CENTRE FOR GLOBAL HIGHER EDUCATION

AN ESRC & HEFCE INVESTMENT

The entry and experience of private providers of higher education in six countries

Stephen Hunt, UCL IOE
Claire Callender, UCL IOE & Birkbeck College
Gareth Parry, University of Sheffield

August 2016

E·S·R·C ECONOMIC & SOCIAL RESEARCH COUNCIL

HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND hefce

Published by the Centre for Global Higher Education, UCL Institute of Education, London WC1H 0AL

www.researchcghe.org

ISBN 978-0-9955538-0-4

ISSN 2398-564X

The Centre for Global Higher Education (CGHE) is the largest research centre in the world specifically focused on higher education and its future development. Its research integrates local, national and global perspectives and aims to inform and improve higher education policy and practice. CGHE is a partnership led by the UCL Institute of Education with Lancaster University, the University of Sheffield and international universities Australian National University (Australia), Dublin Institute of Technology (Ireland), Hiroshima University (Japan), Leiden University (Netherlands), Lingnan University (Hong Kong), Shanghai Jiao Tong University (China), the University of Cape Town (South Africa) and the University of Michigan (US).

CGHE is an Economic and Social Research Council (ESRC) and Higher Education Funding Council for England (HEFCE) investment and their support is gratefully acknowledged.

Acknowledgements

The authors are grateful to the following for their ongoing support and guidance:

Andrea Detmer, UCL IOE

Kevin Dougherty, Columbia University and Fulbright Scholar, Birkbeck College

Carolina Guzman, University of Chile

Richard James, Melbourne University

Barbara Kehm, University of Glasgow

Daniel Levy, University of Albany, State University of New York

William Locke, UCL IOE

Andrew Norton, Grattan Institute

Simon Marginson, UCL IOE

Tristan McCowan, UCL IOE

Len Ole Schafer, University of Bamberg

Michael Wells, Wells Advisory Pty Ltd

This review was undertaken after discussions with the Department for Business Innovation and Skills, to inform decisions on the new HE regulatory framework. The views expressed in this are the authors' own and do not necessarily reflect those of BIS or the Department for Education (as higher education functions have recently been transferred to DfE as part of governmental changes).

November 2016: This version of the report updates material in section 4 concerning German university governance.

Table of Contents

Figures

Tables

EXECUTIVE SUMMARY

This report focuses on the emergence and nature of private higher education (HE) in six countries: USA, Australia, Germany, Poland, Japan and Chile. It is based on desk research drawing on recent relevant and publically available literature. The review, requested by the Department for Business, Innovation and Skills, was undertaken by researchers at the Centre for Global Higher Education based at UCL Institute of Education. It was conducted between March and April 2016.

The report, following an introduction, devotes a chapter to each of the six countries. For each country, we provide a thumbnail sketch of private higher education provision and highlight key issues and developments. Specifically, for each country, where data are available, we explore: the history, context and nature of market entry by private providers; the relationships and interactions between private and public providers and the growth of private provision; patterns of course provision and student participation; the role of governments and regulatory authorities; and situations and instances of market failure and their impact on student participation, retention and achievement.

Definitions of what constitutes 'tertiary' or 'higher' education vary from one country to another as do definitions of 'private' and 'public' higher education, and in some countries the boundary between the two sectors is blurred. These varying definitions alongside the limited comparable data available make direct comparisons between the six countries challenging.

The national context in which private higher education sectors develop exerts a defining influence on their nature, role, and form. Private higher education in each of the six countries examined in this report all have unique features.

In this executive summary, we extract information from each country chapter, to identify some common characteristics across all, and some, of these countries. Private higher education provision in the UK was not included within the remit of this study. However, because of the changing UK higher education policy landscape and the government's commitment to increasing competition and to expand private provision, as outlined in the 2016 White Paper *Success as a Knowledge Economy: Teaching Excellence, Social Mobility and Student Choice*, we discuss some of the lessons from these six countries' experiences for the UK.

Private higher education providers in all six countries share some common characteristics

- Private providers tend to be teaching-oriented.
- They are most likely to offer similar, 'low-cost', subjects in the humanities and social sciences, especially business, law, computing, hospitality and tourism, and management.
- Research remains mainly located in the public sector, even in countries where the private higher education sector dwarfs the public.
- Private higher education institutions tend to be less prestigious than those in the public sector, with the exception of most not-for-profits in the US.
- Private providers have played a key role in expanding higher education participation, often for those from more disadvantaged or lower income backgrounds.
- Most private providers rely on tuition fees as their key source of income, but some also receive state/public funding.

- The private sector tends to be sensitive to changes in demand which has both positive and negative consequences.
- Private providers are quick to suffer the consequences of diminishing demand, forcing institutions to close. This can have serious educational and financial consequences for students at failing institutions who sometimes can be left in limbo.
- The private sectors' dependence on tuition fees adds to their vulnerability to changes in demand.
- At the undergraduate level, students from lower socio-economic backgrounds tend to populate private institutions in Japan, Chile and Poland, and have a significant presence in the for-profit providers in US.
- Tuition fees charged by private institutions tend to be higher than those charged by public sector higher education institutions.

Private higher education provider characteristics which are unique to each country

- The level, nature, and rigour of state regulation, accreditation regimes, and quality assurance vary from one country to another.
- Private providers' access to government funding and their students' access to government financial support vary from one country to another.
- The level and scale of any misuse or abuse of public funds arising from private providers' and their students' access to government funding vary.

The development, role, and nature of private provision in US, Australia and Germany

- In the US, Australia, and Germany mass higher education participation was realised by the public sector so the private sector tends to play an auxiliary role within these countries' higher education systems and their private sectors share some common characteristics.
- The US has a significant and long established not-for-profit and for-profit private higher education sector. Many of the not-for-profits are prestigious and highly selective universities, unlike many of the US for-profits – the focus of analysis in this report.
- For-profits in the US, and private providers in Australia and Germany, have developed particularly since 2000.
- In the US and Australia, access to federal and state-funded student financial support – especially for tuition fees – has boosted the expansion of their private sectors.
- In all three countries only a minority of all higher education institutions are private, and only a minority of undergraduate students attend private institutions.
- Private providers in all three countries offer courses at an undergraduate and postgraduate level.
- For-profit private providers in the US, and private institutions in Australia and Germany, tend to offer low-cost vocationally oriented courses, or niche subjects, delivered in colleges rather than in universities.
- They can swiftly provide courses to meet unmet demand, and deliver them in convenient ways, such as online or in the evening and over the weekend.
- All attract significant numbers of individuals previously excluded from higher education and have opened up opportunities for those who missed out on higher

education when they were young (second chancers), primarily because private providers have low entry requirements which effectively removes a principal barrier to HE entry.

- Significantly, however, for-profit institutions in Australia have contributed relatively little to widening higher education participation for disadvantaged and low-income groups when compared to public sector providers. This is because private for-profit providers are more expensive than public sector providers, concentrate on recruiting international students paying full fees, and lack the resources and infrastructure to support disadvantaged and academically weak students.
- In Australia, widening participation in the public sector has been achieved primarily through the lifting of the cap on student numbers alongside the provision of student financial aid, rather than through the liberalisation of the higher education market and the entry of private for-profit higher education institutions.
- In the US and Australia, but especially in the US, access to state-funded student financial support has led to allegations of the misappropriation of funds by private providers.
- For-profits in the US, and to a lesser extent in Australia, have used aggressive marketing and recruitment techniques to attract students who qualify for federal and state aid but who have little prospect of successfully completing their course. Such inadequately prepared recruits, in comparison to equivalent students in the public sector, are more likely: to fail their courses; to drop out of higher education without securing a qualification; and to be left with large student loan debt. These outcomes bring into question the idea that greater competition, and private provision in particular, improves quality.
- Australia has a national quality assurance system and introduced a Higher Education Standards Framework (Threshold Standards) covering both the public and private sectors but the revised Framework will not come into force until 2017.
- In the US, the credibility of the for-profits has been questioned in terms of the quality of the teaching, high non-completion rates, high student loan default rates, and the labour market value of qualifications.
- In Australia, there is no evidence to suggest that competition between universities has had a positive impact on quality and innovation. Among more successful institutions competition has produced replication, as institutions adopt the same 'change strategies' as their rivals, aimed at enhancing or maintaining research levels and institutional prestige. The main locus of competition is among institutions that cannot recruit sufficient students and who compete on the basis of efficiency and consumer focus. They spend more on marketing than more successful institutions, but tend to have their efforts frustrated as students gravitate towards the more successful institutions, so any real improvements in teaching and efficiency go largely unrecognised.
- In both the US and Australia, large multi-national corporations are actively involved in the private sector and some are seeking to consolidate the ownership of private educational providers into larger private education conglomerates.

The development, role, and nature of private provision in Poland, Japan, and Chile

- In Poland, Japan, and Chile private provision has played a very important role in the realisation of mass higher education participation and their private sectors share some common characteristics.

- Japan has a long standing private sector.
- In Chile and Poland the private sector emerged and expanded in the 1980s and 1990s respectively, prompted by the introduction of neo-liberal market oriented economic policies.
- In all three countries, the private sector has a significant presence in undergraduate higher education.
- In all three countries the majority of higher education institutions are private.
- In Japan and Chile, the majority of higher education undergraduate students study in private institutions.
- In Japan and Chile, and to a lesser extent in Poland, the most prestigious, 'free' or government subsidised public higher education is inaccessible to the majority of potential students. These students have to rely on expensive private, but less prestigious, provision. The cost of higher education, therefore, can be significant, and these costs fall on the student and, typically, their family.
- In all three countries, the key function of private higher education has been 'demand absorption', fulfilling the rise in demand for higher education, which national or local governments have been unwilling or unable to fund for ideological, economic, social or political reasons.
- In Japan and Chile all, or some types of, for-profit provision is prohibited by law.
- Japan and Poland have seen their private sectors contract as a direct consequence of a shrinking and ageing population.
- Japanese private providers have introduced a series of policies in response to declining student numbers and increased competition for students, including relocating, partnerships, and revising their curriculum.
- In Chile and Poland, the credibility of private higher education has been questioned, in terms of accreditation, the quality of the teaching, high non-completion rates, and the value of qualifications.
- In all three countries, the greatest costs of obtaining a higher education tend to fall on those with the least resources.

Lessons for the UK

- There is a trade-off between regulation and quality assurance regimes, and the ability of private providers to respond swiftly and flexibly to changing demand.
- There is a trade-off between facilitating the expansion of private provision by allowing students access to financial support, and ensuring that students' investment in higher education represents value for money.
- There is a trade-off between facilitating the expansion of private provision by allowing students access to government financial support, and regulation to ensure these funds are not abused by providers.
- There is a trade-off between facilitating the expansion of private provision by allowing students access to financial support, and ensuring that this represents good use of public money.
- Such assessments are severely restricted by the absence of publicly available data in many of the countries studied. In particular, the need for data on drop-out, non-continuation and graduation rates, and the labour market outcomes for students attending private institutions.
- Indeed, without such comprehensive data, along with detailed data on the socio-economic characteristics of students studying at private providers and the qualifications obtained, it is impossible to assess many of the claimed advantages

and strengths of the private sector. In particular, the efficiency, effectiveness and equity of this sector in its own right, and in comparison to public providers, including whether it is widening higher education participation.

- There is very limited evidence to suggest that the presence of the private sector, in the countries studied, has improved the quality of provision or driven down prices in either the public or private sectors. Indeed, relative to the public sector, the quality of provision in the private sector is often found wanting, while tuition fees usually are higher.
- So there is limited evidence that increased competition in the higher education sector has contributed to innovation, higher quality, and lower prices within the countries studied.
- Indeed, the interpretation of lower prices can signal not value for money, but the reverse, inferiority. Consequently, in some countries institutions choose not to compete on price.
- There is evidence to suggest the private sector has been important in widening higher education participation, particularly in those countries which have comparatively small elite public higher education sectors rather than in countries with large well established public sectors.
- In some of the countries studied, the private sectors' sensitivity to changes in demand makes it subject to churn, and leads to institutions closing, often at the expense of students.
- Given this volatility within the private sector, legislation and regulation is required to defend student welfare and outcomes.
- The expansion of the private sector alongside the proliferation of private institutions often means it is difficult for prospective students and their families to assess the worth of an institution and the quality of provision. This highlights the need for a credible accreditation system, the results of which are accessible and comprehensible, and on which decisions about higher education can be taken.
- Potential students' access to reliable information about private providers is also important for them to make an informed choice, especially when institutional websites and institutions' advertising and marketing campaigns focus nearly exclusively on driving up enrolments.

1. Introduction

1.1 Background

This report focuses on the emergence and nature of private higher education (HE) in six countries: USA, Australia, Germany, Poland, Japan and Chile. It is based on desk research drawing on recent relevant and publically available literature. The review, requested by the Department for Business, Innovation and Skills, was undertaken by researchers at the Centre for Global Higher Education. It was conducted between March and April 2016.

1.2 Selection of countries

The six countries selected for inclusion in this review provide an opportunity to examine private higher education provision in differing contexts, stages of development, and scale.

- USA – has the longest history and most diverse forms of private higher education, with federal financial aid available to students in public and private providers.
- Australia – has a private sector in both higher and further education that grew rapidly and is now under a single quality assurance framework for public and private providers.
- Germany – has a highly developed binary structure of public higher education and has only recently developed teaching-focused private providers, reflecting the influence of the Bologna process.
- Poland – had a rapidly expanding private higher education sector which was a post-communist creation and absorbed the bulk of growth in demand for higher education, but this private sector is now in decline.
- Japan – has a long-running system with a large state-regulated private sector and small elite public university sector.
- Chile – made a radical shift to a market-based private system of higher education which was followed by an abrupt announcement of a return to a public system, although this return is heavily qualified, and maybe insubstantial.

1.3 Issues about this study

The country studies provide a thumbnail sketch of private higher education provision and highlights key issues and developments. The limited resources and time available for this study mean that it has not been possible to provide a detailed in-depth study of each selected country.

Definitions of what constitutes ‘tertiary’ or ‘higher’ education vary from one country to another. Similarly, definitions of ‘private’ and ‘public’ higher education vary from one country to another, and in some countries the boundary between these sectors is blurred.

Middlehurst and Fielden state: “The private ‘sector’ of higher education in many respects defies classification, or at least, simple classification” (2011, p.5). They make the following points in support of this observation:

- There are few elements among the varied providers that cause them to coalesce together in one country or to cohere across countries through sharing common features and patterns of provision.
- The range of providers is very heterogeneous: some of this variety has existed for a century or more, other developments are more recent.
- The landscape of private providers continues to be dynamic, as new entrants emerge and existing providers change their shape or their owners.
- The boundary between what is described as a 'public' or 'private' provider has become increasingly blurred: funding streams for both types come from public and private sources; as public-private partnerships increase in scale and scope both types of provider can lay claim to delivering 'private' and 'public good' outcomes.
- Different countries include providers offering different levels of qualification in their categorisation of 'the private (HE or tertiary) sector'.

In addition, definitions and the terminology used to describe private non-profit and for-profit institutions are often unclear and ambiguous. The international implication of these issues for the for-profit sector are explored by Kinser and Levy (2007) who state:

> "What emerges from this analysis is a slippery and murky definition of for-profit higher education… Sectors overlap. Sectors blur. Sectoral labels partly deceive. The general legal delineation suggests that only for-profit institutions may distribute profits to owners, although the precise nature of 'profits' and 'owners' is elusive in a global analysis" (Kinser and Levy, 2007, p.110).

The US distinction between the non-profit and for-profit is embedded in tax law: "Not-for-profit educational institutions are known as 501(c) (3) organizations, after the section of the tax code that describes them" (Kinser and Levy, 2007, p.111). The distinction hinges not on initial income generation, but on what the organisation is legally entitled to do with any surplus.

We have not attempted to impose uniform definitions in this report. Instead, we have adopted those used in the literature on each country. However, this means that data provided in each country report (for instance, on the number of private higher education institutions or the proportion of students studying in private providers) are not necessarily comparable.

Research on private providers, particularly for-profit providers, is sometimes scarce. This scarcity and the definitional challenges mean that there are very few cross-national studies of private sector provision. Also, the data available to make international comparisons across the six countries covered in this review are limited.

Furthermore, some data are missing in some of the country reports, because they are not readily or publically available, do not exist, or are not translated into English. There is a distinct absence of data on retention and dropout rates.

1.4 Outline of the report

The report is organised by country, but in each case the following areas are examined:

- Introduction
- History, context and nature of market entry by private providers

- Relationships and interactions between private and public providers and the growth of private provision
- Patterns of course provision and student participation in the private sector
- Role of governments and regulatory authorities
- Situations and instances of market failure

There is a variable amount of data on these issues. Material on the growth of private provision, including data on the number of private institutions and the proportion of all students studying at private institutions, where available, are discussed in the third section of each country report.

1.5 Context

The development, nature, and scale of both public and private higher education provision are products of each country's historical development, culture, and economic, political and social context.

To provide a higher education context to the six countries included in this study, Figure 1.1 shows the gross enrolment rate in tertiary education, for both sexes, in each of the six countries in 2013. It demonstrates the variations in enrolment rates. All six countries had enrolment rates well over 50 per cent, but these rates ranged from the low 60s in Germany and Japan to approaching 90 per cent in Australia and the US. The rate for the UK (not shown) was 57 per cent.

