Student Debt in Japan

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“Abenomics” and Economic Situations in Japan

✧ “Abenomics” = the economic policies advocated by Prime Minister Shinzō Abe since 2013
✧ This economy policies have been based upon "three arrows”
  1-monetary easing
  2-fiscal stimulus
  3-structural reforms
✧ Government Debt was 253% to GDP in 2017, totally 988.2 trillion JPY. Central Bank holds 43.2%.
“Abenomics” and Economic Situations in Japan

✧ 2018 National Budget
  - 34.5% of revenue ~ public debts
  - 23.8% of expenditure ~ repayment of public debts

✧ Current economic situation is the result of “Abenomics”
  - The internal reserves of nonfinancial companies ~ 406.23 trillion JPY (2017.3)
  - But workers’ real wages have been decreasing since 1997.
  - The unemployment rate dropped to 2.4% (2018.1), the lowest rate since March 1993.
  - But non-regular employment rate has been increasing for decades, especially in women, young people.
The average annual household income and wage of workers in private sectors
The rate of no savings household
Regular and non-regular employment rate (male)

- Total: 78.3% Regular, 21.7% Non-regular
- 15-19 years: 39.6% Regular, 60.4% Non-regular
- 20-24 years: 65.1% Regular, 34.9% Non-regular
- 25-29 years: 83.0% Regular, 17.0% Non-regular
- 30-34 years: 86.5% Regular, 13.5% Non-regular
- 35-39 years: 89.7% Regular, 10.3% Non-regular
- 40-44 years: 92.3% Regular, 7.7% Non-regular
- 45-49 years: 91.8% Regular, 8.2% Non-regular
- 50-54 years: 90.7% Regular, 9.3% Non-regular
- 55-59 years: 86.8% Regular, 13.2% Non-regular
- 60-64 years: 47.4% Regular, 52.6% Non-regular
- 65 years and above: 29.6% Regular, 70.4% Non-regular
Regular and non-regular employment rate (female)
Disparity, Inequality and Poverty In Japan

✧ Disparity between the rich and poor is widening.
✧ Poverty issues, especially in women, elder people, and children, have been getting more and more serious.

☐ ranked 34th out of 41 developed nations in UNICEF child poverty index
Kengo Kyogoku borrows about ¥122,000 ($1,035) per month in addition to a scholarship and a part-time job, because his mother can’t afford to pay his college fees at the prestigious Waseda University in Tokyo.

“The amount is huge,” said Kyogoku, a sophomore of communications and computer engineering. “I get depressed when I think about it. I wonder if I will have to pay it back forever. But I have no choice.”

Kyogoku’s case is becoming the norm rather than the exception in Japan, where more than half of college students now need financial aid. Loans were rare in the past as most students came from affluent middle-class families who could afford the fees. Today’s parents inherited the legacy of Japan’s long economic ice-age, with fewer family-wage jobs and lower savings, fueling a sense of generational inequality.
“Scholarship” and Student Loan in Japan

✧ In Japan, there are very few real scholarship/grants. But JASSO’s student loan is still named and called “scholarship”.
✧ This makes many of students who borrow, and will, student loans confused and they cannot understand what student loans really are.
✧ JASSO (Japan Student Services Organization)
  ☐ 1943〜 “Great Japan Scholarship Foundation”
  ☐ 1953〜 “Japan Scholarship Foundation”
  ☐ 1984〜 started student loans with Interest
  ☐ 2000〜 started “Hope 21 Plan” (this plan made it possible for almost all the students to borrow student loans.)
Share of scholarships/grants and student loans

Source: OECD, *Education at a Glance 2010*
JASSO’s Student loans

✧ Total student loans  9,179.3 billion JPY
✧ Interest-free student loans
  - limited by household income and grade
  - average total loan amount ～ 2,370,000 JPY
✧ Student Loans with Interest
  - Annual interest rate ～ 0.33% (2017), 1.52%(2010)
  - average total loan amount ～ 3,430,000 JPY
JASSO’s Student loans

<table>
<thead>
<tr>
<th></th>
<th>Number of students with loans</th>
<th>Total number of students</th>
<th>Share of students with loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>university</td>
<td>970,298</td>
<td>2,567,030</td>
<td>37.8%</td>
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<tr>
<td>Junior college</td>
<td>55,876</td>
<td>124,374</td>
<td>44.9%</td>
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<tr>
<td>graduate school</td>
<td>62,357</td>
<td>195,145</td>
<td>32.0%</td>
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<tr>
<td>technical college</td>
<td>4,366</td>
<td>54,553</td>
<td>8.0%</td>
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<tr>
<td>special training school</td>
<td>216,980</td>
<td>531,971</td>
<td>40.8%</td>
</tr>
<tr>
<td>Total</td>
<td>1,309,877</td>
<td>3,473,073</td>
<td>37.7%</td>
</tr>
</tbody>
</table>
The number of students who borrow student loans with interest or interest-free ones of JASSO

![Graph showing the number of students borrowing loans with and without interest from 1998 to 2016.]
JASSO’s Student loans

✧ Funds for student loans
- government ~ fiscal investment and loan program
- JASSO bonds ~ 120 billion JPY (2016)
- private banks ~ 300 billion JPY (2016)
- repayment from borrowers
Why Student Loans are rapidly growing?

1) Share of public expenditure on education is much lower in Japan than in other countries.

2) Tuition fees have been increasing for decades.

3) Household income and worker’s wages have been dramatically decreasing since 1990’s.
Share of private expenditure on educational institutions (2014)

OECD “Education at a Glance 2017”
Tuition fees charged by public and private institutions at bachelor's or equivalent level (2015/16)

OECD “Education at a Glance 2017”
The average annual tuition fees of universities in Japan

![Graph showing the average annual tuition fees of private and public universities in Japan over time. The graph indicates a steady increase in fees, with private universities generally having higher fees compared to public universities.]
Can young people repay their student loans?

✧ Repayment of student loans starts just 7 months after graduating.
✧ Graduates cannot always get regular jobs enough to repay loans.
✧ Hard penalties against delinquent loan payments
  ☑ delinquent fees \( \sim 5\% \) (annual rate), \(10\% (\sim 2014.3)\)
✧ harsh loan collection measures
  ☑ Collected by servicers
  ☑ registered into consumer data agencies
  ☑ taking legal actions such as the seizure of bank deposits and attachments of earnings
How is student debts issue settled?

✧ To increase educational expenditure dramatically including free education in public universities
✧ Real scholarship/grants for every student who need financial help
✧ Reduction and exemption of repayment to borrowers who cannot repay student debts
✧ But under neoliberal system, these demand cannot be implemented. System change is needed.