants. Only successful candidates in national public service examinations are eligible for the recruitment process of national universities. All staff members are categorised in terms of status, functions, remuneration, conditions for promotion, etc., according to the standards set forth by the Government. The number of staff allotted to universities by the Government is determined by category. In addition to the recruitment restriction mentioned above, the categorisation is also not at the discretion of the university. Therefore, even if a university is in need of personnel with specific skills such as information technology and management, it may be very difficult to recruit these kinds of personnel as professional staff. In fact, many national universities have hired such personnel as academic staff.

Although the appointment of most non-academic staff is delegated to the president of the university, high-level non-academic staff is appointed by the Minister of Education, including secretary generals, vice secretary generals and other directors. They are moving among universities and other institutions under the jurisdiction of the MEXT, including the ministry itself. The management of those staff is carried out by the Ministry without consultation with relevant national universities.

After incorporation, the appointing power of non-academic staff will be entirely transferred from the Minister of Education to the presidents of the universities. In addition, by adopting the non-public servant status, national university corporations will be able to recruit among a wide range of people, including professionals and experts in higher education management, and man-

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17 As for private universities, the law stipulates procedures for the implementation of the contract-based employment with term limits, but it is largely left to the judgement of each institution.

18 For example, a reform plan adopted by Yokohama City University (public) on 29 October 2003 proposed a non-tenure system to be applied to all the academic staff.

age non-academic staff based on the systems determined by each corporation.

The final report urges, taking into account that job areas requiring a high degree of specialisation are spreading, the creation of personnel systems that enable conditions in accordance with this specialisation at each university, and in relation to the revision of the secretarial organisations, the reviewing of recruitment and development procedures of non-academic staff to enable them to function fully as groups of professionals in university administration.

## 5) Goals and plans

### ***a. Medium-term goals and medium-term plans***

Medium-term goals (MTG), which are to be given by the Minister of Education to each national university corporation based on opinions of the latter (Figure 8), are deemed to be one step towards achieving the basic philosophy and long-term goals of individual universities, and are goals which must be achieved within a given time frame. In addition to becoming the guidelines for developing medium-term plans for universities, they will also act as the main criteria for evaluating the performance of universities.

Medium-term plans (MTP) are concrete plans for achieving medium-term goals. They will act as the basis when requesting budgets for operational grants, and will be a concrete element when evaluating the degree of achievement of medium-term goals.

The duration of medium-term goals and medium-term plans will be six years, taking into account the state of curriculum design and terms of study. It is longer than the duration of MTG/MTP of IAIs, which is 4 years. In addition, consultation with universities will be mandatory before the definition of medium-term goals by the Minister of Education, which is not the case with IAIs.

### ***b. Preparation of medium-term goals***

The Minister of Education will individually define objectives related to operational management as medium-term goals that are to be realised by each national university corporation within a period of six years (Article 30). These goals are to be presented to national university corporations, and are to be announced to the public. The same procedure will apply in case of amendment of goals.

The following items shall be stipulated in the medium-term goals :

1. Amelioration of the quality of education and research;
2. Improvement and development of the efficiency of operational management;
3. Improvement of the balance;
4. Checks and evaluations of the state of affairs in education and research as well as organisation and management, which are conducted by the corporations themselves, and the supplying of the relevant information; and
5. Other important items regarding operational management.

When establishing or modifying the medium-term goals, the Minister of Education shall consult the national university corporations beforehand, take their opinions into account, and consult the evaluation committee.

### ***c. Preparation of medium-term plans***

When the medium-term goals are presented by the Minister of Education, each national university corporation shall prepare a medium-term plan aimed at realising the aforesaid goals<sup>19</sup>. The

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<sup>19</sup> In practice, drafts of goals and plans are being prepared by universities at the same time. The draft of goals

plan shall be approved by the Minister of Education. The following items shall be stipulated in the medium-term plan :

1. Measures necessary for the realisation of goals related to the amelioration of the quality of education and research;
2. Measures necessary for the realisation of goals related to the improvement and development of the efficiency of operational management;
3. Budget (including estimated personnel expenses), revenue and expenditure plans, and financial plan;
4. Maximal amount of short-term borrowings;
5. When the transfer or mortgaging of important property is intended, a plan of such operation;
6. Use of surplus funds;
7. Other items related to operational management, stipulated by the ministerial ordinance of the MEXT.

