

論文

The Early Stage of the Transformation of National Universities into Executive Agencies: A Step toward Privatization of Japanese Higher Education Institutions

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Abstract

The transformation into quasi-government agencies of Japanese national universities became a realistic issue in 1999 because of strong public demand for reducing bureaucracy. In 2004, nearly 100 national universities were formally transformed into executive agencies, subject to reform along with other governmental institutions such as hospitals and research centers. The movement was modeled after England who had made drastic change under the leadership of Margaret Thatcher in order to increase efficiency and cut down bureaucracy. This exploratory study focuses on the legal, financial and personnel preparations needed to deal with the ramifications of such change.

1. Introduction

The formation of quasi-government agencies as the legal framework of national universities became a controversial issue on the national agenda by both university professors and politicians in 1999. The concept of executive agencies did not originate in Japan, but was borrowed from England and emerged as a compromise for full and immediate privatization of Japanese national universities. The outcry from the general public for reforming national universities was strong, but opposition on the part of professors was also strong, and, as a result, both parties sought a middle ground to mitigate the gap before full implementation of privatization. Although the idea of privatization emerged for different reasons in different countries, the concept received widespread attention throughout the world from the 1980s. Each country addressed the challenge in its own way, and various forms and structures of privatization emerged.

The central argument for privatization of national universities in Japan was that their mission had been over. It was no longer morally or legally valid to give special advantage to national universities with taxpayer money in the current Japanese higher education milieu. Private universities represented nearly three-fourths of the overall national enrollment at that time and their standards had improved significantly. In fact, some private institutions were equal to top rated national universities in terms of research and teaching.

Another notable argument was that bureaucratic reform must involve national universities because they were an integral part of the Japanese bureaucratic system. They were often considered in need of reform due to outdated university governance and the lack of collaboration with

industry, which many politicians considered of vital importance to the future prosperity of the nation.

In essence, the following three fundamental issues are identified and seriously discussed:

1. The legality of the national universities
2. The efficiency of their operations as academic institutions
3. The quality of higher education institutions based on global standards

2. Brief Historical Review

In March 1997, the National Reform Commission on Bureaucracy officially requested that the Ministry of Education look into the reformation of national university governance, specifically to explore the possibility of transferring the jurisdiction of universities from the Ministry of Education to municipal governments or possibly to non-profit private organizations. As expected, the reactions were negative from the Ministry itself and the Association of National Universities which was formed by the professors of the national universities. They felt that the autonomy and independence of the institutions might be jeopardized, and because of their reluctance, the reform request had been left unaddressed for a considerable period of time. Reflecting this non-committal attitude, the report compiled by the cabinet in January, 1999, simply stated that the incorporation of national universities, and possible transfer of university jurisdiction would be decided by the year 2003.

However, in April 1999, the cabinet council decided to take another drastic measure, in which a reduction of the number of government workers was delineated; about 25% of the total governmental work force

would be reduced by 2010. The effect of this decision on national universities would become eminent provided that the Law passed in 2000. According to the commission, the reduction would be implemented through decentralization, privatization and abolishment. The impact of this serious proposal was significant because all professors of national universities were government employees and were subject to the effects of downsizing.

Faced with this situation, the Ministry of Education examined all possibilities to evade the effects of downsizing including making exceptions for university professors to secure their positions while all other government branches would be affected by down sizing. Even though the percentage of professors in the overall government work force (16%) was small, it was unlikely that they would be exempt from the national agenda of downsizing. They had to find other justifications for keeping their privilege over other government branches.

As a result, they came up with the idea of transferring national university jurisdiction from the Ministry of Education to independent non-governmental agencies as a means of protection and compromise. This concept was called the executive agency. The concept was introduced in 1997 when a political mission traveled to England to study the efficacy of public service, and was used by the ministry to protect positions in national universities.

The Ministry of Education was asked by the Commission to respond by July 2000, as to whether or not they would accept the concept of executive agency. Incidentally, the Ministry of Posts and Telecommunications which constitutes 35.5% of the government work force had already decided to create quasi-governmental agencies to avoid the reduction. In addition, the Ministry of Finance and the Ministry of

Health and Welfare employed a similar concept to secure the workplace and integrity of their organization. As predicted, the Ministry of Education would follow the same pattern (Fujita, 1999).