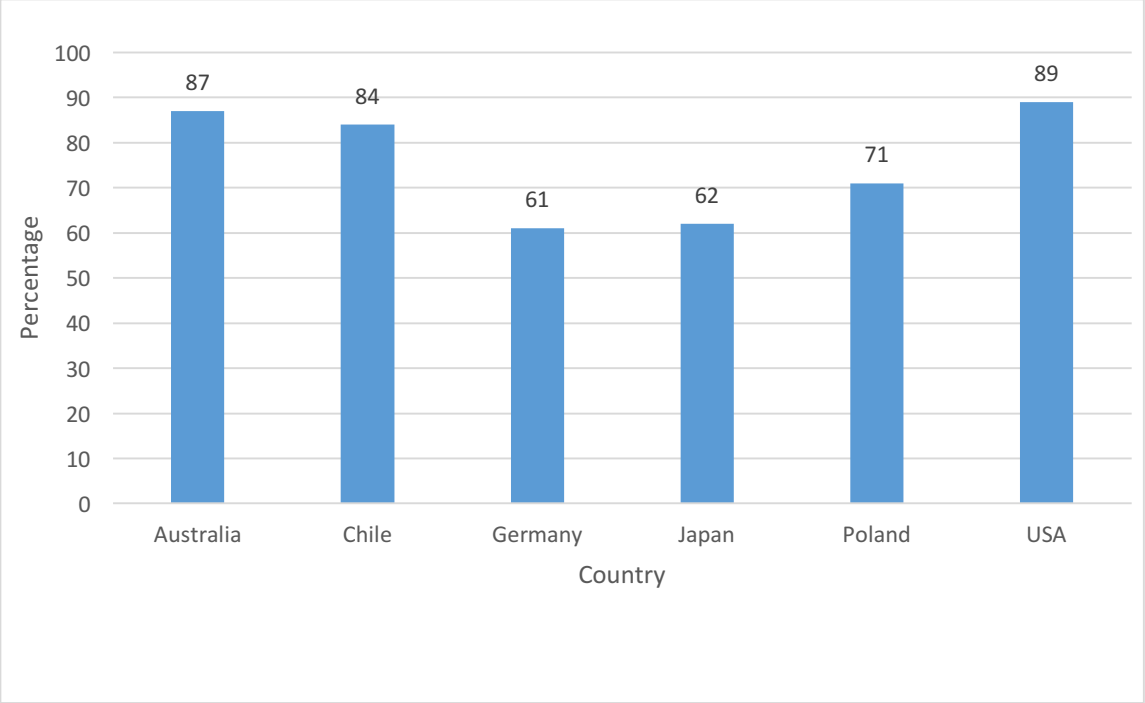

Figure 1.1 Gross enrolment ratio, tertiary, both sexes 2013 regardless of age, expressed as a percentage of the total population of the five-year age group following on from secondary school leaving.
(source: The World Bank, 2016)

The higher education systems in each of the six countries selected operate in very different financial contexts.

- Expenditure on tertiary education as a percentage of GDP grew in all six countries between 2000 and 2012 (OECD, 2015, Table B2.2).
- By 2012, it varied from 2.8 per cent in the US and 2.5 per cent in Chile, to below the 1.5 per cent OECD average in Poland and Germany (1.3 per cent and 1.2 per cent respectively).
- Funding from private sources was particularly high in Chile (1.5%) and the US (1.4%) but very low in Poland (0.1%) and non-existent in Germany (0%) (OECD, 2015, Table B2.3).
- As a result, the annual public expenditure on tertiary education students at both public and private institutions also varied considerably, ranging in Germany from $14,438 to just $2,751 in 2012 (OECD, 2015, Table B3.3).

The key source of private funding is tuition fees. Private higher education is particularly dependent on these fees, as in some of the countries under investigation they receive no or very limited public funds. Figure 1.2 shows the level of fees charged by public and private higher education institutions in 2010/11. Across all the countries for which data are available, tuition fees are greater at private institutions.

The comparable figure for the UK (public institutions only) for the 2010/11 period was $4,980. The UK, by 2013/14, had the highest public institution (technically, government-dependent private institutions) average annual tuition fees in the industrialised world for a first degree at $9,019,[1] the equivalent for the US was $8,202 (OECD 2015).

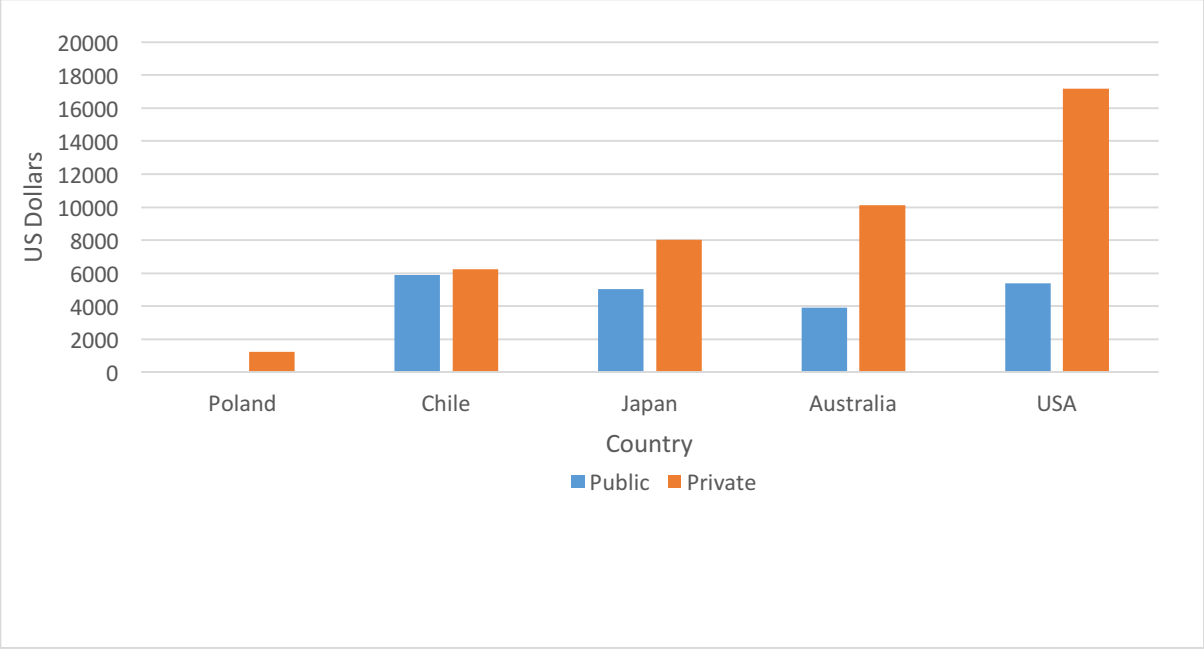

Figure 1.2: Average annual tuition fee 1st degree programme public and private domestic providers, academic year 2010/11 (US$)
(source: OECD 2014)

[1] Note these figures do not include the full effects of tuition fee increases arising from the 2012/13 reforms when the government-set cap on fees was raised to just over $13,000 (£9,000).

References

Kinser, K., and Levy, D. C. (2007). For-Profit Higher Education: U.S. Tendencies, International Echoes. In J. J. F. Forest and P. G. Altbach (Eds.), *International Handbook of Higher Education* (Vol. 18, pp. 107–119). Dordrecht: Springer Netherlands. http://doi.org/10.1007/978-1-4020-4012-2

Middlehurst, R., and Fielden, J. (2011). *Private providers in UK higher education: some policy options*. Retrieved from http://www.hepi.ac.uk/wp-content/uploads/2014/02/Private-HE-full-final-with-amendments.doc

OECD. (2014). *Education at a glance 2014: OECD Indicators*. Paris. Retrieved from https://www.oecd.org/edu/Education-at-a-Glance-2014.pdf

OECD. (2015). *Education at a Glance 2015: OECD indicators*. Paris. Retrieved from http://www.oecd.org/education/education-at-a-glance-19991487.htm

The World Bank. (2016). Gross enrolment ratio, tertiary, both sexes (%). Retrieved April 19, 2016, from http://data.worldbank.org/indicator/SE.TER.ENRR

2. USA

2.1 Introduction

The US higher education system has four principal types of institution:

- Public four-year colleges: each state supports at least one such system – these include substantial research universities
- Public two-year colleges, commonly called 'community colleges'
- Private non-profit institutions: these include the Ivy League colleges, doctoral universities, and the exclusively undergraduate liberal arts college sector
- For-profit private sector (OECD, 2012)

About 10 per cent of US students are enrolled in for-profit private higher education institutions.

There were an estimated 3,436 for-profit higher education institutions in 2014-15.

The US has a long established non-profit private sector which plays a key role in US higher education – as illustrated by the Ivy League doctoral universities, and the liberal arts college sector. It also has a dynamic for-profit private higher education sector, the focus of this section.

This section concentrates on the rise and recent decline of the US for-profit higher educational sector, examining the reasons for this trajectory and the consequences of the decline.

The US post-secondary education system receives a total of about $500 billion a year. Averaged over public and private institutions the breakdown is:

- 40 per cent of their income is from tuition fees
- 27 per cent is from endowments (and other)
- 12 per cent is from federal appropriations – often research grants
- 21 per cent is from state/local appropriations

Private for-profit institutions, however, are almost entirely reliant on tuition fees (US Department of the Treasury, 2012).

Recent research has indicated it is highly likely that US school pupils will leave school and progress to college. Some 84 per cent of a longitudinal sample of 15,000 high-school pupils first surveyed in 2002 had experienced at least some college education by 2012 (Lauff and Christopher, 2014). The World Bank estimates a tertiary participation rate of 89 per cent (in 2013) during the five years after leaving school (Figure 1.1).

> "More than most other countries, the United States is a nation of second (or third or fourth) chances. Students who do poorly in high school can still find colleges to enter and eventually earn a BA degree" (Bok, 2013, p. 16).

The rise of the for-profit sector in US higher education has extended these second and third chances to a greater proportion of the US population than ever before. Before examining the for-profit sector in detail, we will consider the context in which it emerged.

2.2 History, context and nature of market entry by private providers

Historically, American universities have been subject to far less government control than their European counterparts. This is possibly because the system itself has, from its very origins, included a significant and very prestigious private element. The Ivy League, for example, is composed of eight private non-profit universities, seven of which were established before 1776[2]. The state has also been reluctant to regulate religious institutions (a definition that applies to several of the early universities) following the constitutional separation of church and state.

A study of US correspondence schools – schools providing distance learning conducted through the mail – in the 1920s estimated there were about 300 in operation in 1924, a quarter less than six years old. The schools were largely private and run for profit, enrolling an estimated 1,500,000 students annually, and generating an income of $70,000,000 a year. Typically the students were older than university entrants, with average ages of 26 and 22 years old respectively. The author also identified a series of failings besetting the correspondence school sector: fraudulent advertising; low admission standards; grade inflation; low quality provision; disproportionately large investment in recruitment at the expense of instruction – one school allocated three quarters of a *cent* to instruction for every dollar of tuition fees; and low completion rates, estimated at six per cent. All this occurred in a nationally unregulated environment (Noffsinger, 1926).

The for-profit sector as it is currently configured has its origins in America's nineteenth century proprietary business schools (Kinser, 2006). Strayer University, for example, was founded as a business college in Baltimore in 1892 and still exists today (Bennett, Lucchesi, and Vedder, 2010). The for-profit sector played little or no part in the twentieth century massification of American higher education: "In the early 1970s for-profits enrolled just 0.2 percent of all degree-seeking students in the United States" (Hanford, 2016).

The for-profit sector only emerged as a visible feature of the higher education system in 1972 after the Higher Education Act of 1965 was amended, allowing for-profit institutions to receive US government funds, primarily in the form of federal financial aid for their students. The growth of the for-profit sector was accelerated in 1992 when a federal regulation, the "85-15"/ "90-10"[3] rule, specifically included for-profit institutions in its definition of *Institutions of Higher Education* (Mumper, Gladieux, King, and Corrigan, 2016; Pusser and Harlow, 2002 from Bennett et al., 2010).

The legal incorporation of the for-profit providers into the higher education sector allowed them to compete more effectively with non-profit institutions. The for-profit sector was marked by its remorseless pursuit of potential students[4]. The Apollo Group, the parent company of the University of Phoenix, for example, spent more than $665 million on marketing in 2012, representing 15 per cent of its revenues (Blumenstyk, 2013). The

[2] Brown University (established 1764), Columbia University (1754), Cornell University (1865), Dartmouth College (1769), Harvard University (1636), University of Pennsylvania (1740), Princeton University (1746), and Yale University (1701).
[3] The "85-15" rule introduced in 1992 became the "90-10" rule via amendment in 1998. The rule means that for a higher educational institution to be eligible to enrol federally funded students, no more than 90 per cent of an institution's revenue can come from federal student aid covered in Title IV of the Higher Education Act, and it must have been in existence for two or more years (Library of Congress Congressional Research Service, 2005).
[4] This applies with particular force to potential students with a military association: "GI Bill funds and Department of Defense (DoD) Tuition Assistance are counted as private dollars on the 10% side (of the "90-10" rule). This has put a dollar sign on the backs of veterans, service members and their families and led unscrupulous for-profit colleges to aggressively and deceptively recruit veterans, service members and their families to enroll in high-priced, low-quality programs" (The Institute for College Access and Success, 2016).

aggression that has characterised for-profits' pursuit of enrolments has contributed to both its rise and its current decline (Bok, 2013; Surowiecki, 2015).

2.3 Relationships and interactions between private and public providers and the growth of private provision

For-profits experienced rapid growth during the early twenty-first century. Between 1998-99 and 2008-09 enrolments at for-profit schools increased by 236 per cent, compared with just 20 per cent over the same period for other universities (Lynch, Engle, and Cruz, 2010).

- The private for-profit sector enrolled approximately 240,000 students in 1995, which rose to 2.4 million in 2010.
- Since 2010, the number of students enrolled in for-profits has declined.
- Between 2010 and 2013 enrolment in the for-profit sector declined by 18 per cent, to about two million in 2013.
- By comparison, enrolments decreased by seven per cent in the public two-year sector over the same period, and increased slightly in the public and private non-profit four-year sectors.

> "For-profit colleges were on a roll in the early 2000s, using a barrage of television advertising and online courses to appeal to underemployed adults with courses in health care, technology and other in-demand fields" (Korn and Jamerson, 2016).

Several possible reasons account for the rise and fall of the for-profits, which correspond with the prevailing economic conditions. The peak was reached during a recession, and has since declined towards pre-recession levels. The growth in enrolments may have reflected people's responses to:

- Unemployment
- The threat of unemployment
- The perceived need to re-skill in the face of stalled career paths or stagnating wages

It could also be suggested that an opportunity for for-profit institutions opened, or widened, as public expenditure on public higher education was cut and spending on higher education atrophied from the 1980s onwards (Mettler, 2014). A report by the US Department of the Treasury identifies an association between cuts to the funding of community colleges over the previous 10 years and the increase in enrolments in for-profit institutions (US Department of the Treasury, 2012; Kingkade, 2012).

Figure 2.1 indicates the distribution of the student population over the past two decades across the four different types of US higher education institutions.

The great majority of students, as Figure 2.1 indicates, attend public institutions, and these are split fairly evenly between four-year and two-year colleges. The proportion of the student population attending these institutions has changed little in the past 20 years. The proportion attending non-profit private institutions has also remained relatively stable over the same period. It is only the for-profit private sector that has shown any real change. This sector almost tripled in size over the 2000s, peaking in 2010, and then subsequently started to decline.

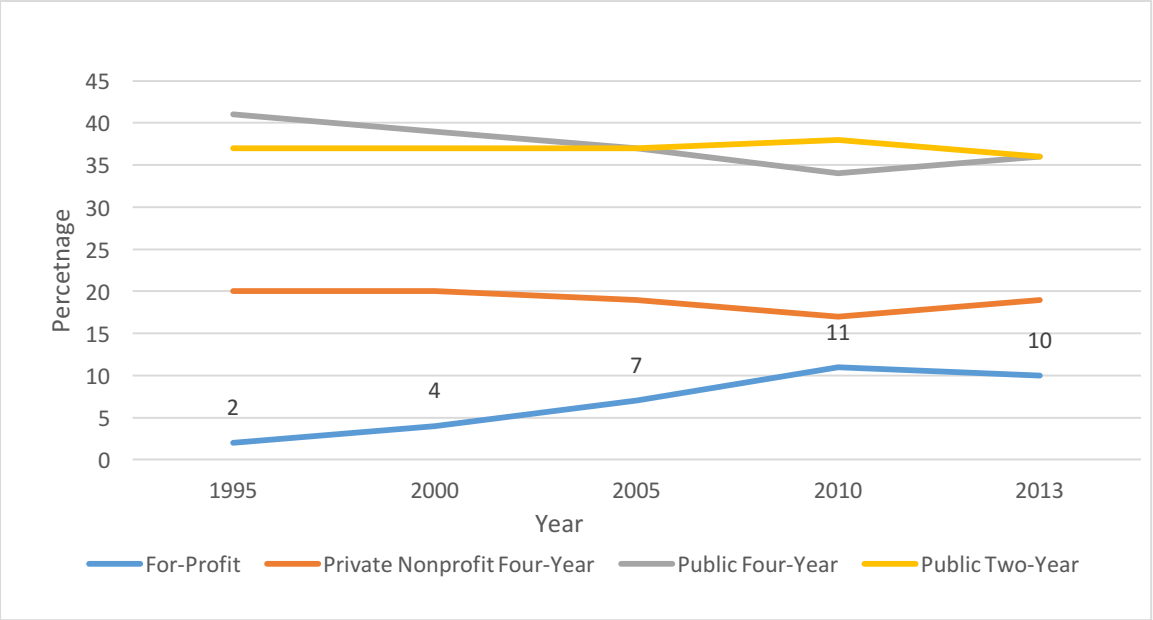

Figure 2.1: Percentage of US student population by type of provider 1995 - 2013
(source: The College Board, 2015)

2.4 Patterns of course provision and student participation in the private sector

There is a distinct dichotomy apparent in the US for-profit sector. Most institutions are small proprietary schools, often privately owned. A few are large multi-state, and in some cases international institutions, with student numbers in the tens or hundreds of thousands, and publicly traded (Bok, 2013).