When granting the approval, the Minister of Education shall consult the evaluation committee beforehand.

#### ***d. Drafts of the first medium-term goals and medium-term plans***

In July 2003, a model of items to be included in the medium-term goals and medium-term plans was shown by the MEXT to national universities. With respect to the medium-term goals, major items laid down in the model are shown in the Table 3. According to the model, concrete measures to realise each medium-term goal will be elaborated on in the medium-term plan. The model lays down as examples somewhat detailed items to be included in the medium-term plan (Table 4).

***Table 3 Model of items to be included in the medium-term goals (extract)***

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(preface) Fundamental goals

- I. Period of the medium-term goals and basic organisations of education and research
- II. Goals regarding the improvement of the quality of education, research and other activities of the university
  - 1. Goals regarding education**
    - (1) Goals regarding the results of education
    - (2) Goals regarding the contents of education and others
    - (3) Goals regarding the implementation structure of education and others
    - (4) Goals regarding the support to students
  - 2. Goals regarding research**
    - (1) Goals regarding the standards and results of research and others
    - (2) Goals regarding the development of the implementation structure of research and others
  - 3. Other goals**
    - (1) Goals regarding co-operation with society, international exchanges and others
    - (2) Goals regarding the university hospital
    - (3) Goals regarding the attached (primary and secondary) schools
- III. Goals regarding the improvement and rationalisation of operation and others

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prepared by universities is regarded as an opinion stipulated by law.

1. Goals regarding the improvement of the administrative structure
  2. Goals regarding the reviews of education and research structure
  3. Goals regarding the adjustment of personnel affairs
  4. Goals regarding the improvement and rationalisation of clerical works
- IV. Goals regarding the improvement of financial affairs
1. Goals regarding the increase of own resources including external research funds
  2. Goals regarding the control of expenses
  3. Goals regarding the improvement of the use and administration of properties
- V. Goals regarding self checks/evaluations and the provision of information about the aforementioned activities
1. Goals regarding the improvement of evaluation
  2. Goals regarding the promotion of information disclosure
- VI. Other important goals regarding operation and administration
1. Goals regarding upgrading/utilisation of the property/equipment and others
  2. Goals regarding security management
- 

***Table 4 Examples of items to be included in the medium-term plan corresponding to the medium-term goals III - 1 (improvement of the administrative structure)***

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- 1. Measures to achieve the goals regarding the improvement of the administrative structure**  
(examples of items)
- Concrete measures regarding the establishment of a management strategy involving the whole university
  - Concrete measures regarding an effective and dynamic operation of the administrative structure
  - Concrete measures regarding a dynamic and strategic operation of academic units under the leadership of each head
  - Concrete measures regarding the administration involving both academic and non-academic staff
  - Concrete measures regarding a strategic allocation of on-campus resources in the interests of the whole university
  - Concrete measures regarding the appointment of off-campus experts and specialists
  - Concrete measures regarding the improvement of internal audit functions
  - Concrete measures regarding a system of voluntary collaboration and co-operation with other national universities
- etc.
- 

The drafts of the first medium-term goals and medium-term plans were prepared by actual national higher education institutions that are put on the list of incorporation (87 national universities and 2 junior colleges). They were presented to the MEXT by 30 September 2003, and are now being examined by the evaluation committee, which will continue until March 2004.