3. Scheme behind Japanese Bureaucratic Reform

It is useful to know that the driving force behind the current Japanese bureaucratic reform and its direction was the ruling political party of conservatism and business groups. They were in full agreement, and unanimously supported the downsizing of the government, and a goal of 25% work force reduction in 10 years. Their main strategy was to decentralize the government and to delegate more administrative functions to local governments. Also, they strongly favored letting the private sector take charge over the public sector. The proponents of reform were willing to transfer governmental authority and sanction private sector management if necessary. They also believed that competition was better than control; prosperity came with free enterprise, and that it was necessary to become a player in global competition by getting ahead in science and technology. Therefore, education and schools needed to be modified to serve this purpose (Association, 1999).

The Japanese bureaucratic reform movement had already gained momentum within the political area by then and was able to pass a law to change the basic ministerial structure. The structure of the Ministry of Education was redesigned and resulted in its union with the Science and Technology Agency as the new Ministry of Education and Science which focused on the link between universities and industries in the fields of research and science and technology.

4. Executive Agencies

The laws that authorize executive agencies to take on the operation of various governmental functions was passed in July 1999. The laws have a broad scope and they mandate the transformation of 89 different governmental branches into executive agencies effective from April 2001 to 2004 (Fukuie, 1999). However, it was not definite at that moment whether the operation of national universities would be one of them. The final decision was made shortly after.

The basic concept behind creating executive agencies was the separation of planning and implementation. In short, the government would continue to hold the planning function and the executive agencies would exercise the implementation. According to the guidelines of executive agencies which might be adopted for the operation of universities, the following changes were to take place (Association, 1999):

1. Presidents and auditors of universities were to be appointed by the Minister of Education and Science.
2. Agencies were required to present a medium range plan (3-5year plan) to the Ministry, and the format of the plan is to be approved by the ministry.
3. Evaluations of school operation were to be made by the evaluation committee established by the ministry.
4. Universities were to adopt standard business accounting procedures, which include a balance sheet to show the profit and loss of the agencies as independent accounting units.
5. Universities were to receive money from the government based upon their budget plan which is directly linked to their medium range

plan.

6. The status of professors was expected to be changed, but they would remain public employees for the time being.

As stated earlier, the concept of executive agency was borrowed from England, but the Japanese goals and reality were different in that the reformers were more interested in downsizing the government and reducing the workforce of government employees than improving the quality of service, which was the case for England. However, there were some common elements such as efficiency and discretion. For example, the English agencies were given more freedom and authority in exercising their administration to improve the efficiency of operations. This situation was the same for Japanese to the extent that more freedom and options were given to the institutions by shifting their jurisdiction from direct government control (Fujita, 1999; Sakakibara, 1998a). In other words, once universities were incorporated, they would then be able to abide by their own principles and guidelines and would not be subject to stringent governmental control. There was to be no change in the employment status of Japanese professors for the time being; but change might occur in the future, and nobody knew for sure what would happen in the next five years. But it was certain that the direction to create executive agencies was set, and it would become reality.

5. Controversies

From the very beginning of the reform movement, a large number of questions were raised by opponents as well as proponents regarding the autonomy of university governance. On September 20, 1999, Mr. H.

Nakasone, the Minister of Education, summarized his position on the executive agencies, which he enthusiastically promoted : “In order for universities to have sufficient autonomy and self-governing ability, they must be incorporated and have discretionary power within their own legal framework. Traditionally, national universities were granted a broad range of freedom and responsibilities, but they needed more if they were to exercise their options and work under a diversified plan, and for that purpose, being incorporated as executive agencies would be appropriate (Ministry of Education, 1999a).”

Another area of controversy was the promotion of diversity and individuality of the institutions. The proponents of the agencies asserted that the more discretionary power they had, the more individuality they would demonstrate because they could design and express their ideas without the fear of oversight and rejection by governmental authority.

These arguments were abstract and contained many open questions. The chance of reaching accord among dissidents was small, and most likely the arguments would continue. The real controversies lay in the following concrete issues:

1. Employment status of professors

Legislature passed the executive agencies proposal to maintain the current status of professors which means that the professors will continue to be public employees. Many reform proponents thought it was an unfavorable political compromise, and that it would diminish the value of the reform itself because professors should not be public employees but be non-public ones in theory as one of the aims of bureaucratic reform was to reduce the size of public employees. Nonetheless, the laws were passed largely due to the support and mitigating efforts by the Ministry of Education.

2. Structure of management

Executive agencies clearly intended to change the organizational structure of the universities from an academic to a business hierarchy in that the usual flat structure was to be replaced by a functional vertical structure. The proposal gave more authority and power to the president of the university and established a board of trustees as an essential part of the management body. In the reform plan, the president was not chosen by the professors, but by the board, and the board members were basically chosen from broad segments of the society, not just universities. Consequently, the main qualification of a board member was shifted from academic to managerial skills. In turn, the board tended to seek candidates from other sectors than academia. Obviously, the professors did not like this practice.