Fifteen of these large-scale institutions account for 60 per cent of all student enrolments in the for-profit sector (Bennett et al., 2010). They have, until relatively recently, been the fastest growing element in the entire higher education sector (Bok, 2013). The large institutions are often subsidiaries of still larger parent companies, and have attracted Wall Street/venture capital investment (Douglass, 2012; Lechuga, 2010).

- There were an estimated 200 for-profit colleges in 1986, and almost 1,000 by 2007.
- The total number of for-profit colleges dropped by 100 between 2012-13 and 2014-15, from 3,527 to 3,436.
- Losses were concentrated among four-year institutions (from 790 to 738) and two-year institutions (1,042 to 965).
- The number of institutions focusing on provision of two-year or less increased, from 1,695 to 1,733 (Lederman, 2015).

Approximately 50 per cent of private for-profit institutions provided college level degrees in 2013, with the remainder providing qualifications in vocational training programmes. A two-year associate's degree counts as a college-level degree: many of those two-year associate's degrees are themselves vocational, e.g. a two-year programme in nursing or allied health fields. Certificates (which run three, six or 12 months) are not considered degrees.

The US for-profit sector is characterised as being dynamic and finely tuned to the market place, quick to offer conveniently structured courses in areas of fast-growing employment (Deming, Goldin, and Katz, 2012).

The sector has specifically positioned itself to attract a particular type of student. Students at for-profit institutions differ from undergraduates attending public or non-profit institutions. They tend to be older, employed, and enrolling to enhance or acquire specific skills enabling them to attain better paid employment (Surowiecki, 2015).

The for-profits concentrate almost exclusively on teaching, and strip out any 'non-essential' aspects of provision. This strategy has allowed these institutions to cut to a minimum their operating costs. The kind of features the for-profits minimise, or eliminate completely include:

- Recreational sports provision
- Extra-curricular activities
- Ownership of teaching premises
- Extensive libraries
- Extensive tenured staff: there is a high prevalence of contract, often part-time staff (Lechuga, 2010)

A key feature of the teaching model of the for-profits is the online delivery of courses, allowing the participation of a potentially vast, but also geographically distant and dispersed, student population. Two online for-profit universities were founded in 1993, Capella University and Jones International University (Lechuga, 2010).

The for-profits have prioritised flexibility, offering teaching scheduled around working hours (i.e. evenings/weekends) although the majority of undergraduates study full-time.

Of the total of 1,999,000 students enrolled in for-profits in 2013:

- 50 per cent were full-time undergraduate;
- 19 per cent were part-time undergraduate;
- 14 per cent were graduates; and
- 17 per cent had non-degree status (The College Board, 2016).

The for-profits have demonstrated the capacity to adapt quickly to shifting demand for subjects and courses (Bok, 2013; Surowiecki, 2015). The subjects taught in the private sector tend to be those with low overheads, such as business studies, IT, and health related courses (Bok, 2013).

Financial aid programmes authorised under Title IV of the 1965 Higher Education Act include both loans and grants. Loans account for about 80 per cent of revenues dispensed under this system. The principal form of loan are Stafford Loans, which include the Federal Family Education Loan Program (FFELP) and Federal Direct Student Loan Program (FDSLP).

The for-profit sector's income derives almost entirely from tuition fees, and students typically pay these through loans from *federal* sources, i.e. loans from the US Education Department (Deming et al., 2012). Students at for-profit institutions are more likely to access such loans and to incur heavier debts than students attending non-profit institutions because they are more likely to come from disadvantaged backgrounds (Deming et al., 2012).

The for-profit sector in the US has shown a tendency to widen participation in higher education, with higher enrolment rates for ethnic minorities, women, those on lower incomes and older students. According to data from 2009/10, African Americans make up 14 per cent of students in higher education, but 22 per cent of those at for-profit institutions. Similarly, Hispanics make up 11.5 per cent of HE students, but 15 per cent of students at for-profit institutions. Women account for 65 per cent of all for-profit students; 57 per cent in two-year public colleges; 55 per cent in four-year public colleges; and 58 per cent in four-year private non-profit colleges. Approximately 65 per cent of all for-profit students are 25 years old, or older; in two-year colleges the figure is 40 per cent; in four-year private colleges it is 39 per cent; and in four-year public colleges it is just 31 per cent (Deming, Goldin, and Katz, 2012).

Table 2.1 Distribution of federal subsidised and unsubsidised student loan funds by sector, 2004-05 to 2013-14, selected years

Providers	2004-05	2007-08	2010-11	2013-14
Public Two-Year	6%	8%	10%	10%
Public Four-Year	41%	38%	36%	39%
All Private Non-profit	35%	32%	29%	31%
For-Profit	17%	23%	25%	20%

(Source: The College Board, 2015)

Table 2.1 shows that in 2010-11 for-profit institutions received 25 per cent of federal loans, but, as Figure 2.1 indicates, only accounted for 11 per cent of enrolments. Additionally, for-profit private students received 25 per cent of Pell Grants in 2010-11. These are government grants directed towards more disadvantaged students, and designed to cover at least some of the cost of attending college: they do not incur repayment.

2.5 Role of governments and regulatory authorities

All American higher educational institutions, both public and private, are free from direct state intervention in relation to their curriculum and teaching methods. The private sector, unlike the public sector, is also free from state control over budgets and tuition fees, because it does not receive any direct funding from its respective state legislatures (McGuinness Jr, 2016; Bok, 2013).

The state's relation to the for-profit sector largely concerns establishing a legal framework within which it operates, and dealing with the fall-out from violations of the framework. The federal government provides the overwhelming majority of the funding received by the for-profits, largely through the student aid programme.

2.5.1 Accreditation

The issue of accreditation is critical for both the reputation and functional viability of the higher education sector. Some for-profits are accredited by the regular regional accrediting associations that deal with both public and private institutions, e.g. the aforementioned Strayer University is accredited by the Middle States Association of Schools and Colleges (Middle States Commission on Higher Education, 2016).

For-profit institutions, however, can be overseen by the education industry itself, rather than by an independent body. This is a perfectly legitimate structure under existing government regulations. However, accreditation is essential if institutions are to be eligible to receive federal student-aid funds – the financial lifeblood of the for-profit sector. The education

industry accreditation agencies are funded by membership fees, and its commissioners are largely drawn from member institutions.

The Accrediting Council for Independent Colleges and Schools (Acics), a long established national accreditor of academic institutions in the United States recognised by the US Department of Education and the Council for Higher Education Accreditation, regulates hundreds of for-profit institutions. It has been suggested that Acics' structure and the role of its commissioners may lead to conflicts of interest (Waldman, 2016).

> "since 2010… two-thirds of them [its commissioners] have worked as executives at for-profit colleges while sitting on the council. A third of the commissioners came from institutions facing consumer-protection lawsuits, state attorney investigations or federal financial monitoring" *(*Waldman*,* 2016*).*

This potential outcome has been obviated, according to the executive director of Acics, Albert C. Gray, by Acics' conflict-of-interest policy which prevents commissioners' involvement in cases involving their own institutions (Waldman, 2016). This point was reinforced by Acics Vice President for External Affairs: "Commissioners are systematically and methodically excluded from any and all discussions and decisions involving institutions with which they are affiliated" (Bieda, 2016). However, the statement that Acics has a conflict-of-interest policy has been termed "deceptive" in the context of the accreditation site visit process (James.Boswell.Provectus, 2016, also see for a detailed account of an Acics site visit).

Acics was responsible for Corinthian Colleges Inc. remaining in operation until the point at which it was forced to close down by the US Education Department in April 2015 as discussed below (Waldman, 2016).

Albert C. Gray resigned on Monday 18 April 2016. A statement concerning his departure announced: "This council takes the concerns raised by a variety of external stakeholders very seriously…The assurance of quality and integrity of private postsecondary education by ACICS will become stronger and more effective in light of these concerns." Lawrence Leak, chair of Acics board of directors, quoted in Stratford (2016c).

Acics is due to have its Department of Education federal recognition reviewed in June 2016: 12 state attorneys[5] have requested that this recognition be denied (Stratford, 2016b).

2.6 Situations and instances of market failure, and their impact on student participation, retention and achievement

2.6.1 Non-completion and employability

The recruitment abuses are largely rooted in the overwhelming importance of tuition fees in the finances of the for-profit sector. The pursuit of student enrolments has also resulted in the recruitment of significant numbers of students unable to complete the course, typically vulnerable low-income students. This has led to elevated drop-out rates, and subsequently greater loan-default rates (Lewin, 2016; Bennett et al., 2010; Lynch, Engle, and Cruz, 2010).

[5] Attorneys for the following states: District of Columbia, Illinois, Iowa, Kentucky, Maine, Maryland, Massachusetts, Minnesota, New Mexico, New York, Oregon and Washington (Stratford, 2016b).

The 2002 cohort commencing full time study of bachelor level degrees had, by 2008-09, the following graduation rates: at four-year for-profit institutions it stood at 22 per cent, compared with 55 per cent at public and 65 per cent at private non-profit colleges and universities (Institution of Educational Sciences, 2010; Lynch et al., 2010). For-profit schools do better in terms of the completion of shorter certificate and degree programmes: for two-year courses the graduation rates at for-profit institutions were 60 per cent, compared with 22 per cent at public and 51 per cent at private non-profit colleges (Institution of Educational Sciences, 2010; Deming et al., 2012).

First time post-secondary students leaving for-profit institutions are more likely to experience unemployment than similarly qualified students who attended not-for profit institutions. For-profit students, once the effect of unemployment is controlled for, also have slightly lower earnings and levels of job satisfaction, but neither difference is statistically significant (Deming et al., 2012).

Further research has indicated that graduates from for-profits with two-year degrees earn significantly less than two-year degree holders who did not attend for-profits (Denice, 2015). Those with bachelor-level degrees have earning increases not significantly different from similarly qualified graduates from public and non-profit institutions (Denice, 2015).

Possibly related to the greater likelihood of experiencing unemployment, there is a disproportionate amount of student loan default associated with students who attend for-profit institutions. These students accounted for about half of student loan defaults in 2013, although only about 12 per cent of student numbers (TICAS, 2014).

2.6.2 Legal cases and institutional failings

Recently, the for-profit sector has been beset by a series of problems. Significant sections of it have been accused of:

- Recruitment abuses
- Low graduation rates
- High student loan default rates
- Courses identified as fraudulent, i.e. delivering little if any quality teaching (Bok, 2013)

The state of Florida has created a legal environment that allows the for-profit education industry to operate largely without any government oversight[6]. Dade Medical College, for example, was permitted to offer unaccredited degrees in the field of physical therapy assistants for a period of approximately three years. The consequences for the graduates of such unaccredited health courses are serious. At a cost of up to $40,000, they may be effectively unemployable, prevented from working with Medicare patients under federal regulations, and unlikely to be hired by many, if any, hospitals (Vasquez, 2016).

An investigation of 15 for-profit institutions by the General Accounting Office – the investigative arm of Congress charged with examining matters relating to the receipt and payment of public funds – found all of them were guilty of recruitment abuses, including deceptive practices and making misleading statements (Government Accountability Office, 2010).

The National Consumer Law Center – an independent consumer justice organisation – has produced a document listing hundreds of cases of legal action taken out against a wide

[6] The Miami Herald has run a series of investigations – 'Higher Ed Hustle' – into for-profit private higher education in the state of Florida (Miami Herald, 2016).

variety of for-profit providers between 2004-2014 (National Consumer Law Center, 2014). Legal action has not been limited to small scale institutions which might be more susceptible to corrupting influences, but also includes actions against large multi-state providers including:

- The Education Management Corporation (EDMC)
- ITT Technical Institute (IT Tech/ ITT)
- Career Education Corp
- DeVry
- Bridgepoint (Affordable Schools, 2016)

A 2007 lawsuit brought against the for-profit provider EDMC, which currently operates in 110 sites in 32 US states and in Canada, asserted that it "illegally received federal student aid by paying admissions recruiters on the basis of how many students they enrolled while lying about it to the Education Department". This ultimately resulted in a $95.5 million settlement payment agreed in 2015 (Thomason, 2015c).

The fate of Corinthians Colleges Inc. provides a further recent example of both malpractice and institutional collapse. Corinthian bought more than a dozen struggling vocational colleges, and by 2010 had enrolled more than 110,000 students online through its national campus network. Despite having 72,000 students enrolled, Corinthian was effectively closed down by state and federal regulators after facing a series of investigations and lawsuits referencing falsified placement rates, deceptive marketing and predatory recruiting – targeting vulnerable low-income students. The last Corinthians campus closed in 2015, leaving 16,000 students in limbo (Westerholm, 2015). The network of campuses was bought by a loan servicing company (ECMC) with no experience of running an educational institution. The sale meant the US Education Department avoided cancelling the publicly funded debt incurred by the existing students, although cancellation of privately funded loans was agreed. The US Education Department has 'forgiven' $130 million in loans for 8,800 former Corinthian students, treated as victims of fraud (Surowiecki, 2015).

The US Education Department has a powerful incentive to keep students with publicly incurred debts in education. Total US student loan debt reached $1.2 trillion in 2015; this figure has more than doubled over the last 10 years (The Federal Reserve, 2016). 40 million individuals now have outstanding student loans; in 2008 the figure stood at 29 million (Lewin, 2016). Ultimately the burden of any default falls on the state through the US Education Department which acts as both lender and collector of federal student loans. The US Education Department has itself hired debt collection agencies to collect outstanding student loans; some of these firms have themselves been accused of deceptive and predatory practice (National Consumer Law Center, 2014).

The Education Department indemnifies itself against the consequences of institutions failing by requiring those identified as 'at risk' to issue letters of credit, these being collateral designed for the repayment of outstanding government money. Over the last five years, letters of credit have been required on 2,700 occasions, although some of these were multiple requests to the same institutions. *Inside Higher Ed* conducted an analysis indicating that since autumn 2015 more than 400 colleges and universities had outstanding letters of credit, totalling nearly $900 million in 2015. Of these 400 institutions, 273 were for-profit, the remaining 148 non-profit.

Reasons for the letter of credit requirement include:

- A fail score on the Education Department's financial responsibility test
- Failure of past performance requirements, often meaning overdue financial reports
- Recent change of owners
- Failure to properly provide students with federal student loans or grants
- Auditor's concerns about the general solvency of the institution (Stratford, 2016a)

The legal problems facing numerous for-profit institutions and their parent organisations are not because the entire sector is corrupt, or dysfunctional. Rather they are related to the structure of the sector which lends itself to, or even invites, malpractice, particularly in the absence of regulation, oversight, and supervision from independent authorities. Arguably, in the US, governmental intervention has occurred because the malpractice often involves government funded loans, i.e. tax payers' money. The pursuit of rogue institutions where the loans are privately sourced may not result in such determined action.

The development of the for-profit sector, and the problems that have beset it, are exemplified by the case of the University of Phoenix, which is presented as a case study in Box 1, below.

2.6.3 Institution and campus closures

There have been numerous closures of campuses:

- The multi-state provider MEDC announced the closure of 15 art institute campuses in 2015, while enduring a period when its debt payments were outpacing its revenue. The 5,500 students directly affected will either complete their course, during the probable three year shut down period, or transfer (Read, 2015).
- The massive for-profit private provider The Career Education Corporation (CEC) announced it is to close its 16 culinary oriented *Le Cordon Bleu* campuses; previously CEC had been attempting to sell them (US Securities and Exchange Commission, 2015). Ultimately, the sale was abandoned as CEC failed to reach an agreement that would "protect student, faculty, and stockholder interests". As a result, students are obliged to complete their courses by the date of closure, September 2017, which CEC claims is a reasonable amount of time (Thomason, 2015c).
- CEC also announced, in 2015, it would be closing 14 branches of colleges that provide career-training programmes, that it also had a buyer for a two-campus institute, and was seeking buyers for its Missouri College and two further college campuses (Read, 2015).

The welfare of students affected by institutional failure is a further area of responsibility for the accreditation agencies, or Acics at least (there seems to be no necessity for an accreditation body *per se* to deal with the consequences of closure).

- The closure and prosecution of the Florida based for-profit provider *FastTrain* illustrates Acics' role in dealing with the students affected. *FastTrain's* demise involved the closure of seven campuses, following an FBI raid of its premises and charges of stealing and conspiring to steal levelled against its owner, and at the company, which ultimately led to convictions (Huckabee, 2015).
- The response of Acics to this situation with respect to the now disenfranchised students was to place them in other member institutions located nearby and running

similar courses. Acics then provided a network of institutions able to accommodate students in cases of market failure of their original educational institution.

Students at failing institutions which are not part of a functioning network are likely to face issues concerning the value of the courses they have taken, and the transferability of course credits earned at one institution to another: that is, whether they can complete their course of study. The problems such students face are exacerbated by the fact that some institutions have nationally recognised accreditation while others have regionally recognised accreditation. Generally, regionally accredited institutions do not recognise nationally accredited courses (Douglass, 2012).

2.7 The uncertain future of US for-profit institutions

Angulo (2016), in his account of the sector, argues that the drive for profit has resulted in a series of failings – or intractable patterns of behaviour – apparent throughout the history of for-profit higher education:

- The use of exaggerated and misleading claims, in advertising and marketing, designed to increase enrolment, about what the institutions can provide, particularly in terms of post-graduation employment rates.
- A concentration of resources on student recruitment rather than tuition: in 2009 the thirty leading for-profit institutions spent 17 per cent of their budget on teaching, and 42 per cent on recruiting students and paying dividends.
- A tendency to compromise or attenuate academic standards associated with entry requirements and course content, partly as a means of accommodating the more disadvantaged students which are the target market of for-profits.
- Resistance to transparency. The U.S. Department of Education only counts students who are first-time, full-time students. The body representing the for-profit sector, the Association of Private Sector Colleges and Universities (APSCU) spent $16 million on lobbying in 2013 partly in a successful bid to prevent the US Department of Education tightening transparency regulations. This would have entailed publication of comprehensive dropout and loan default rates, allowing prospective students to make informed decisions about possible enrolment. Any additional information is currently only reported voluntarily.