## 6) Finance

Concerning the financial accounting systems, the ministerial study group set forth in the final report following three perspectives :

1. Allocation of resources based on results of third-party evaluation of education and research;

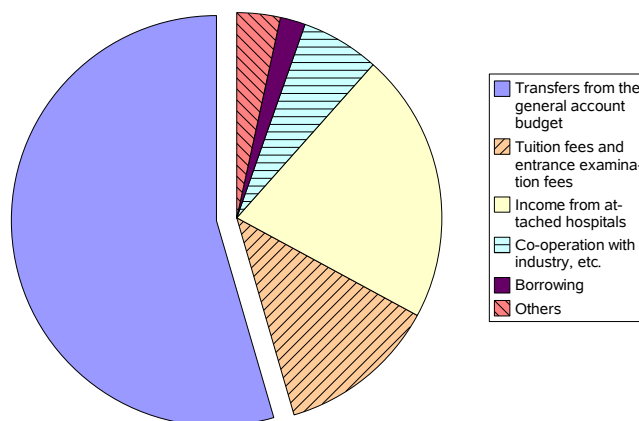


2. Creating flexibility in financial systems to make the most of university policies and innovations; and
3. Accomplishing accountability in terms of finance, and securing social reliability.

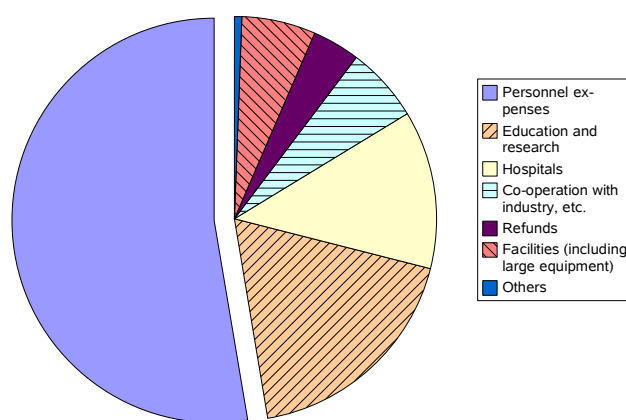
**a. Multiplication of resources**

Currently, the finance of the national university depends quasi entirely upon the Special Account for National Educational Institutions. The special account was set up in 1964 to finance national educational institutions (essentially national universities), with the purpose of improvement of these institutions. It also aimed at setting their budget apart from the general account budget to manage their income and expenditures independently.

The revenue of the special account consists of transfers from the general account, self-earned income including tuition fees, fees for entrance examinations, income from attached hospitals and other incomes. The amount of the special account budget for the 2003 fiscal year is 2,804,529 million yen (23,371 million US dollars, \$1=120 yen), 54.8% of which (1,525,606 million yen) is coming from the general account budget (Figure 10). With respect to expenditures, personnel expenses account for 52.6% (Figure 11).



**Figure 10 Income of the Special Account for National Educational Institutions (FY 2003)**



**Figure 11 Expenditures of the Special Account for National Educational Institutions (FY 2003)**

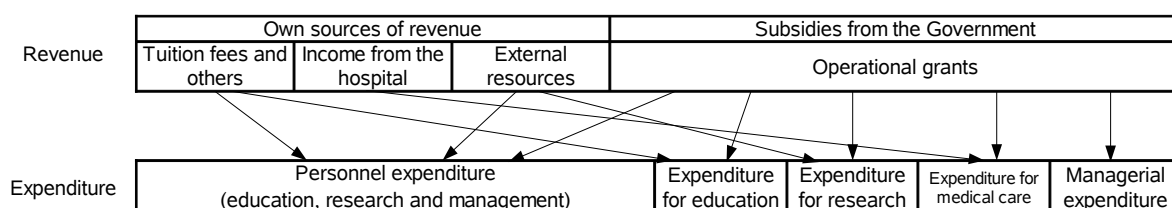
Under the current account system, all the income except some mission-specified resources, such as research grant from industry, goes to the special account. Fees such as tuition fees and entrance examination fees, are determined by the Government, and they go to the special account as well. After incorporation, the income will become, as a rule, at disposal of national university corporations, and they will be able to fix their fees within the limits set by the Government.

