

Downward Equality, Equity in Japanese Higher Education, and Employment Issues in the Post-Pandemic Labor Market

1. Abstract

To address the deterioration of university students' circumstances during the COVID-19 pandemic, the Japanese government introduced scholarships and tuition-fee exemptions as fiscal measures, along with internationalization schemes. The present study investigated the influence of these governmental policies on achieving educational internationalization and reducing inequality and inequity within Japan's higher education (HE) system. We obtained data from the Ministry of Education, Science, Culture and Sports' annual school basic research (2022); the e-Stat portal site of the Official Statistics of Japan (2022); the National Institute for Academic Degrees and Quality Enhancement of Higher Education; and national universities' budget reports. We conducted macro- and micro-analyses of equity and equality in HE annually from 2019 to 2023. Through correlation and coefficient analyses (multiple regression model), we scrutinized student dropouts attributed to low household-income level and the efficiency of scholarship and tuition-fee exemption policies. Fiscal changes in Japanese HE policy helped stabilize revenue and improve student benefits, positively enhancing the economic climate and reducing student dropouts. Thus, the government must devise policies to improve household employment and overall income levels.

2. Research Overview

This study examines how fiscal policy facilitates equality and equity in HE in Japan, as there has been a downturn in equality and equity in HE. Specifically, we compare the downward trend between the pandemic and post-pandemic periods (2019–2023).

3. Methods

3.1 Multiple Regression Analysis

We employed a multiple regression model to analyze the effects of government financial and budgetary policy changes on national equity levels. The model captures the dynamics of the educational market in Fiscal Year 2022, a period characterized by economic uncertainty owing to the COVID-19 pandemic:

3.2 Equity and Equality in HE

For every year between 2019 and 2023, we conducted macro- and micro-analyses of equity and equality in HE in Japan. The micro-data analysis portrays the national- and private-university education industry and labor analysis. Through correlation and coefficient analyses, we scrutinized the rates of student dropouts and suspension of study associated with their household-income levels and the efficiency of the scholarship and tuition-fee exemption policy introduced by MEXT.

The study's econometric strategy was designed to examine whether fiscal-policy variables were statistically associated with changes in dropout and suspension rates, even for individuals under severe household-income restraints. The category of scholarship and the significant impact of loan-repayment burdens after graduation were statistically evaluated.

3.3 Student Poverty

We comparatively explored student household-income level, student scholarship conditions, and student income levels. Scholarship type, income level, and the poverty criterion of three million yen were used to examine the poverty situation. Furthermore, to discover ways to avoid student poverty, this study investigated how the labor market could prevent student poverty and whether a gap existed between the labor-market needs and students' intentions at the macro level.

Results and Discussion

1 .Analysis of the Labor Market for University Graduates During and After the COVID-19 Pandemic

The labor market supports student employment activities for the future and student life (including poverty issues) as a fiscal policy implication and side benefit for enterprises. However, in 2022, graduation did not lead to higher employment rates for students, and the fiscal policy for the labor market did not work efficiently. Meanwhile, the labor market was influenced by the economic situation, leading to a decline in student labor.

After the pandemic, in 2023, the labor market recovered with a 97.3% employment rate, one of the highest to date. The transition from university to the labor market and improvement in student employment rates were the factors related to student poverty. While new graduates experienced better employment rates, their total employment remained low, with a high turnover after one to three years of employment among new graduates.

2. Labor Economics and Higher Education

Here, we discuss how labor economics could contribute to a useful understanding of the economic status of academic labor competitors. The academic labor market functions as a single market after graduation. We begin with a macro-level view of the academic labor market, outlining the issues affecting the demand for labor by firms and individual students.

Labor has always been a subject of inquiry in economics (Cahuc & Zylberberg, 2004; Ehrenberg & Smith, 2008). Adam Smith's (1776) seminal work discusses the causes of improvement in the productive power of labor and the order in which its produce is naturally distinguished among the different ranks of people.

The Japanese academic labor market also reflects this nature, particularly the concept of the division of labor. HE channels students into a single labor market shaped by the relationship between the demand and supply of labor, most notably in the current context of a strong proposal from the supplier. In outlining this nature, we proceed by examining the theoretical structure of the labor market.

3.High Job Turnover Rate among Recent Graduates

Another serious issue is the high turnover rate for graduates up to three years into employment. This problem aligns with student poverty issues during university studies, which lead to high dropout rates. Specifically, students accumulate debt owing to scholarships that require repayment, the only source of which is future wages. However, as shown in Table 3, over 30% of graduate employees leave jobs within three years of employment (Ministry of Health, Labour and Welfare, 2023).

Reflecting the impact of the COVID-19 pandemic and the high employment rate, the total number of employed graduates decreased from 458,464 in 2020 to 437,123 in 2021 but then increased to 448,485 in 2022. Furthermore, in 2021 and 2022, the number of graduates leaving jobs within the first year was 53,619 and 53,840, respectively, equating to turnover rates of 12.3% and 12.0%—the highest in the last decade. Thus, the COVID-19 pandemic worsened the employment situation for new graduates. It is also possible that students had delayed their graduation by taking a gap year, thereby increasing their economic burden and delaying their employment.

Conclusion

This study analyzed the effects of fiscal changes in Japanese HE policy on universities and the prevention of student poverty. We found that these changes helped stabilize revenue and improve student benefits, positively enhancing the economic climate and reducing student dropouts. However, the government must devise policies to improve employment and overall income levels.

Household- and student-income levels are crucial for preventing poverty, but they depend on a sound labor market. With the labor market shifting gradually in students' favor by offering better job opportunities and improving income levels, future studies should evaluate how rising employment among new graduates and the changing job landscape impact poverty levels. Fiscal policies to create job opportunities are another important factor to help prevent long-term student poverty.