The affinity between Angulo's (2016) account of the failings of the for-profit sector and those identified by Noffsinger (1926) associated with US correspondence schools in the 1920s (see Section 2.2) is striking, indicating the similarity in the structure and objectives of the institutions, and their operating environments.

The fall in student numbers across the sector may be due to the "steady drum roll of bad publicity" (Lewin, 2012), derived from the persistent failings of for profits identified by Angulo, with state and federal authorities closing down private providers, citing fraud among other offences, and competition from public and community online providers, particularly in the form of MOOCs[7] (Lewin, 2016).

Conditions for for-profit providers could become even more inhospitable; but their future is uncertain and depends on the outcome of the November 2016 election. A Republican president is unlikely to tighten the regulation of the for-profits.

[7] MOOC: massive open online course.

The federal government has indicated recently its intention to restrict access to funds for students attending for-profit institutions (US Department of Education, 2014). There are proposals to return the “90-10” rule to its original “85-15” division, and to compel colleges to count Department of Defence tuition assistance funding as part of federal student aid (Mathewson, 2016).

The current government is also seeking to expand the public community college sector, allowing millions access to free tuition; that is, expanding the sector which most directly competes with the for-profit sector (Davis and Lewin, 2015). A further proposed development involves extending tax credits to companies investing in community colleges, in terms of participating in designing curricula, providing instruction and equipment, and offering job-based learning. There is also a potential $5,000 tax credit available to companies for each community college graduate they employ (Field, Basken, and Read, 2016).

These measures may not be enacted; the US Congress has rejected them, or something very like them, before (Mathewson, 2016), but they indicate a possible course of events affecting the for-profit sector. However, should the political landscape shift, depending on the candidate elected president in November 2016, legislation could be formulated and passed that effectively promotes for-profits over the next five years.

The Education Department could widen the conditions under which institutions are required to post letters of credit when there are official concerns about an institution’s ability or intentions to return money owed to the government, reinforcing an existing barrier to entry (Stratford, 2016a).

A response by a small number of for-profit institutions to increased scrutiny and regulation, and diminishing enrolments and revenues, has been to seemingly transform themselves into non-profit institutions, but remain covertly for-profit: “freeing them from the regulatory burdens of for-profit colleges, while continuing to reap the personal financial benefits of for-profit ownership” (Shireman, 2015).

Non-profit institutions are run by boards of trustees who do not benefit financially, but execute their responsibilities for the ‘public good’. A 2015 report by the Century Foundation – “a progressive, nonpartisan think tank” (The Century Foundation, 2016) – identified four institutions with possible conflicts of interest. All four institutions were newly designated non-profit schools that had all previously been operating as for-profit schools: owners of Herzing University, Remington Colleges Inc, Everglades College, and the Center for Excellence in Higher Education “have managed to affix a nonprofit label to their colleges while engineering substantial ongoing personal financial benefits for themselves” (Shireman, 2015, p.2).

Quoted in the Washington Post the report’s author stated:

> “There is some danger that if the IRS allows this behavior to stand, traditional nonprofit colleges will start to see demands from their trustees for ways that they can make money off their positions. There is a real danger of this approach creeping into traditional higher education and undermining quality.” (Shireman from Douglas-Gabriel, 2015).

Securing the welfare of students may involve increased regulation of the for-profit sector. However, Angulo argues, what students entering the for-profit sector need is not protection via rules which for-profits have previously proved adept at circumventing, but information: “For students, especially first-generation students, to make informed decisions, they need to have access to accurate information about an institution's recruitment practices, loan

options, graduation rates, student loan defaults and placement rates" (Angulo quoted in Smith, 2016).

Addressing the distinct problems posed by for-profit higher education, Angulo (2016) identifies a straightforward solution: "Taking for-profits out of the federal student aid programs – by eliminating reference to the sector in the next Higher Education Act reauthorisation – would put a halt to the fraud as well as the spread of for-profit regulation" (Angulo, 2016 p. 147).

The issue of student welfare should perhaps therefore involve both legislation and the provision of dependable information.

Box 1: Case Study: University of Phoenix

The University of Phoenix is the USA's largest private university, and one of the largest universities in the world (Lynch, Engle and Cruz, 2010).

Founded in 1976 as a for-profit institution, with just eight students, the University of Phoenix's 2009 revenues amounted to $3.77 billion, while its market capitalisation stood at over $14 billion. It had enrolments in over 100 campuses, in 38 states throughout the US, and Puerto Rico, Mexico, Canada and the UK. By 2010, the University of Phoenix had 460,000 student enrolments – more students than the entire for-profit sector enrolled in 1991 (Korn and Jamerson, 2016; Bok, 2013).

> "The success of the University of Phoenix changed everything. Phoenix proved that higher education could be big business in America. When John Sperling took his university public in 1994, several other for-profit schools soon followed -- many of them small trade schools that had been around for decades". *(Hanford, 2016)*

The for-profit sector has been contracting over the last five years. The US Education Department began a crackdown in 2010 into what it alleged were "overly aggressive marketing practices, and underwhelming graduation rates and job placements" (Korn and Jamerson, 2016). The fall in student enrolments at the University of Phoenix is telling: from 460,000 students in 2010 to 213,000 in 2015.

The consequences of falling enrolments and high dropout rates are decreasing profits and cutbacks.

The company that owns Phoenix, The Apollo Education Group, has seen its net revenue for the first quarter of the 2016 fiscal year fall to $586 million, compared with $714.5 million for the first quarter of 2015 (Thomason, 2016).

Phoenix closed 115 of its locations in 2012, which affected 13,000 students. These students were offered the option of completing their studies online or at one of the University's continuing sites (Gillespie, 2015; Lewin, 2012). The University of Phoenix cut its staff by eight per cent in 2016 (Fernandes, 2016).

The University of Phoenix has also faced lawsuits, and made large settlement payments relating to illegal recruitment practices: in 2009 it paid a total of $78.5 million in a settlement relating to a case from 2003 involving illegal payments to recruiters (Lederman, 2009).

The Federal Trade Commission (FTC) launched a broad investigation, dating back to January 2011, into the University of Phoenix concerning the possibility of deceptive practices "including in respect of marketing, recruiting, enrollment (*sic*), financial aid, tuition and fees, academic programs, academic advising, student retention, billing and debt collection, complaints, accreditation, training, military recruitment, and other compliance matters" (Thomason, 2015a). A second, separate, investigation by the FTC became public in October 2015 concerning "the University of Phoenix's practices and procedures for safeguarding student and staff personal information." (Thomason, 2015b).

The problems associated with the recruitment and retention of students, heightened official scrutiny, and the (now lifted) barrier to access state funds associated with military education has resulted in the University of Phoenix's market value falling to $1.1 billion in February 2016 (Korn and Jamerson, 2016).

References

Affordable Schools. (2016). Is This the End for For-Profit Universities? Retrieved April 15, 2016, from http://affordableschools.net/for-profit-universities/

Angulo, A. J. (2016). Diploma Mills. Baltimore, Maryland: John Hopkins University Press.

Bennett, D. L., Lucchesi, A. R., and Vedder, R. K. (2010). *For-Profit Higher Education: Growth, Innovation and Regulation.* Retrieved from http://eric.ed.gov/?id=ED536282

Bieda, A. S. (2016, February 26). Commentary on ACICS Cherry-Picked Data, Gave Distorted View. *The Chronicle of Higher Education*. Retrieved from http://chronicle.com/blogs/letters/commentary-on-acics-cherry-picked-data-gave-distorted-view/

Blumenstyk, G. (2013, February 6). U. of Phoenix Reboots Advertising and Rebrands in the Process. *The Chronicle of Higher Education*. Retrieved from http://chronicle.com/blogs/bottomline/u-of-phoenix-reboots-advertising-and-rebrands-in-the-process/

Bok, D. (2013). *Higher Education in America*. Princeton, New Jersey: Princeton University Press.

Davis, J. H., and Lewin, T. (2015, January 8). Obama Plan Would Help Many Go to Community College Free. *The New York Times*. NYC. Retrieved from http://www.nytimes.com/2015/01/09/us/politics/obama-proposes-free-community-college-education-for-some-students.html

Deming, D. J., Goldin, C., and Katz, L. F. (2012). The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators? *Journal of Economic Perspectives*, *26*(1), 139–164. http://doi.org/10.1257/jep.26.1.139

Denice, P. (2015). Does it pay to attend a for-profit college? Vertical and horizontal stratification in higher education. *Social Science Research*, *52*, 161–178. http://doi.org/10.1016/j.ssresearch.2015.02.002

Douglas-Gabriel, D. (2015, October 6). The rise of the covert for-profit college. *The Washington Post*. Washington, D.C. Retrieved from https://www.washingtonpost.com/news/grade-point/wp/2015/10/06/the-rise-of-the-covert-for-profit-college/

Douglass, J. A. (2012). The Rise of the For-Profit Sector in US Higher Education and the Brazilian Effect*. *European Journal of Education*, *47*(2), 242–259. http://doi.org/10.1111/j.1465-3435.2012.01521.x

Field, K., Basken, P., and Read, B. (2016, February 10). What Obama's 2017 Budget Means for Higher Ed. *The Chronicle of Higher Education*. Retrieved from http://chronicle.com/article/What-Obamas-2017-Budget-Means/235250

Government Accountability Office. (2010). *For-profiit colleges: Undercover testing finds colleges encouraged fraud and engaged in decptive and questionable marketing practices: Statement of Gregory D Kutz*. Retrieved from http://www.gao.gov/assets/130/125197.pdf

Hanford, E. (2016). A Brief History of For-Profit Higher Education in the United States.

Retrieved April 15, 2016, from http://www.policyarchive.org/handle/10207/1904

Huckabee, C. (2015, November 25). Owner of Florida For-Profit Chain Is Convicted of Theft and Conspiracy. *The Chronicle of Higher Education*. Retrieved from http://chronicle.com/blogs/ticker/owner-of-florida-for-profit-chain-is-convicted-of-theft-and-conspiracy/106976 Institution of Education Sciences. (2010). Enrollment in Postsecondary Institutions, Fall 2008; Graduation Rates, 2002 and 2005 Cohorts; and Financial Statistics, Fiscal Year 2008: First Look. Retrieved from http://nces.ed.gov/pubs2010/2010152rev.pdf

James.Boswell.Provectus. (2016). ACICS. Retrieved April 19, 2016, from http://blogs.harvard.edu/provectus/

Kingkade, T. (2012). Community College Funding Shrinks, For-Profit Enrollment Grows: Treasury Report. Retrieved April 14, 2016, from http://eric.ed.gov.ezproxy.bethel.edu/?id=ED544780

Kinser, K. (2006). *From Main Street to Wall Street: The Transformation of For-Profit Higher Education*. Hoboken: Wiley.

Korn, M., and Jamerson, J. (2016, February 8). University of Phoenix Parent Apollo Education to Be Taken Private. *The Wall Street Journal*. Retrieved from http://www.wsj.com/articles/apollo-education-to-be-taken-private-in-1-1-billion-deal-1454934868

Lauff, E., and Christopher, E. M. (2014). *Education Longitudinal Study of 2002: A First Look at 2002 High School Sophomores 10 Years Later* (Vol. 2002). Washington, DC. Retrieved from http://nces.ed.gov/pubs2014/2014363.pdf

Lechuga, V. M. (2010). Who are they? and what do they do? In C. Hentschke, Guilbert, V. M. Lechuga, and W. G. Tierney (Eds.), *For-profit colleges and universities: Their markets, regulation, perfromance and palce in higher edcuation*. Sterling, Virginia: Stylus Publishing.

Lederman, D. (2009). $78.5M Settles U. of Phoenix Case. *Inside Higher Ed.* Retrieved from https://www.insidehighered.com/news/2009/12/15/apollo

Lederman, D. (2015, July 24). Number of for-profit colleges declines as enrollments wither. *Inside Higher Ed.* Retrieved from https://www.insidehighered.com/news/2015/07/24/number-profit-colleges-declines-enrollments-wither

Lewin, T. (2016, May 3). For-Profit Colleges Face a Loan Revolt by Thousands Claiming Trickery - The New York Times. *New York Times*. Retrieved from http://www.nytimes.com/2015/05/04/education/for-profit-colleges-face-a-loan-strike-by-thousands-claiming-trickery.html

Lynch, M., Engle, J., and Cruz, J. L. (2010). *Subprime Opportunity: The Unfulfilled Promise of For-Profit Colleges and Universities*. Retrieved from http://edtrust.org/wp-content/uploads/2013/10/Subprime_report_1.pdf

Mathewson, T. G. (2016, February 10). Obama's final budget proposal would send billions to higher ed. *Education Dive*. Retrieved from http://www.educationdive.com/news/obamas-final-budget-proposal-would-send-billions-to-higher-ed/413612/

McGuinness Jr, A. C. (2016). The States and higher education. In M. N. Bastedo, P. G. Altbach, and P. J. Gumport (Eds.), *American Higher Education in the Twenty-First Century: Social, Political, and Economic Challenges* (4th ed.). Baltimore, Maryland: JHU Press.

Mettler, S. (2014). *Degrees of Inequality: How the politics of higher education sabotaged the American dream*. New York: Basic Books.

Mumper, M., Gladieux, L. E., King, J. E., and Corrigan, M. E. (2016). The federal government and higher edcuation. In M. N. Bastedo, P. G. Altbach, and P. J. Gumport (Eds.), *American Higher Education in the Twenty-First Century: Social, Political, and Economic Challenges* (4th ed., p. 520). Baltimore, Maryland: JHU Press. Retrieved from https://books.google.com/books?hl=en&lr=&id=gnUDc5SfJ6QC&pgis=1

National Consumer Law Center. (2014). *Government investigations and lawsuits involving for-profit schools (2004 - May 2014)* (Vol. 1).

Noffsinger, J., S. (1926). Correspondence Schools Lyceums Chautauquas. New York: The MacMillan Company.

OECD. (2012). *U.S. Background Information Prepared for the OECD Postsecondary Vocational Education and Training " Skills Beyond School " Study*. Paris. Retrieved from http://nces.ed.gov/surveys/ctes/pdf/PostsecVET.pdf

Pusser, B., and Harlow, W. N. (2002). For-Profit Higher Education. In J. J. F. Forest and K. Kinser (Eds.), *Higher Education in the United States: An Encyclopedia*. Santa Barbara: ABC-CLIO.

Read, B. (2015, May 6). 2 For-Profit Higher-Education Companies Will Close Campuses. *The Chronicle of Higher Education*. Retrieved from http://chronicle.com/blogs/ticker/2-for-profit-higher-ed-companies-will-close-campuses/98453

Shireman, R. (2015). *The Covert For-Profit: How College Owners Escape Oversight through a Regulatory Blind Spot*. Retrieved from https://tcf.org/content/report/covert-for-profit/

Smith, A. A. (2016, March 11). Q&A on new book that explores the history of for-profit institutions. *Inside Higher Ed*. Retrieved from https://www.insidehighered.com/news/2016/03/11/qa-new-book-explores-history-profit-institutions

Stratford, M. (2016a, March 18). As federal loan forgiveness jumps, Education Department may require more risky colleges to post letters of credit. *Inside Higher Ed*. Retrieved from https://www.insidehighered.com/news/2016/03/18/federal-loan-forgiveness-jumps-education-department-may-require-more-risky-colleges

Stratford, M. (2016b, April 11). State AGs Ask Feds to Dump For-Profit College Accreditor. *Inside Higher Ed.* Retrieved from https://www.insidehighered.com/quicktakes/2016/04/11/state-ags-ask-feds-dump-profit-college-accreditor

Stratford, M. (2016c, April 19). Head of embattled for-profit-college accrediting agency resigns. *Inside Higher Ed.* Retrieved from https://www.insidehighered.com/news/2016/04/19/head-embattled-profit-college-accrediting-agency-

resigns?utm_source=Inside+Higher+Ed&utm_campaign=9c11e9fc37-DNU20160419&utm_medium=email&utm_term=0_1fcbc04421-9c11e9fc37-197633657

Surowiecki, J. (2015, November 2). The Rise and Fall of For-Profit Schools -. *The New Yorker*. Retrieved from http://chronicle.com/blogs/ticker/u-of-phoenix-will-lay-off-470-employees/110126

The Century Foundation. (2016). About - The Century Foundation. Retrieved April 19, 2016, from https://tcf.org/about/

The College Board. (2015). *Student Aid 2015*. Retrieved from http://trends.collegeboard.org/sites/default/files/trends-student-aid-web-final-508-2.pdf

The College Board. (2016). Enrollment by Level of Enrollment and Attendance Status over Time. Retrieved April 19, 2016, from http://trends.collegeboard.org/college-pricing/figures-tables/enrollment-level-enrollment-and-attendance-status-over-time#Key Points

The Federal Reserve. (2016). Consumer credit outstanding: student loans. Retrieved April 19, 2016, from http://www.federalreserve.gov/releases/g19/HIST/cc_hist_memo_levels.html?utm_source=viz&utm_medium=viz.referral&utm_campaign=viz.ref.4400&utm_viz_id=7KVUt4zcqOh&utm_pubreferrer=www.marketwatch.com%2Fstory%2Fevery-second-americans-get-buried-under-another-

The Institute for College Access & Success. (2016). *Q&A on the For-Profit College "90-10 Rule."* Retrieved from http://ticas.org/sites/default/files/pub_files/90-10_qa_0.pdf

Thomason, A. (2015a, July 29). Federal Trade Commission Opens Broad Investigation of U. of Phoenix. *The Chronicle of Higher Education*. Retrieved from http://chronicle.com/blogs/ticker/federal-trade-commission-opens-broad-investigation-of-u-of-phoenix/102485

Thomason, A. (2015b, October 22). U. of Phoenix Faces Another Federal Investigation. *The Chronicle of Higher Education*. Retrieved from http://chronicle.com/blogs/ticker/giant-for-profit-u-of-phoenix-faces-another-federal-investigation/105960

Thomason, A. (2015c, November 16). Education Management Corp. Will Pay $95.5 Million to Settle Whistle-Blower Lawsuit. *The Chronicle of Higher Education*. Retrieved from http://chronicle.com/blogs/ticker/education-management-corp-will-pay-95-5-million-to-settle-whistleblower-suit/106749

Thomason, A. (2016, January 11). Giant For-Profit Apollo, U. of Phoenix's Owner, May Sell Itself. *The Chronicle of Higher Education*. Retrieved from http://chronicle.com/blogs/ticker/giant-for-profit-apollo-u-of-phoenixs-owner-may-sell-itself/107756

US Department of the Treasury. (2012). *The Economics of Higher Education*. *US Department of the Treasury*. Washington, DC. Retrieved from http://eric.ed.gov.ezproxy.bethel.edu/?id=ED544780

Vasquez, M. (2016, April 1). Loophole carved out for Dade Medical College is closed. *The Miami Herald*. Retrieved from http://www.miamiherald.com/news/local/education/article69577472.html

Waldman, A. (2016, February 26). Who's Regulating Troubled For-Profit Institutions? Executives at Other Troubled For-Profit Institutions. *The Chronicle of Higher Education*. Retrieved from http://chronicle.com/article/Whos-Regulating-Troubled/235498

Westerholm, R. (2015, April 27). Corinthian Colleges Close 28 Remaining Schools, Leaving 16,000 Students in Limbo. *University Herald*. Retrieved from http://www.universityherald.com/articles/18382/20150427/corinthian-colleges-close-28-remaining-schools-leaving-16-000-students-in-limbo.htm

3. AUSTRALIA

3.1 Introduction

The Australian higher education sector is composed of:

- Universities
- Technical and Further Education (TAFE) Institutes
- Private colleges

Australia has about eight per cent of its students enrolled in private providers: these include three universities, and 52 of the 130 non-university providers are private for-profit.