In addition, national universities are expected to multiply their resources for additional income, by increasing donations, developing entrepreneurial activities, including commissioned research and adult education programmes, and so on.

### **b. Increased flexibility**

Financially, at present, the operation of national universities relies essentially on the budget allotted by the Government. Therefore, the national accounting system governs the account of national universities, which involves strict controls and a high degree of micromanagement from the Government. The budget allotted to each university is earmarked in detail, and very few decisions on how to spend it are left to the discretion of each university. In addition, the actual budgeting system requires plenty of bureaucratic formalities, and lacks efficiency.

After incorporation, national university corporations will become able to execute operational grants more flexibly without earmarking. In return, they will have to be more accountable for their budget and go through strict evaluation afterwards. Hiroshima University, for example, plans to allocate its resources as follows :



**Figure 12 The revenue and expenditure of Hiroshima University after incorporation**

### **c. Operational grants and other incomes**

Operational grants will be given to the national university corporations based on the medium-term plan in order to ensure their activities. They are the total sum of 1) and 2) below.

- 1) The difference between standard income and expenditure, calculated using the same calculation method for all universities, which is based on student numbers and other objective indicators [*standard operational grants*]; and
- 2) Amounts required to apply to the implementation of projects and administration of specific education and research facilities which are difficult to handle with objective indicators [*specific operational grants*]

In allocating operational grants, the results of third-party evaluation of education and research at each university will be appropriately reflected, with a view to promoting the individualistic development of each university and fostering a competitive environment.

As for students' payments, each national university corporation will be allowed to raise tuition and entrance fees by up to 10 % from the standards set by the ministry. For the next fiscal year, the standards will be the same as the amounts of tuition and entrance fees of this year, which are 520,800 yen and 282,000 yen respectively.

### **d. Investment in facilities and borrowing**

The final report suggests that, in order to achieve more flexible administration, some university facilities may be separated from national university corporations and established as a different type of corporation, and that, if necessary, national university corporations may finance these corporations. In particular, national university corporations will be able to invest in a technology licensing office. Intellectual property, which belongs to inventors under the present system, will be handled by national university corporations. Industry-university co-operation is expected to be boosted. In addition, national university corporations will be allowed to raise funds by borrowing.

## **IV. The challenges of the incorporation**

Initially, the proposal of the incorporation of national universities was not welcomed by national universities. Many academic and non-academic staff members as well as students in national universities protested for various reasons : some found it to be a violation of academic freedom, and others doubted if the Government intended to lower its responsibility in higher education leading to a reduction of the relevant budget. Even today, many continue protesting, against the MEXT and the ANU, or the president at each national university.

The incorporation of national universities is not a panacea for excellence. Many challenges are to be surmounted before a successful reform is gained. The author of this paper pointed to six major challenges in September 2002 at an OECD meeting (Oba 2002), which were :

1. Establishment of reliable and transparent evaluation procedures;
2. Development of characteristics of national universities;
3. Transformation of university governance;
4. Professionalisation of administrative staff;
5. Wider opening to society and to the world; and
6. More active Government but in the background.

Although the situation has changed a lot since, these factors still remain challenges to be overcome. In this paper, just a few points will be mentioned taking recent developments into account.

### ***a. Development of individuality and the stability of finance***

In October 2003, the MEXT released drafts of the first medium-term goals and medium-term plans that had been prepared by the actual national universities. Although the model mentioned earlier had been shown as an example and had not been binding, drafts were generally based on the model.

A certain number of noticeable initiatives, including new management concepts, numerical targets and enhanced supports for students, could be observed in some, but the drafts were predominantly filled with moderate and inoffensive statements. In fact, the evaluation committee, convened on 18 December 2003, expressed its dissatisfaction with the drafts and decided to ask national universities to revise them. The reason could be mainly attributed to the fact that the detailed organisation of national university corporations, the flow of funds (especially operational grants), and the criteria of the evaluations by the evaluation committee were still not clear at the time of the presentation of the drafts. Several university presidents commented that it had been difficult for them to put numerical goals in the draft because the criteria of performance evaluation had not been clarified.