3. Separation of planning from implementation

The division of university governance into planning and implementation was not popular with professors because there was ambiguity in regard to the boundary line that separated planning from implementation. Although the outlines of the agencies stipulated that the medium range plan was to be generated by the university and submitted to the ministry for review and approval, it left many questions as to who had the authority to make final decisions when disputes arose, and the availability of recourse in cases of discrepancy.

4. Evaluation committee

The installation of a neutral evaluation committee of universities within the Ministry was well intended but not well accepted by professors. The law-makers' intention was to vitalize the academic communities by bringing in more competition and providing more incentives and rewards for academic accomplishments. The evaluation

council was launched in April 2000. Professors claim that academic achievements are not easily measured in the short term. They also claimed that basic research success, which was the primary objective of universities, was difficult to measure in terms of efficiency and productivity. The underlying concern by the professors was that the evaluation itself tends to focus on quantifiable aspects and neglects the fields of literature and humanities, where success is much more difficult to measure than in science and technology.

5. Financial plan

The reform commission's decision to adopt standard business accounting procedures and to replace the public sector's accounting practices generated an apprehensive response among administrators of universities. Most of the people who were in charge of school accounting were not familiar with even the concept of depreciation and did not know how to create a balance sheet. Accounting at national universities was vastly different from the business sector in that it lacked accountability. The revenues of the university came from the national budget and funds were allocated by the Ministry of Education. As a result, university administrators were only concerned with the expenditure side of accounting and had very little to do with budget planning or raising money. Although the designers of the executive agencies did not intend to impose a self-sustaining financial operation from the beginning, it was their ultimate goal that every university would have financial independence and be accountable for its own financial operations.

There was an advantage associated with the agencies' financial plan. Universities would have more flexible discretionary funds available to use for their own agendas. Therefore, once the business accounting

system was established they would not have to go through detailed auditing or government inspections. For example, the salary scales set for agency employees were unique and they were exempt from standard government regulation, which meant they could create their own incentives and give rewards to people who demonstrated excellent performance. The financial plan of the executive agencies was pivotal in that it was transitional and responsible for many future implications. It was a change from process-oriented accounting to result-oriented accounting, and most academics and administrators were skeptical about the new accounting systems linked to reform.

6. Concluding Remarks

The major driving force behind the executive agencies for national universities was undoubtedly the National Reform Commission on Bureaucracy. Their objectives were twofold: one was to make clear that the government was responsible for public services such as diplomacy, maintaining public peace, national defense and development of new energy sources. The other was to reduce responsibility of government by transferring various public functions to the hands of the private sector in the interests of efficiency and better service. They originally aimed to fulfill the latter objective by privatization. If they could not achieve privatization, then they would resort to their second best alternative of executive agencies.

Planners of the agencies believed that this was a realistic step toward privatization of national universities and that it would enhance collaboration between universities and industry. The National Economic Strategy Council which was formed under the prime minister strongly

asserted that cooperation between academic institutions and industry was essential for the future prosperity of the nation. They contended that making national universities more flexible and efficient by removing bureaucracy through this change of jurisdiction was worthwhile.

The author of this paper agrees that privatization will certainly precipitate more collaborative work with industries especially in the field of information technology where creative thinking and initiative are most needed in order to keep up with world-wide innovations. The author also believes that privatization of universities is a logical extension of what is happening in the current marketplace. The benefits and rewards are given directly back to the individuals who contribute to the improvement of projects and environment, and this is the area where most professors are concerned.

The installation of third party evaluation teams was one of the vital functions of the agencies and in turn, the allocation of money would be based upon the outcome of the evaluations. This was what most professors did not like and showed their reluctance because they had some doubts about aspects of research and teaching assessment and foresaw some increase of control by the new framework of agencies, which was a legitimate concern.

At the same time, public support of national universities was eroding as seen by the increase in public sentiment for providing less tax money to national universities. It illustrated the changing role of the nation in terms of providing higher education for its citizens. It was a new relationship in which the role of government had changed from player in the arena to facilitator of the game. It was somewhat ironic that in the past, government supported higher institutions by being more involved, but now it had become less involved in order to

promote more efficiency at the universities. Neave described this change of government as a transfer from the bureaucratic state to the evaluative state (Neave, 1988). This does not mean that the central government has lost strength in its power, rather, it maintains the strong leadership to plan and execute without direct involvement. This change can be summarized as a departure from a bureaucratic administration to public management.

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