Almost all universities are public and offer traditional undergraduate and postgraduate degree courses. Some also provide foundation studies and English language courses designed to prepare students for entry to higher education. Around 1.4 million students were enrolled in higher education in 2014. Of these, nearly 350,000 were international students (Department of Education and Training, 2015).

Most universities belong to one of four broad groups:

- The Group of Eight (the equivalent of the UK's Russell Group) are elite universities, the oldest and largest research intensive universities, founded between 1850 and 1958.
- The Innovative Research Universities (IRU) consisting of six comprehensive universities founded in the late 1960s and early 1970s.
- The Australian Technology Network (ATN) comprising six technologically oriented universities, former technical colleges elevated to university status in the late 1980s and early 1990s.
- The Regional Universities Network (RUN) includes six regional universities, five of which became universities in the 1990s.

The remaining 11 public universities have no affiliation, nor do the private universities (Gale and Parker, 2013).

TAFE Institutes, which are all government instrumentalities – organisations dedicated to a public purpose, closely tied to federal and/or state government, but not a government agency – specialise in vocational education and training (VET) courses. These offer primarily sub-degree programmes, but TAFE institutions, like private training colleges, offer an increasing number of higher education places. The majority of these are offered on a franchised basis on behalf of universities, but in some cases TAFE providers are degree providers in their own right.

The private sector has developed only recently.

- It is largely composed of private colleges;
- these offer both degrees and vocational education and training (VET) courses;
- they tend to be smaller than universities; and
- they specialise in particular areas, such as theology, business and IT, and arts and health related studies (Australian Universities, 2016; Jongbloed, 2008).

The Australian government funds public higher education through the Commonwealth Grant Scheme. The cost of tuition is met directly by students, most frequently through income-contingent loans. First degree funding is shared by the government through its subsidy per student, and the students themselves (the 'student contribution') via income contingent loans. The funding rates for both the government contribution, and the student contribution, vary markedly by discipline. The government funds VET courses through the National Agreement for Skills and Workforce Development and the National Partnership Agreement on Skills Reform, as well as directly through co-funding employers for some training (OECD, 2013).

3.2 History, context and nature of market entry by private providers

The higher education system in Australia developed slowly over the last century following its initial foundation. The universities of Sydney and Melbourne were established in the 1850s. By 1963, there were seven universities with 69,074 students enrolled, the totality of Australia's higher education system (Marginson, 1997). The following decade, in response to a growing population, a further ten universities were founded, including most of the Innovative Research Universities, and 77 advanced education institutions, non-universities specialising in vocational education at degree and sub-degree levels (Birt, 1985). Together, these institutions enrolled 15 per cent of Australia's 19 year olds by 1975: a total of 273,137 students.

Between 1975 and 1992 the participation of the 15 to 19 year olds in secondary education increased from 36.3 per cent 48.8 per cent. The university sector also expanded further. Five institutes of technology were granted university status in the late 1980s/early 1990s (Gale and Parker, 2013). These changes were reflected in greater levels of engagement in higher education. The proportion of 15 to 17 year olds intending to go to university reached 50 per cent by 1994, with an additional 20 per cent intending to go to TAFE institutions. The student enrolment data from 2005 to 2014 is presented in Figure 3.1. It shows the steady rise of student enrolment over the last decade, which for domestic students alone is approaching one million.

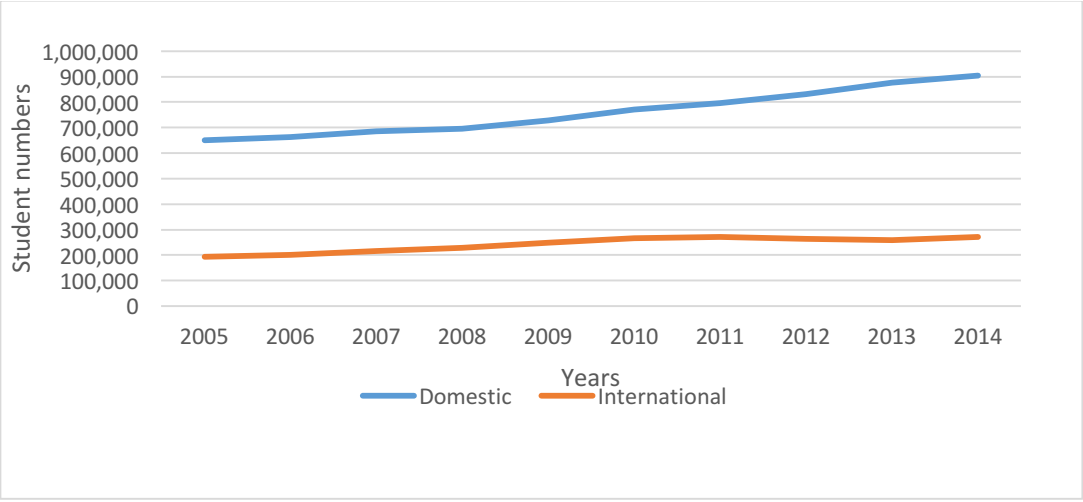

Figure 3.1 Australian domestic and international students, first half year 2005 - 2014
(source: Department of Education and Training, 2014).

The Dawkins reforms in the late 1980s addressed, among other issues, higher education funding. Tuition fees were introduced and students were offered income contingent loans to help repay their fees. The higher education sector was expanded and public higher education colleges were elevated to university status, either through upgrading, or through joining an existing university. Mergers and amalgamations reduced the number of major higher education institutions from 78 to 38 (Jongbloed, 2008; Marginson, 1997).

Dawkins also sought to redefine the role of the Australian university, placing a greater emphasis on its international role, and meeting national needs, especially economic needs (Pick, 2006). The effects of this are still apparent in Australia's student population. In 2011 almost 20 per cent of all tertiary students were foreign, the highest rate of foreign tertiary students among OECD countries (OECD, 2013). Since 2005 the number of international students enrolled in the Australian higher education sector has increased by almost a third. Although there have been recent fluctuations, as the data in Figure 3.1 indicates, the current 2014 rate is slightly greater than the previous high point reached in 2011.

The West Review of 1998 identified several barriers to entry facing private providers (Department of Education and Training, 2015):

- Government grants and income-contingent loans were restricted to public university students.
- Students intending to enrol in private institutions had to pay the full cost, either immediately from their own resources, or through commercially sourced loans.
- Private institutions restricted access to self-accreditation, giving existing universities a competitive edge.

There are few private universities in Australia, but the private sector, largely in the form of private colleges, has experienced rapid growth over the last decade. This growth was encouraged by the 2003 Higher Education Support Act (HESA), which extended the government's income contingent loans (FEE-HELP) to students at non-university higher education providers, including private providers (Department of Education Training and Science, 2016). HESA removed financial barriers previously impeding access to private provision and consequently expanded the potential student base available to private providers (see section on Funding below).

The Tertiary Education Quality and Standards Agency (TEQSA), which is Australia's independent national higher education regulator and is responsible for quality assurance, listed 169 higher education providers in Australia as of March 2016 (TEQSA, 2016b).

- 37 are public universities;
- Three are private not-for-profit universities: Bond (est. 1987); Notre Dame (est. 1989); and MCD University of Divinity (est. 2012);
- One is a for-profit university, the recently established Torrens University (operational from 2014);
- Two are branches of overseas universities: Carnegie Mellon, and University College London (the latter to be wound down by 2017 (Grove, 2015));
- 130 institutions are non-university providers authorised to offer higher education qualifications (TEQSA, 2015b).

The TEQSE national register identifies 52 of the 130 non-university providers as private for-profit (TEQSA, 2015b). Of the not-for-profit:

- 24 are owned by churches or other faith based organisations
- 12 are TAFE
- Seven are professional associations
- Four are government agencies
- 18 are classified as 'other'

The TEQSA list also indicates that 23 institutions, including Heriot-Watt which had a branch campus in New South Wales, either withdrew their registration, or it expired between 2013 and 2016, and are now no longer active.

A large proportion of the non-university higher education providers were originally established as vocational training providers, and 61 per cent still offer vocational training. 52 per cent (69 in total) offer postgraduate courses.

3.3 Relationships and interactions between private and public providers and the growth of private provision

Shah and Brown (2009) identify key drivers of the growth of private higher education:

- Government policy
- Growth of higher education
- Decreased public funding of higher education
- Student choice
- Unmet demand

They also make the point that the growth of the private sector is partly rooted in dissatisfaction and deficiencies apparent in the Australian public sector, identified in Table 3.1.

Table 3.1: Factors contributing to the rise of private higher education

Government Policies	Public Universities	Private Providers	Stakeholders
National Protocols: 2000 and revisions 2007	Decreased funding	Small, agile and nimble	Increased student choice
Introduction of FEEHELP	Focus on high scoring students	Distinctive feature	Diverse student groups
AUQA audits to prove quality	Focus on internationalisation and other sources of income	Small class size	Demand for quality education
Decreased public funding of higher education	Bureaucratic structures	Engaged learning	Value for money
Migration policies	Decline in student satisfaction	Discipline oriented	The student experience
	Students seen as student rather than a customer	Strong links with industry/employers	Labour market trends
	Increased student-staff ratio	Flexible	Specific needs (e.g. religious education)
	Limited resources and infrastructure	Corporate business culture	Gen Y more sophisticated about brand and market value
		Marketing and advertising	
		Strong quality and improvement culture	
		Customer oriented strategic plan	
		Self-reliant	

(from Shah and Brown, 2009, p 144)

Shah and Brown (2009) identify two principal reasons for the growth of private higher education in Australia: the diversity of courses and subjects available from private providers, and students' access to the higher education loan scheme (FEE-HELP) (See below, section 3.5.2.).

Australian private providers charge far higher tuition fees than public universities. According to Shah and Stanford (2009), domestic undergraduate student tuition fees in Australian private colleges were $40,000; the equivalent fees in public universities were $16,000 (Shah and Lewis, 2010).

As Table 3.2 shows, between 2007[8] and 2014 enrolments in private providers rose by 106 per cent. By 2014, approximately eight per cent (109, 561 students) of all higher education students were enrolled in a private university or a private non-university higher education institution. The number of private providers has also risen over the period 2007-14, from 73 to 101, an increase of 28 per cent. Norton (2013) estimates that between 1999 and 2014 the number of private providers increased by more than a third.

[8] 2007 is the first year definitive data on enrolments in private institutions was gathered (Department of Education and Training, 2007).

Table 3.2: Australian students: total enrolment and proportion attending private higher education providers

	Year								
	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Total enrolment in Private Providers	53060	64092	76467	81305	83497	85985	98409	109561	91832
% of students in Private Providers	5.2%	6.0 %	6.7%	6.8%	6.8%	6.8%	7.5%	8.0%	8.0%
Total Private Providers	-	73	77	87	88	91	99	101	-

*First half year statistics (Source: Department of Education and Training: Higher Education Statistics)

Shah and Lewis (2010) state the partnership between public universities and private higher education providers has been notably successful. Students taking diploma courses at private providers can gain access to an associated public university and an undergraduate degree course (Norton, 2013).

The private providers benefit from:

- Approval of courses and curriculum by the associated university
- Assessment moderation with the associated university to ensure quality
- Teachers working for both the private college and public university
- Sharing campus facilities such as library and student support services
- Oversight by the university on quality assurance processes

Public universities benefit from the channelling of adequately prepared students, often international, to its undergraduate courses. International students' presence in the higher education sector is examined in the following section.

The growth of the private higher education sector has been accompanied by the increased involvement of large multinational corporations. For example, Navitas, which provides "educational services and learning solutions" in 31 countries, and SEEK, an online employment and recruitment agency, are both listed companies on the Australian stock market and are involved in the provision of for-profit higher education in Australia. So too is Kaplan, listed on the New York stock exchange. All are effectively acting to consolidate the ownership of private education providers into larger private education conglomerates (Norton, 2013). Navitas reported net profits in 2015 of $91.4 million (Navitas, 2015) while SEEK reported profits in 2015 of $315.2 million (SEEK, 2015).

Laureate International Universities is a US company behind the recently established for-profit Torrens University. As also demonstrated by its relationships with Carnegie Mellon and University College London, Australia is playing host to cross national educational institutions and investment.

3.4 Patterns of course provision and student participation in the private sector

The private HE sector is characterised as being specialised, in terms of both subjects taught and the levels of course offered, and heavily teaching oriented, with a concomitant lack of research. The private sector also tends to offer teaching for longer periods over the academic year than universities. Consequently, students can complete three terms a year rather than the two terms that are typical of universities (Norton, 2013).

Shah and Brown (2009) state: "The distinguishing features of private higher education providers are arguably centred around their uniqueness in being able to attract diverse student groups and being able to work closely with industry and employers" (p.145).

Private providers in Australia specialise in low-overhead cost effective subjects, such as business (the most common subject in the non-university higher education sector), IT, hospitability, and health (particularly alternative health), including some delivered by professional associations such as the Institute of Chartered Accountants (Shah and Sid Nair, 2013; Norton, 2014).

The private sector has also provided higher education in areas or fields universities are legally prevented from operating in, specifically non-bachelor courses aimed at individuals as yet unprepared for the bachelor degree courses (Backgounder, 2014). This is reflected in the distribution of students across private HE providers' courses, with a smaller proportion of bachelor degree enrolments, and a greater proportion of 'other undergraduates' (Edwards and Radloff, 2013). Private providers' position in the higher education market is also associated with the expansion of the private sector.

These courses are characteristic of for-profit providers in other countries, but in the case of Australia they have also been driven by international student demand. The Australian government's 'skilled migration policy', and associated Skilled Occupations List identifying occupations in demand, offers a route for foreign nationals to permanent residency, qualifying as skilled migrants. This resulted in high demand from foreign nationals for higher education courses in Australia that matched specific 'skilled occupations', such as hospitality, cooking and hairdressing (Lane, 2009).

The demand from international students not only contributed to the expansion of private higher education, but, at some providers, accounted for over 80 per cent of the student population (Shah and Lewis, 2010). The fluctuation in international student numbers from 2010 onwards (indicated in Figure 3.1) is due to tougher policies adopted towards immigration and permanent residency.

For-profit institutions have contributed relatively little to widening access to higher education for disadvantaged groups, such as individuals of low socio-economic status (LSES), non-English speaking backgrounds, and indigenous peoples. Data from 2008 indicate indigenous students account for only 0.02 per cent of all students in for-profit institutions, compared with 0.84 per cent in public institutions. LSES students account for only 0.42 per cent compared with 10.2 per cent; and students from non-English speaking backgrounds account for 0.7 per cent compared with 2.62 per cent (Commonwealth of Australia data, reported in Shah and Nair 2013). This situation is partly due to:

- The greater cost of attending for-profit institutions
- Their concentration on international full fee-paying students
- The lack of academic support structures for disadvantaged students

- The lack of government initiatives and incentives to promote disadvantaged access to private providers

However, for-profit providers in Australia have – as in the US – widened access for domestic students who missed out on tertiary education via university. The low entry requirements effectively remove a principal barrier to entry. Online participation offers a flexible approach to course attendance, and niche courses and work-based learning provide a vocational and career focused orientation. Additionally, as mentioned above, they provide a post-secondary route into public universities (Shah and Nair 2013).