Even now, the problem of financing has not yet been solved and it is still being negotiated by the MEXT and the Ministry of Finance. The latter asked the MEXT during the budget negotiation for the next fiscal year to reduce gradually the operational grants, including personnel expenses, and to compensate for them with a rise in tuition fees and others. The MEXT and the

ANU expressed their opposition to this plan. In December, the ANU adopted unanimously a petition calling for substantial budget allocation for national universities and other demands, and expressing the possibility of the resignation of the presidency at the time of the incorporation of national universities.

However, it is quite certain that the individualisation of universities will depend largely not only on initiatives of universities but also on the stability of financing to universities. Without it, the competition among universities would force them to focus on revenue streams to the exclusion of other activities, such as expensive disciplines with lower enrolment, and extracurricular activities, which are indispensable for the all-round education of students or for the further development of science, and consequently for society at large.

### ***b. Evaluation and financing***

From April 2004, although governmental regulations will continue to be applied no less than in private institutions, each national university will become responsible, as a rule, for its own budget, staffing, structuring, organisation and others. The incorporation of national universities will make them engage further in entrepreneurial activities and enhance competition among universities from all the sectors – national, (local) public and private – for students and various resources such as grants. This situation will have to work towards the improvement of all institutions, which will rely largely on the reliability of the evaluation and financing systems.

Up until now, the budget allotted to national universities has been based not only on non-competitive criteria, such as number of students and staff, but also on the performance-related or merits criteria, such as the quality of research projects proposed by universities. As for the budget allotted according to the latter criteria, every national university has been competing with each other. After incorporation, the budget will be allotted as a lump sum (operational grants), and the performance of each university will come to be evaluated at the end of the medium-term goals/plan period. In addition, the allocation of the budget of the next period will come to vary according to the results of the evaluation.

Hence, the success of the reforms will depend ineluctably on the evaluation criteria and methods that will be employed by the evaluation committee as well as NIAD-UE. At the first meeting of the evaluation committee in October 2003, chairman Noyori, pointed out that university activities were quintessentially multi-dimensional with spiritual perspectives and recognised that there had been no criteria and methods set to appropriately evaluate such activities, which should be developed. Without them, the reforms would not enhance the quality of national universities but rather impoverish them.

### ***c. Differentiation of the roles of national universities from those of private universities***

Increased competition among universities is expected to give rise to further questioning of the difference in governmental funding between national universities and private universities. In FY 2003, 99 national universities (including junior colleges) and other national educational institutions receive 1,525,606 million yen<sup>20</sup>, whereas 989 private institutions<sup>21</sup> receive only 321,750 million yen for operational expenditure<sup>22</sup>. Private universities have long questioned the gap, which has contributed to increasing subsidies for their sake, but may have decreased the

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20 This amount is equal to the transfers from the general account budget to the Special Account for National Educational Institutions (therefore it includes the budget for non-university institutions such as inter-university research institutes).

21 This number includes all the private universities and junior colleges comprising those not receiving national subsidies.

22 Apart from these subsidies, private institutions receive subsidies for equipment and facilities (23,550 million yen).

entire budget allotted to higher education. The Ministry of Finance, taking advantage of the questioning, has succeeded in raising the tuition fees of national universities on the pretext of reducing the gap and of the beneficiary-payment principle<sup>23</sup>.

On 26 November 2003, the Financial System Council reported to the Minister of Finance and recommended the adoption of a system that would enable each national university to revise tuition fees, in light of the gap between national and private universities and thorough implementation of the beneficiary-payment principle. Based on the recommendation, the Ministry of Finance proposed to the MEXT that the latter set a rule to make national universities automatically raise tuition fees after incorporation<sup>24</sup>.

However, needless to say students are not the sole beneficiaries of higher education; that the society as a whole is benefited by it. Both national and private universities should unanimously reiterate this fact to the public.

On the other hand, incorporation will increasingly blur the difference between national and private institutions. National universities will have to define their missions, being distinctively different from those of private universities, and also from those of public universities. Mergers of small national universities, which have been occurring since April 2003, may be one of the pre-conditions for that.

#### ***d. Shared governance and institutional autonomy***

At the 31st Annual Study Meeting entitled “Reconstructing the Governance and Management of Japan’s National Universities”, held by the Research Institute for Higher Education (RIHE), Hiroshima University in November 2003, Robert Birnbaum (2003) pointed to the undeniable importance of shared governance for Japanese national universities. After elucidating two perspectives – rational and cultural – directing university governance and management, he characterised the shared governance as a cultural rather than rational concept, where a co-operative principle, rather than strong presidential leadership or hierarchical structure, was accepted. He also point out that the central cultural governance value in American universities was institutional autonomy and that the institutional effectiveness could be maintained only if major decisions were made through such institutional governance system.

His suggestions are of considerable importance both to the Government and to the executive body of each university. For the Government (not limited to the MEXT), interference in the governance of a university may not only endanger academic freedom and institutional autonomy, but also compromise the institutional quality and organisational effectiveness. For each university, it may not be desirable to strengthen the decision-making of the executive body structurally; the directors must try to involve both academic and non-academic staff, as well as students if necessary, in a manner consistent with the institutional values of their university.

## **V. Closing remarks**

For several decades, Japan enjoyed economic growth driven by well-configured Industry-Government-Education collaboration. The mission and role of universities were as a rule defined to serve society in this framework, although many academics were reluctant to collaborate with industry or with the Government and many reforms of universities were undertaken throughout the period.

The framework came to an end in the period following the fall of the Berlin Wall in 1989. In 1990, the “bubble economy” collapsed and the Japanese economy has been stagnant ever since.

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<sup>23</sup> This policy has never worked towards the reduction of the gap, since the tuition fees of private universities have paralleled the progress of the tuition fees of national universities.

<sup>24</sup> Yomiuri On-Line, 11 December 2003.

The recession forced structural changes to industry, followed by governmental administrative reform up to the ministerial level. Under such circumstances, as the key to progress, universities are increasingly demanded to contribute to society – education of students with skills, development of mission-oriented research, participation in joint research projects with industry and government, etc. University reform progressed rapidly in the 1990s, symbolised by the amendment of the University Establishment Standards in 1991, as mentioned earlier.

In addition to the economic decline, Japanese society will experience a rapid decrease in the number of 18-year-old people, and the enrolment in universities is expected to plunge over the next decade. Universities will be faced with enhanced competition to attract students, which will force each institution to define its characteristics and mission in order to be more attractive to students, i.e. more competitive. Moreover, the competition will not remain national, but will take on an international dimension, symbolised by the discussions at the WTO and the apparition of virtual universities. In fact, incorporation of public universities and enhancement of institutional autonomy are a world-wide trend, as can be seen by incorporation of national universities in Thailand and the *politique de contractualisation* in France. Governments rely more and more on the market to encourage greater responsiveness from the higher education system. At the same time, accountability and quality assurance in higher education are increasingly an issue in every country.

Japanese national universities will be separated from governmental organisation and become national university corporations in April 2004. However, the reform of national universities will not end with their incorporation, and they will have to seek excellence in education and research under increasing pressure in the form of market forces.

Finally, for Japan, in order to overcome current economic and societal difficulties, it is critical to prepare well-educated citizens with talents and abilities, by producing and transmitting knowledge in an excellent environment realised by university reform. Because it is difficult to educate people with inspiration or conduct creative research under pressure from outside or governmental restrictions, an essential part of university reform is to let universities actualise it by themselves. The Key to success may lie in shared governance and institutional autonomy.

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