Students at for-profit institutions have identified positive aspects of the teaching environment, such as small class sizes, and being exposed to "current, authentic industry issues and practices" (Bennett, Nair and Shah, 2014).

The quality of the teaching at for-profits is, however, open to question. Shah and Stanford (2009) estimate that the teaching staff in the Australian private higher education sector are entirely sessional, or part-time. This employment practice reduces or minimises the providers' staffing costs, and allows the employment of professionals active in industry, but has been subject to criticism. Teaching by sessional staff has been associated with reductions in the quality of assessment practices and research-led teaching (Fried, Glass and Baumgartl, 2006). Additionally, students marked by sessional academics have been found to receive significantly higher grades than students marked by full-time academics (Kezim, Pariseau and Quinn, 2005; Sonner, 2000). Furthermore, sessional staff are associated with higher staff turnover, and difficulties in developing and sustaining a consistent quality culture for organisations (Shah and Stanford, 2009).

The uncapping of student numbers in Australian universities, and the establishment of a demand driven system, has been identified as a stimulant to increased competition between universities for enrolments, and become "a significant driver for change" (Kemp and Norton, 2014, p. 10). However, Probert (2015) states, with respect to completion between universities, "the analysis of educational markets, both theoretical and empirical, suggest that this is unlikely to have a positive impact on quality and innovation" (Probert, 2015, p. 67).

The effect of competition on the more successful institutions has produced not innovation but replication. Institutions adopt the same 'change strategies' as their rivals; the underlying objective being to enhance or maintain research levels and institutional prestige (Marginson and Considine, 2000). This claim has been supported by the results of market research Australian universities have undertaken to attract students: students make choices about where to study based on the course and the status of the provider, with the latter deriving this from its institutional history and research performance (Probert, 2015). Braithwaite recently remarked "the higher education system in Australia reveals a cultural system of social regulation. Market ideology has proven unsuccessful in dislodging it" (Braithwaite, 2016). Furthermore, the most recent increase in the cap on student contributions allowed Australian higher education institutions the opportunity to compete on price; however, none of them did so. As Chapman points out, the interpretation of lower prices can signal not value for money, but the reverse: inferiority (Chapman, 2014).

The main locus of competition is among institutions that cannot recruit sufficient students and who compete on the basis of efficiency and consumer focus. They spend more on marketing than more successful institutions, but tend to have their efforts frustrated as students gravitate towards the more successful institutions, so any real improvements in teaching and efficiency go largely unrecognised (Quiggin, 2014).

3.5 Role of governments and regulatory authorities

3.5.1 Accreditation

The higher education sector, under the Australian Universities Quality Agency (AUQA,) was regulated using a soft assurance regime based on a series of 'national protocols'. The AUQA has since been replaced by the Tertiary Education Quality and Standards Agency (TEQSA), in 2011 (Department of Industry Innovation Science Research and Tertiary Education, 2013), and the assurance regime is being replaced, over two stages, by a full regulatory scheme.

> "TEQSA was established in part to ensure that the anticipated growth in the sector resulting from opening up the controls on student places was underpinned by a robust quality assurance and regulatory framework" (Lee Dow and Braithwaite, 2013, p.29).

TEQSA regulates and assures the quality of Australia's higher education sector, including both public and private elements.

> "TEQSA registers and evaluates the performance of higher education providers against the Higher Education Standards Framework[9] - specifically, the Threshold Standards, which all providers must meet in order to enter and remain within Australia's higher education system" (TEQSE, 2016).

TEQSA is responsible for the registration of new providers, renewal of registration of existing providers, and subsequent course accreditation (TEQSA, 2015b). Higher education providers are monitored through a detailed analysis during the registration process, and via risk indicators subsequently. Every higher education provider, university or college – public or private – is required to be registered, and all face the same legal requirement. Registration is a necessary condition for offering recognised qualifications, and for the institution and enrolled students to access government funds, such as the FEE-HELP loans (Norton, 2014).

The framework was also intended to reduce the regulatory burden on providers and ensure resources were allocated to areas of the higher education system where they were most relevant:

> "Universities anticipated that TEQSA would focus its regulatory attention on high risk providers and worst case scenarios, such as provider failure. Large cross-jurisdictional providers expected efficiency gains from combining eight separate regulatory approaches within a single national framework, whereas for smaller providers TEQSA would help create a more even playing field" (Lee Dow and Braithwaite, 2013, p. 29).

TESQA uses a risk-based approach to assess the viability of a potential provider, assessed on the basis of:

- Record of provision of higher education
- Financial standing
- History of compliance with the set Threshold Standards

[9] The Threshold Standards are due to be replaced on 1 January 2017 with Higher Education Standards Framework (Threshold Standards) 2015 (Australian Government, 2015).

- Future likelihood of compliance with the Threshold Standards (TEQSA, 2015a)

The financial metrics are designed to measure their risk in terms of financial sustainability. The metrics include:

- Revenue source and concentration
- Profitability
- Total staff spending relative to the level of revenue
- Resource investment
- Liquidity (TEQSA, 2016a)

Many private providers are small, consequently they are more likely to occupy the higher risk categories. TEQSA recently reported that in the not-for-profit sector there are a significant minority of institutions with potential financial issues, although some of these have parent organisations willing to incur losses (TEQSA, 2016a).

To gain initial registration, institutions must also apply for accreditation of at least one HE course. TEQSA also assesses this under the Threshold Standards and undertakes a thoroughgoing assessment, including usually having the course assessed by at least two independent academic experts from its Register of Experts.

The registration decisions concerning individual providers made by TEQSA can be contrasted; a 2014 case of a business school – Williams Business College Ltd – unsuccessfully challenging a decision is documented in the following link:

http://www.austlii.edu.au/cgi-bin/sinodisp/au/cases/cth/AATA/2014/371.html?stem=0&synonyms=0&query=title%28minister%20for%20education%20%29

This case indicates the school's failure to renew registration as an approved higher education provider, due to financial shortcomings, and, despite noted improvements, a failure to meet the Threshold Standards in the areas of governance, management and compliance with regulatory requirements.

Providers also have a continuous disclosure obligation towards TEQSA, and must identify any change in their ability to meet the standards.

Self-accreditation is a pre-requisite for entry to the university category. The category standards prescribe a five-year requirement during which self-accrediting authority is held prior to entry to university category. All Australian universities have the right to self-accredit their courses. Other institutions, including private institutions, can attain this right; otherwise, they remain non-accrediting providers. There is provision for non-university higher education providers (NUHEP) with appropriate quality assurance systems and a track record of re-accreditation to become self-accrediting – to have a legal right to approve their own courses. Avondale College, theological by background although now offering courses in multiple broad fields, achieved self-accreditation in 2014-15.

Most NUHEPs are not self-accrediting. According to TEQSA's website there are, as of April 2016, only eight self-accrediting non-university higher education providers, and 118 non-self-accrediting providers (TEQSE, 2016).

Self-accreditation involves the freedom to develop courses and materials, and submit these for approval to the university's academic board, without reference to any external agencies. In the past, universities enjoyed self-accreditation in perpetuity. However, since the establishment of TEQSA in 2012 and the requirement that institutions re-register

(registration and accreditation cycles are up to seven years maximum), they face the possibility, however distant, that their powers of self-accreditation could be revoked.

External accreditation required of non-self-accrediting institutions is also sought, voluntarily, by some universities. 11 universities had their business schools accredited by the International Association to Advanced Collegiate Schools of Business (AACSB) (Norton, 2013).

There are no examples of self-accreditation being removed from an institution. The system is designed to make the transition from college to university status exacting. However, prior to TEQSA, the Melbourne College of Divinity became the University of Divinity as part of the specialist university category. Colleges may have university aspirations, but how realistic these prospects are is unclear.

The process of accreditation is undergoing change and the new system is due to be implemented in 2017 (see Box 3.1).

Teaching at a higher education level is not itself dependent on accreditation, and non-accredited providers can teach if sub-contracted by an accredited provider. However, the authority to award qualifications is dependent on accreditation. Institutions are required to award qualifications that conform to, and are recognised by, the Australian Qualifications Framework (AQF) "...the power to issue particular types of qualifications is [the] most important defining feature of a higher education provider" (Norton, 2013, p.10). In addition to qualifications awarded by the universities (BA, MA, PhD), QQF-recognised qualifications also range over four vocational levels (largely taught in the TAFEs). The qualifications are graded or differentiated by the degree of theoretical knowledge, information analysis, and problem solving they require of the student.

Self-accreditation is closely tied to Australian universities' self-governing status. Almost all of Australia's universities are public (see above) and were founded by the government. However, they do not occupy the status of 'government instrumentalities'. Government appointees either do not sit on universities' academic boards, as is the case in three universities, or do not form a minority of the board's members. Nor does the minister for education have any operational control over universities' organisation or activities. The government effectively exercises control or influences universities through the conditions attached to public grants, although universities are not compelled to accept these. TAFEs, however, are under direct government control.

Box 3.1 Higher Education Standards Framework (Threshold Standards) 2015: Course Accreditation, from Australian Government (2015).
The regulations governing accreditation implemented from 2017 onwards state a course of study is approved or accredited, or re-approved or re-accredited, only when:

- The course of study meets, and continues to meet, the applicable Standards of the Higher Education Standards Framework,
- The decision to (re-)approve or (re-)accredit a course of study is informed by overarching academic scrutiny of the course of study that is competent to assess the design, delivery and assessment of the course of study independently of the staff directly involved in those aspects of the course, and
- The resources required to deliver the course as approved or accredited will be available when needed (Australian Government, 2015).

All accredited courses of study are subject to periodic (at least every seven years) comprehensive reviews that are overseen by peak academic governance processes and include external referencing or other benchmarking activities.

- A comprehensive review includes the design and content of each course of study, the expected learning outcomes, the methods for assessment of those outcomes, the extent of students' achievement of learning outcomes, and also takes account of emerging developments in the field of education, modes of delivery, the changing needs of students and identified risks to the quality of the course of study.
- Comprehensive reviews of courses of study are informed and supported by regular interim monitoring, of the quality of teaching and supervision of research students, student progress and the overall delivery of units within each course of study.
- Review and improvement activities include regular external referencing of the success of student cohorts against comparable courses of study, including:
    - analyses of progression rates, attrition rates, completion times and rates and, where applicable, comparing different locations of delivery, and
    - the assessment methods and grading of students' achievement of learning outcomes for selected units of study within courses of study.
- All students have opportunities to provide feedback on their educational experiences and student feedback informs institutional monitoring, review and improvement activities.
- All teachers and supervisors have opportunities to review feedback on their teaching and research supervision and are supported in enhancing these activities.
- The results of regular interim monitoring, comprehensive reviews, external referencing and student feedback are used to mitigate future risks to the quality of the education provided and to guide and evaluate improvements, including the use of data on student progress and success to inform admission criteria and approaches to course design, teaching, supervision, learning and academic support.

3.5.2 Funding

The growth of the private sector has been attributed to the extension of the government's income contingent loans (FEE-HELP) to students at non-university higher education providers – including private providers[10] – with the passing of the Higher Education Support Act in 2003. These loans only cover tuition fees and do not provide financial assistance with living costs. Ryan (2012) identifies 80 private non-university private providers – 61 per cent of their total number – that have approval to offer FEE-HELP loans, based on TEQSA National Register data available in 2012. The loans scheme bears some similarities to the US version 'Title IV' funding.

Access to financial aid for private sector students has been identified as critical in the expansion of the private HE sector.However, proposed legislation was rejected and ,the demand-driven system still applied only to Schedule A universities which are the public universities (plus the Australian Catholic University, legally private but regulated like a public university).

3.5.3 Governance

Governance in private providers involves the institution having formal governance structures, overseen by a board composed of internal and external members. The external members are often senior or retired academics, or drawn from the commercial spheres with which the provider is identified (Edwards, Coates and Radloff, 2009).

An institution's academic board (or equivalent), working with attendant sub-committees, is responsible for the approval of all academic policy, the curriculum to be accredited by TEQSA, and robust oversight of quality, including cyclical reviews of programmes. Edwards, Coates and Radloff (2009) found the governance structures in private HE were valued not simply because they fulfilled statutory requirements, but also because they were seen as vital in maintaining standards and quality. Standards and quality are, or ought to be, at a premium in private providers because they depend on perceptions of value for money and teaching reputation for recruiting students.

The prospective changes in governance introduced in the Higher Education Standards Framework (Threshold Standards) 2015 are due to take effect in 2017. They require a formally constituted governing body, with external members. The governing body will be responsible for the provider's operations, accountable for the award of qualifications, and will have to meet the requirements of the Higher Education Standards Framework. It is also a requirement that students participate in their provider's deliberations and decision-making process. The governing body is in charge of:

- Basing decisions on informed independent and academic advice
- Defining the role and delegating authority, and monitoring the implementation of effective governance, policy development, and management
- Confirming research undertaken is in accord with the provider's institutional policies
- Undertaking periodic reviews (at least every seven years of the governing body's effectiveness)
- Upholding freedom of intellectual inquiry

[10] Students at private provider are required to pay a 25 per cent loan administration fee to access FEE-HELP that goes to the government, not the institution. COPHE estimates this is an additional AU $12,500 to AU $50,000 on a three-year course (COPHE, 2015).

3.6 Situations and instances of market failure, and their impact on student participation, retention and achievement

Shah and Nair (2013) identify a number of areas associated with private higher education in need of improvement. These include:

- Inconsistencies in state and regional government accreditation and reporting
- Institutional governance
- A compliance-led quality culture
- Poor academic leadership
- Lack of permanent staff, and investment in their development
- Lack of research culture
- Low admissions criteria
- Minority student access
- Lack of student academic support structures
- Reliance on international students

Shah and Nair (2013) also question whether for-profit providers are part of the problem or part of the solution to widening access for disadvantaged groups. They appear to lack a definite place in the government's on-going plans for higher education.

In 2009, the Australian government announced that from 2012 the 'cap' on student numbers would be removed. This 'cap' limited the number of fully-funded students universities could recruit. Up until 2009, each university was allocated a specified quota of guaranteed funded places. The costs of any additional enrolments were not met by government funding. There was, consequently 'unmet demand', where the number of potential students exceeded the places available. The removal of the cap created a demand-driven system (Gale and Parker, 2013).

The greater access to tuition funding has not only increased student numbers in private providers but led to alleged institutional abuses of the funding system. The examples of malpractice, it should be noted, are to do with the separate vocational education system rather than the higher education system elsewhere discussed

- Access to Commonwealth funding has seen competition among providers who have adopted tactics such as offering inducements such as laptops and cash payments to students to get them to sign up for VET diploma courses paid for by the Australian government, courses which the students have often been unable to complete, often due to being initially under prepared.
- The Australian Careers Network (ACN), which provided accredited vocational training, education and employment services, entered voluntary administration in March 2016, leaving an estimated 15,000 students without a course, after the Federal Education Department suspended funding in August 2015 (Taylor and Branley, 2016). ACN ran several training providers, including Phoenix College. It had been the subject of legal action by the Australian Competition and Consumer Commission (ACCC) for false and misleading behaviour and unconscionable conduct while selling government funded diploma courses. In December 2015, TEQSA declined to renew Phoenix College's registration.
- Global Intellectual Holding (GIH), a large vocational trainer, entered voluntary administration in February 2016, citing the effects of the government crackdown that

had targeted ACN. Its administrator identified government changes to the VET FEE-HELP sector as creating significant pressure on the college's ability to operate.

- Subsequently, Evocco College, Australia's biggest provider of government funded diploma courses, closed 17 campuses. It had previously been accused of very low graduation rates, claims it denied (Ross, 2015). The collapse of GIH has seen the closure of Aspire College of Education – which has about 20 campuses in Australia; and the closure of the Design Works College of Design, RTO services groups, and the Australia Indigenous College (which only enrols Indigenous students). The effect, as in the US, was to leave thousands of students in limbo and 500 staff members potentially without jobs (Cook and Danckert, 2016).

Norton (2016 – personal commumcation) makes the following points about the vocational sysyem. Most of the vocational education scandals outside the state of Victoria have been to do with the VET FEE-HELP scheme, since eligibility was expanded in 2012. The VET FEE-HELP rules were very similar to those that had operated for private higher education since 2005 with few major problems. But very different industry structures, quality regulation and markets meant that a loan scheme that went pretty much as planned in one sector was a disaster in another.

Considering the welfare of students, Probert makes the following statement, identifying a situation also confronting students in the US.

> "The risks to students from opening up public funding to new players are, however, not negligible, and unlikely to be offset by providing them with the kind of information to be found on a website like QILT, or by the discourse of 'shopping around' for the best deal" (Probert, 2015, p.66).

Probert also identifies the aggressive recruitment practices among private colleges as a major factor behind the *five-fold* increase in vocational education debt between 2013 and 2015 (Probert, 2015, p.67, quoting Bita 2015).

There have been several government proposals since 2014 to deregulate tuition fees. However, none of them, to date, have reached the statute book. The government-set cap on tuition fees might rise rather than be lifted completely while universities might face funding cuts of 20 per cent. Whatever the final proposals, it is certainly likely that more of the costs of higher education will be shifted on to students.

References

Australian Government. (2015). Higher Education Standards Framework (Threshold Standards) 2015. Retrieved April 26, 2016, from https://www.legislation.gov.au/Details/F2015L01639

Australian Universities. (2016). List of Universities in Australia. Retrieved March 18, 2016, from http://www.australianuniversities.com.au/list/

Backgounder. (2014). *Backgrounder Private Higher Education Providers in Australia Backgrounder Private Higher Education Providers in*.

Bennett, L., Nair, C. S., and Shah, M. (2014). Implications for learning and teaching in higher education delivered by private providers and TAFE and the role of university partners. In *22nd National Vocational Education and Training Research Conference, "No Frills".* Mooloolaba, Queensland. Retrieved from https://www.researchgate.net/publication/273321870_Implications_for_learning_and_teaching_in_higher_education_delivered_by_private_providers_and_TAFE_and_the_role_of_university_partners

Birt, M. (1985). The Organisation of Tertiary Education in Australia: The Need for Re-Arrangement. *Journal of Tertiary Education Administration*, *7*(1), 22–34. http://doi.org/10.1080/0157603850070102

Braithwaite, V. (2016). Social Service Futures: Marketization and regulation of vocational education and training. Retrieved 6 June 2016, from http://www.powertopersuade.org.au/blog/social-service-futures-marketization-and-regulation-of-vocational-education-and-training/23/5/2016

Chapman, B. (2014, December 9). Using HECS for unethical gains. Retrieved 3 June 2016, from http://at.theaustralian.com.au/link/d1551001e6cce97b4d363471a850ce18?domain=theaustralian.com.au

Cook, H., and Danckert, S. (2016, February 11). Thousands of students caught up in major college collapse. *The Sydney Morning Herald*. Retrieved from http://www.smh.com.au/business/thousands-of-students-caught-up-in-major-college-collapse-20160210-gmqt8x.html

COPHE. (2015). *Call for a Single Equitable Student Loan Scheme*. Retrieved from http://cophe.edu.au/issues/25loanfeeinequitable_COPHEkeyissue2v4revamp.pdf

Department of Education and Training. (2007). *Attachment A - Summary of the 2007 Student Statistics*. Retrieved from https://docs.education.gov.au/node/34209

Department of Education and Training. (2014). *2014 First Half Year student summary time series*. Retrieved from https://docs.education.gov.au/system/files/doc/other/2014firsthalfyearstudentsummarytimeseries.pdf

Department of Education and Training. (2015). *Higher Education in Australia A review of reviews from Dawkins to today*. Cambara. Retrieved from http://search.ebscohost.com/login.aspx?direct=true&db=eric&AN=EJ888108&site=ehost-live&scope=cite

Department of Industry Innovation Science Research and Tertiary Education. Higher Education Standards Framework (amended) (2013). Canbara: Australian Government.

Edwards, D., Coates, H., and Radloff, A. (2009). *The contribution and standards processes of private higher education providers: A report for the Australian Council for Private Education and Training (ACPET)*. Retrieved from http://w.acpet.edu.au/uploads/images/NMU/NMU2010/April/Delivering Qulaity Higher Education undersatdning the standards processes and practices used by private providers_1.pdf

Edwards, D., and Radloff, A. (2013). *Higher Education enrolment growth , change and the role of Private HEPs*. Retrieved from http://research.acer.edu.au/higher_education/35

Fried, J., Glass, A., and Baumgartl, B. (2006). Summary of an Extended Comparative Analysis on European Private Higher Education. *Higher Education in Europe*, *31*(1), 3–9. http://doi.org/10.1080/03797720600859007

Gale, T., and Parker, S. (2013). *Widening Participation in Australian Higher Education: Report submitted to HEFCE and OFFA*. Retrieved from <http://www.ncsehe.edu.au/wp-content/uploads/2013/10/2013_WPeffectivenessAus.pdf>

Grove, J. (2015, February 19). UCL Australia 'to wind down by 2017' | Times Higher Education (THE). *Times Higher Education*. Retrieved from https://www.timeshighereducation.com/news/ucl-australia-to-wind-down-by-2017/2018581.article

Jongbloed, B. (2008). *Higher education in Australia: IHEM Country report*. Twente. Retrieved from https://www.utwente.nl/bms/cheps/Research projects/higher_education_monitor/2008 countryreportAustralia.pdf

Kemp, D., and Norton, A. (2014). *The Review of the Demand Driven Funding System Report*.

Kezim, B., Pariseau, S. E., and Quinn, F. (2005). Is Grade Inflation Related to Faculty Status? *Journal of Education for Business*, *80*(6), 358–364. http://doi.org/10.3200/JOEB.80.6.358-364

Lane, B. (2009, July 22). Visa Crackdown Will Hit Numbers. *The Australian*, p. p.21. Retrieved from http://www.immigrationwatchcanada.org/2009/07/22/visa-crackdown-will-hit-numbers/

Lee Dow, K., and Braithwaite, V. (2013). Review of Higher Education Regulation Report. Retrieved from https://docs.education.gov.au/node/33587

Marginson, S. (1997). *Educating Australia: Government, economy, and citizen since 1960*. Cambridge: Cambridge University Press.

Marginson, S., and Considine, M. (2000). The Enterprise University: Power, Governance and Reinvention in Australia. Higher Education, 46(4), 543–544. http://doi.org/10.1023/A:1027387631130

Norton, A. (2013). *Mapping Australian higher education*. Retrieved from http://grattan.edu.au/wp-content/uploads/2014/04/184_2013_mapping_higher_education.pdf

Norton, A. (2014). *Mapping Australian higher education 2014-15*. Retrieved from https://grattan.edu.au/report/mapping-australian-higher-education-2014-15/

Norton, A, (2016). Personal communication.

OECD. (2013). *Education policy outlook: Australia*. Paris. Retrieved from http://www.oecd.org/education/EDUCATION POLICY OUTLOOK AUSTRALIA_EN.pdf

Pick, D. (2006). The Re-Framing of Australian Higher Education. *Higher Education Quarterly*, *60*(3), 229–241. http://doi.org/10.1111/j.1468-2273.2006.00319.x

Probert, B. (2015). *The quality of Australia's higher education system: How it might be defined, improved and assured: Discussion Paper 4*. Retrieved from http://www.hes.edu.au/assets/HECQN-2015/Probert-Quality-Aust-HE-2015.pdf

Quiggin, J. (2014). Post-School Education in Australia: The Case against Deregulation (Submission to: Senate Education and Employment Legislation Committee inquiry into the Higher Education and Research Reform Amendment Bill 2014).

Ross, J. (2015, January 29). Graduation claims 'ridiculous': Evocca. *The Australian*. Retrieved from http://www.theaustralian.com.au/higher-education/graduation-claims-ridiculous-evocca/news-story/b02db7a7dac7590de8a64c94d1aadb2d

Shah, M. and Brown, G. (2009). The Rise of Private Higher Education in Australia: Maintaining Quality Outcomes and Future Challenges. In Proceedings of AUQF 2009, Internal & External Quality Assurance: Tensions & Synergies, AUQA Occasional Publications Number 19; Melbourne: Australian Universities Quality Agency.

Shah, M., and Lewis, I. (2010). Private Higher Education in Australia: Growth, Quality and Standards. *Journal of Institutional Research (South East Asia)*, *8*(2), 80–95. Retrieved from https://www.researchgate.net/profile/Wan_Yahaya/publication/265168703_When_is_the_Redundancy_Principle_Effective_in_the_Multimedia_Learning_of_a_Foreign_Language/links/5403e9ce0cf2c48563b03469.pdf#page=80

Shah, M., and Sid Nair, C. (2013). Private for-profit higher education in Australia: widening access, participation and opportunities for public-private collaboration. *Higher Education Research & Development*, *32*(5), 820–832. http://doi.org/10.1080/07294360.2013.777030

Shah, M., and Stanford, S. (2009). Developing an Effective Tracking and Improvement system for Learning and Teaching: Achievements and Future Challenges in Maintaining Academic Standards. *Proceedings of the Australian Association for Institutional Research (AAIR)*, (November), 1–19. Retrieved from https://www.researchgate.net/profile/Mahsood_Shah/publication/228883515_Developing_an_Effective_Tracking_and_Improvement_system_for_Learning_and_Teaching_Achievements_and_Future_Challenges_in_Maintaining_Academic_/links/5451678f0cf24884d887009e.pdf

Sonner, B. S. (2000). A is for 'Adjunct': Examining Grade Inflation in Higher Education. *Journal of Education for Business*, *76*(1), 5–8. http://doi.org/10.1080/08832320009599042

Taylor, J., and Branley, A. (2016, March 22). Thousands of students left without courses as training provider collapses. Retrieved March 22, 2016, from http://www.abc.net.au/news/2016-03-22/australian-careers-network-collapse-students-left-without-course/7266960

TEQSA. (2015a). *A risk and standards based approach to quality assurance in Australia ' s diverse higher education sector*. Cambara.

TEQSA. (2015b). Applying for registration a a higher education provider. Cambara: Australian Government: Tertiary Education Quality and Standards Agency. Retrieved from http://www.teqsa.gov.au/sites/default/files/InitialRegBriefing16Sept2015_Presentation.pdf

TEQSA. (2016a). *Key financial metrics on Australia ' s higher education sector*. Cambara. Retrieved from http://www.teqsa.gov.au/sites/default/files/publication-documents/KeyFinMetrics20160421_0.pdf

TEQSA. (2016b). National Register of higher education providers. Retrieved March 18, 2016, from http://www.teqsa.gov.au/national-register

TEQSE. (2016). About TEQSA. Retrieved April 24, 2016, from http://www.teqsa.gov.au/about

4. GERMANY

4.1 Introduction

The German higher education system has two basic components:

- Universities providing academic education
- Universities of applied science or Fachhochschule which provide professional and technical education

It is estimated that there are about 100 private institutions enrolling about 4.5 per cent of the student population (Kehm, 2014).

- In 2014, there were 415 public higher education institutions – universities and applied universities – in Germany.
- Of these higher education institutions, only 106 universities had the right to award doctoral degrees.
- The remainder award only bachelor and master's degrees.
- In 2014, a total of about 2.4 million students were enrolled in universities: two thirds in universities, the remaining third in applied universities (Kehm, 2014).
- In addition, in 2014 there were 128 private universities, mostly universities of applied science.
- Therefore just under a quarter of all universities are private, but they account for just five per cent of total student enrolment.

Figures for 2012 indicate about 46 per cent of young people in Germany will enter higher education before the age of 25, this is slightly below the EU21 average of 48 per cent (OECD, 2014). However, a large proportion of young people in Germany study in the vocational educational/training sector, which is considered distinct from the higher educational sector, estimated at 21 per cent in 2012 (OECD, 2012).

Private sector institutions have only recently emerged in Germany, mostly from the mid-1990s onwards. “In Germany the private HE sector is small both in terms of number of institutions and their actual size” (Pritchard, 2012 p.7).

The private sector has, however, shown a high degree of growth. Stannek and Ziegele (2007,p.202) state: “The private education sector has been dynamic in Germany during the last decade”. It also plays an important role in providing specialist and niche courses not covered by public sector institutions.

Public higher education, despite being the subject of reform, remains unwieldy, and less able to adapt to market demands than the private sector. This is partly rooted in its historical development.

4.2 History, context and nature of market entry by private providers

Germany has many medieval universities: Heidelberg, for example, was founded in 1386. The university system that became standard throughout Germany, however, was developed in, and then extended from, the Prussian state. The relation between the state and universities was established in 1794 in the Prussian General Code. Universities became state institutions and official permission was required for their establishment. The University of Berlin, for instance, was established by official Royal request in 1810 (Pritchard, 2012).

The University of Berlin (renamed Humboldt University of Berlin in 1949) was designed, in part, to embody a set of principles developed by Wilhelm von Humboldt, which subsequently influenced the development of other European and Western universities. The state provided the legal framework and financial support for the university – the "facilitation of science", and had responsibility for professorial appointments, but the university was allowed to function independently of the state. Significantly, the university engaged in both teaching and research, a further important characteristic of the Humbolt model. The university was charged with expanding the knowledge base of the nation, which was its principle duty to the state. The independence universities enjoyed also precluded external evaluation and peer review of their teaching and research activities and outputs. These freedoms only applied to (former) West German institutions. Following German re-unification in 1989 and the whole-scale restructuring of East German higher education, external evaluation and peer review became an essential means of assessing East German institutions. Their introduction in East Germany eventually lead to their establishment in West Germany.

Following re-unification, Germany's public higher education sector was reformed, and the impetus for this reform stemmed from the effects or consequences of re-unification, rather than from the emergence of a public sector which has had a minimal influence on German higher education.

> "The West German higher education system needed to change: indeed the whole national system needed to change, given that Western ways of doing things has been exported to the East [Germany] and found wanting" (Pritchard, 2012, p.9).

The post-1989 reforms resulted in the development of an integrated national public higher education system, involving structural changes throughout the East and West, with the implementation of the Bologna Process acting as a trigger for change. Such changes had long been discussed but, so far, had failed to materialise. Furthermore, universities have become more hierarchical while rectors and administrative professionals have greater power at the expense of faculties, and departments. There has been a shift from state to market informed decision-making and a greater emphasis on peer review in accreditation, especially associated with Bologna degrees: bachelor and master's (Eril, 2013).

The "Excellence Initiative of the Federal Government and the States for Promoting Science and Research at German Universities", introduced in 2005, aimed to stimulate scientific research, and improve universities' international competitiveness – including their place in international rankings. A quarter of the funding comes from the federal government, the remainder from the regional states (Lander). The Excellence Initiative has three types of funding: "Graduate Schools," "Clusters of Excellence," and "Institutional Strategies" (or development concepts), Institutional Strategies are designed to fund university research projects. Details of the two rounds of awards so far made appear in Table 4.1.

Table 4.1 German Excellence Initiative Funding: Phases and Types (from Ostermeier, 2016).

Phase	Graduate Schools	Clusters of Excellence	Institutional Strategies	Total Funding
2006-11	39	37	9	€ 1.9 billion
2012-17	45	43	11	€ 2.7 billion

Claims have been made that the amount awarded to the initial nine universities in the 2006-11 phase was insufficient to create an elite higher education system (Flippo, 2015). In addition, it has been suggested that the universities not in receipt of such funding have

become frustrated and lethargic, partly due to a lack of consistency and transparency associated with the criteria of excellence employed to distribute the initial funding.

4.3 Relationships and interactions between private and public providers and the growth of private provision

The second private university[11] in Germany, Witten-Herdecke, opened in 1983 (Pritchard, 2012). However, most private provision has developed recently. In 2010, less than half of the private universities were more than 10 years old. They began appearing in the 1990s and the 2000s. Their impact on Germany's public higher education sector was expected to be profound, but, as matters transpired, their influence has been minimal.

The establishment of private HE institutions is frequently a direct response to a particular lack of provision within publically funded institutions, and their failure to meet specific market demands, rather than general demand absorption. Private providers often offer subjects inaccessible or not available at all in the public sector, in areas such as law, economics, and social sciences. "…(T)he rationale of private higher education in Germany is mainly in the field of special quality, elite standards, specific teaching concepts and technologies or a clear orientation towards practical experience and labour market needs" (Stannek and Ziegele, 2007, p.202).

Pritchard (2012) cites the case of the University of Witten-Herdecke, Germany's first private non-profit university. It was established to provide teaching in "alternative" medicine and practices that were largely unrecognised by established state authorities. The motivation for its foundation was philosophical[12] rather than profit-seeking.

It is estimated that in 2014/15 there were about 135 private providers of higher education in Germany. Of the 135 institutions: 20 were defined as universities by the Federal Statistical Office; 108 as applied universities; and the remainder as specialist institutions concerned with specific subject areas, such as art and theology (Federal Statistical Office, 2016). Most are not for profit.

Figure 4.1 shows the growth in the percentage of enrolments at private institutions since the early 1990s. By 2011, over five per cent of all students were enrolled in private institutions, a rise from 1.6 per cent a decade earlier.

[11] The first, the Ukrainian Free University founded Munich 1949/50 was specifically for Ukrainian emigres.

[12] The philosophical position was to question the objectivity of "factually" knowledge, and positivism as a basis for knowledge; and, to treat patients holistically: taking into account social, emotional and spiritual dimensions, as well as boldly aliments. These aspects of human well-being all informed the treatment practiced at the Community Hospital of Herdecke.

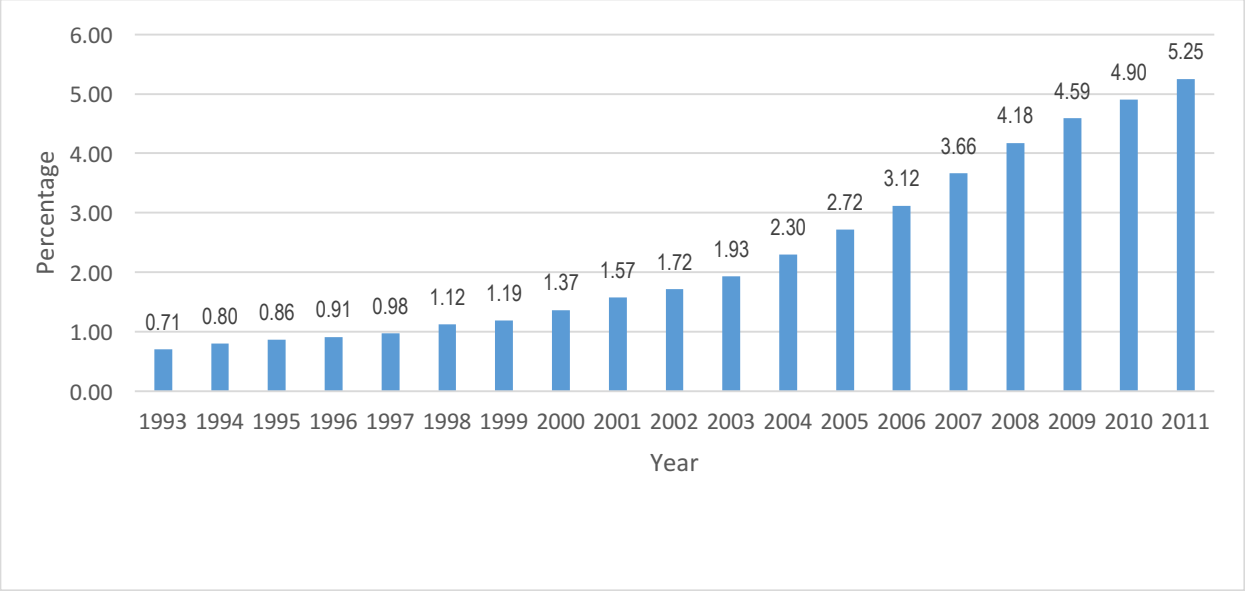

Figure 4.1: Private enrolments as percentage of total student population: 1993 - 2011
(Source: Federal Statistical Office, 2016)

Figure 4.2 shows the growth in the number of students enrolled in private institutions between 1993 and 2014. In absolute terms, the numbers enrolled at private institutions grew by 300 per cent in the decade prior to 2014.

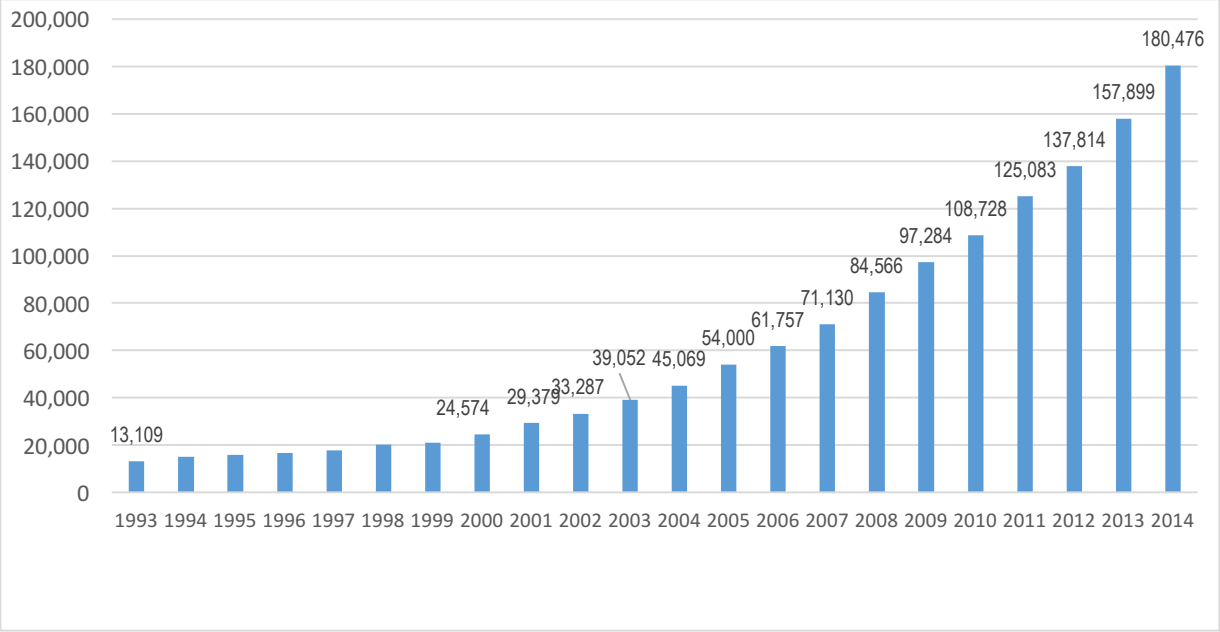

Figure 4.2: Number of students enrolled at private institutions: 1993 - 2014
(Source: Federal Statistical Office, 2016)

The private sector is dependent to some extent on the public sector resources, in terms of both facilities and staff – frequently staff at public institutions have additional contracts in the private sector.

4.4 Patterns of course provision and student participation in the private sector

Generally, private providers are smaller than public providers, which are on average eight times larger, although institutions specialising in distance learning tend to be larger (Stannek & Ziegele, 2007). Long established private providers (often established before the Second World War) are those that are church maintained. These tend to specialise in areas such as social work and nursing. Those that qualify as universities tend to concentrate specifically on theology (Stannek & Ziegele, 2005).

A 2010 report on private higher education in Germany by the Association for the Promotion of Sciences and Humanities in Germany and McKinsey (Philipose, 2010) categorises private providers as follows:

- 'Humboldtian'
- Specialist
- Career orientated
- Flexible
- Up-graders

Only three were 'Humboldtian': with a broad curriculum, an emphasis on interdisciplinary studies, substantial research facilities, and a wide range of student services (Zeppelin University, Jacobs University and Witten-Herdecke University). Five institutions were specialist, dealing specifically with law and business. However, most private sector students (36 per cent in 2010) were enrolled in career orientated universities of applied science closely connected to industry. Next in terms of popularity were ‘up-graders’ – upgraded vocational or practical training programmes in areas such as health, education, media and information technology into bachelor degree courses. This sector, where 25 per cent of all private university students are enrolled, is growing the fastest (Philipose, 2010). Finally, are the private universities categorised as flexible. These offer online long distance courses or online courses targeted at those already in jobs. German private universities tend to draw their student pool from all levels of society, especially those with fewer chances for entering the public higher education system.

The courses offered at private higher education institutions tend to be drawn from a limited number of subjects, such as IT, business administration, law, economics and social sciences, at the expense of subjects in humanities and physical sciences, for example (Stannek and Ziegele, 2007). This is in marked contrast to the public sector. Figure 4.3 shows differences in the subjects taught at public and private institutions.

Stannel and Ziegele (2007) argue that this subject concentration in the private sector points to an imperfect adaptation of the public sector to educational demand structures.

The percentage of students in 2014/15 studying different subjects by type of institution appears in Figure 4.3

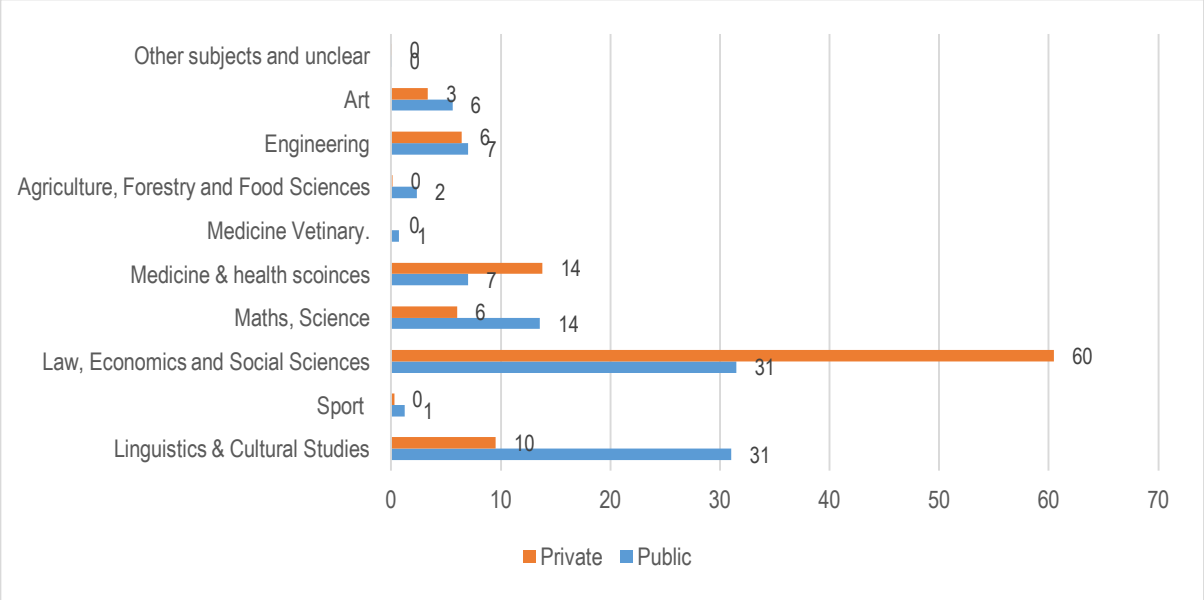

Figure 4.3: Percentage of students studying subjects by type of institution: 2014/15
(source: Federal Statistical Office, 2016)

4.5 Role of governments and regulatory authorities

The German system of government is heavily federalised across its 16 regions. Central government, through the Federal Ministry for Education and Research, is obliged to guarantee the legal homogeneity of higher education institutions and equality of opportunity for all students. Such national state level responsibilities were compatible with the Framework Law realised at the federal level. The Framework Act for Higher Education *(Hochschulrahmengesetz*) (effectively abolished in 2006) was defined as follows:

> *"*Most of the regulations of this Act provide a framework for legislation by the states. The Act regulates, among other things, the functions of the universities in teaching and research, student admission, the staffing structure of the universities and employment contracts without tenure for members of the university staff" (Fichtner, 1990 p.331).

The regional states (*Lander*), through their respective Ministries for Education and Culture, are responsible for all HE institutions in their state. The traditional system of governance involves regional state regulation covering: the appointment and employment of professors; setting salary scales; buildings' ownership and maintenance; the approval of new study programmes, their curricula, and degrees.

4.5.1 Accreditation

The German system of accreditation has developed to accommodate the Bologna Process, and concerns both the study programmes and the institutions themselves. Courses are assessed in a like manner irrespective of an institution's public or private status. The 1998 Federal Framework Act for Higher Education (HRG) established the basis on which universities could award bachelor and master's degrees, but this is not sufficient for accreditation.

The Accreditation Council is the national accreditation body for the Federal Republic of Germany. It acts in the public interest and as the sole provider of accreditations in Germany. It is the guardian of the national quality seal conferred upon study programmes but it is not itself engaged in the evaluation and accreditation of these programmes. The Accreditation Council accredits agencies, and these in turn accredit study programmes. Accreditation covers: quality standards, equivalence of degrees, grades, qualifications, and mobility schemes.

Approval from the relevant federal state is also required before any institution can establish bachelor and master's degree courses, but this is often granted on the basis of accreditation. Business courses (e.g. BBA; MBA, economics, business computing) are administered by the Foundation for International Business Administration Accreditation (FIBAA).

> "If a university is accredited by the state, that's generally a way to be sure its degrees are of good quality. Private universities that aren't accredited by the state may not offer curricula that meet the research and teaching standards found at accredited German universities" (Unseld & Reucher, 2010).

Institutional accreditation aims to establish whether an institution can deliver courses which can be defined as belonging to the higher education sector. "This procedure serves to secure the quality of private universities and to produce transparency and comparability between educational programmes" (Stannek & Ziegele, 2007, p. 194). A series of recommendations were produced by a committee of the German Council of Science and Humanities, which conducts accreditations, specifically for the accreditation of private universities, see Box 1.

Box 1: German Council of Science and Humanities recommendation for accrediting private HEIs (Stannek and Ziegele, 2007)

- Recruitment of lecturers: The number and working time of lecturers has to be in accordance with the degree programme and ensure high quality teaching and tutorial services for students. Lecturers have to pursue research and take active part in publications.
- Recruitment policy, curriculum and examination regulations, and tuition fees must be made public.
- The research facilities, laboratories and information technology have to be provided for the whole period of the degree.
- Degree programmes must be comparable, in duration and quality, with those offered by public institutions; students on full time degrees are required to study at least three years.
- All services to students must be guaranteed from the start point to examination.
- Tuition fees must be clear: and access to student grants and financial aid granted to all students.

Typically, regional states both supervise and authorise the existence of private HE providers, although there are regional peculiarities. Essentially, the same requirements are imposed on both private and public providers by the regional states. Box 2 itemises the criteria private higher education providers have to meet in accordance with the requirements of the 2003 Universities Act of Hamburg.

Box 2: Criteria for Establishing Private HE Institution, Hamburg 2003 Source: Stannek and Ziegele (2007).

- Study programmes should pursue the same goals and be organised according to the same guidelines as a study programme at a public higher education institution
- Programmes should be consecutive and have to offer a broad variety of academic studies
- Workload and the examination procedures have to follow the example of public higher education institutions
- Students are required to have university entrance qualifications
- Teachers should be university qualified lecturers
- Full-time professors should have the same teaching qualifications as those at public higher education institutions
- Some elements of academic self-governance should be present, e.g. freedom of research
- The economic substance and the legal institutions should guarantee existence of the higher education institution on a continuing basis

4.5.2 Funding

Regional state recognition is a necessary condition for the conferment of academic titles, and the appointment of "professors". State recognition also allows a private HEI to apply for state funds via two distinct routes. The first via the University Construction Act, in accordance with which the federal government funds the physical structure of universities, including buildings, and expensive equipment (Fichtner, 1990). The second through the German Research Foundation, an organisation that supports individual projects and research collaboration, awards for outstanding research achievements, and funding for scientific infrastructure and scientific cooperation (DFG, 2016).

Private HE providers also receive some state subsidies, and, additionally, fund their activities through tuition fees. These range between €10,000-€15,000 per annum. The uniform fee charged by the University of Witten-Herdecke is €15,000, which covers a range of subjects from medicine and dentistry to business administration. The students enrolled in private HE institutions that have gained official regional state recognition qualify for state loans/grants (BAfoG) of up to €650 per month, and are also eligible for sponsorship from local enterprises or foundations. Postgraduates at private institutions are also eligible for the Bildungskredit.

This is an educational loan. This is an initiative of the federal government, the Federal Office for Public Administration and a particular loan company to support students by providing educational loans. Access to these loans is unrestricted by a student's family financial background, although no-one has a legal entitlement to it, but anyone can apply. Repayments begin four years after the initial loan payment, but at a low rate of interest.

4.5.3 Governance

The model of traditional German university governance took the following form: the universities' internal components of governance involve a largely symbolic figure of president or rector and an academic senate, the highest decision-making body in the university. The majority of the senate's members are professors who are elected by their fellow professors. Each faculty and department also has a similarly structured decision-

making body. The entire governance system exists without external guidance, or competition (Kehm, 2014). This model was never applied to universities of applied sciences and private universities which tended to be more centralised and more managerial.

There have been changes to the traditional model of university governance. The Framework Law was removed from the statue books in 2006 – it disappeared more through abeyance than abolition - and control of higher education became located within the regional states, with an emphasis placed on institutional autonomy. The Federal Government retained regulatory control only over access to higher education and degrees. Institutional governance structures now vary depending on each particular region's legal framework, which directly impacts on the character and degree of institutional autonomy. This allows, for example, some institutions authority over personnel, but denies it to others.

The internal structure of universities' systems of governance typically includes both a senate and a recently introduced board of governors. These bodies are responsible for appointing institutional leaders, either rectors or presidents, and this often involves delicate negotiations between the two. Rectors are typically chosen from internal professorial candidates; while presidents are often external appointments. At a lower level, faculties and departments select Deans from amongst their professoriate. The position of Dean now enjoys a greater degree of authority than it has previously. The increase in institutional autonomy is also linked to a greater professionalisation of university management (Kelm, 2014).

The issue of governance with respect to private universities is somewhat vaguer. It doesn't appear that there are any statutory or legal requirements relating to governance of such institutions. However, in certain cases where accreditation is sought, the accreditation body does indicate governance structures are required to be put in place, but these have not been detailed (Frank, Hieronimus, Killius, & Meyer-Guckel, 2010).

4.6 Situations and instances of market failure, and their impact on student participation, retention and achievement

Earlier research put the drop-out rate at Germany's private universities as lower than the average for public universities, which was 25 per cent (Barthold, 2000).

There are several reasons for higher completion rates of studies in private higher education institutions in Germany. There are stricter entrance rules and assessment tests. Furthermore, self-financed student fees operate as a motivation for students to complete their courses. Additionally, the close relationships between professors and students, as shown in faculty-student ratios, establish a vibrant learning culture (Stannek and Ziegle, 2005). There is a tendency for private higher education institutions to be of a smaller size, and to promote features that enhance personal relationships between teachers and students, such as mentoring programmes, personnel development structures and coaching sessions (Brauns 2003). Furthermore, private higher education institutions have strong relationships with industry allowing successful students to undertake internships and receive financial support in terms of grants. Private higher education institutions also support national and international placements at partner institutions. These, along with useful contacts and institutional arrangements, help the students to develop early careers (Brauns, 2003)

Private providers' dependence on tuition fees means they need their students to complete their studies, and any drop in the number of students recruited can have dramatic consequences. The private International University Bremen (renamed *Jacobs University Bremen*), with 1,200 enrolled students, faced bankruptcy in 2006. This was averted with a

€250 million endowment from Klaus Johann Jacobs (“German billionaire entrepreneur”). However, endowments of this magnitude are rare in Germany, and unlikely to be anything other than an exception rather than a reliable source of revenue.

The University of Witten-Herdecke has faced considerable cuts in its state funding, although continues to thrive (Flippo, 2015).

The Graduate International School of Management and Administration (GISMA), suffered low enrolment levels, which pushed the institution to the brink of bankruptcy. This was narrowly avoided by its becoming a member of Global University Systems (GUS), a consortium of eight educational institutions with a total of 38,000 students. GISMA became the consortium’s sole representative in Germany.

References

Barthold, H.-M. (2000). *Die Alternative: Privat studieren*. Frankfurt am Main: SocietätsVerlag.

Brauns, H.-J. (2003). *Private Hochschulen in Deutschland* (pp. 1–34). Berlin: WiSo Institut für Wirtschaft und Soziales GmbH. Retrieved from http://www.alpheios.de/fileadmin/dateien/Private_Hochschulen_in_Deutschland.pdf

DFG. (2016). German Center for Research and Innovation - German Research Foundation. Retrieved 23 April 2016, from http://www.germaninnovation.org/about-us/gcri-partner-institutions/german-research-foundation

Eril, H. (2013). German higher edcuation and the state. In R. Goodman, T. Kariya, & J. Taylor (Eds.), *Higher Education and the State* (pp. 131–152). Didcot, Oxford.: Symposium Books.

Fichtner, D. (1990). Competition in the university system of the Federal Republic of Germany. *Scientometrics*, *19*(5–6), 331–335.

Flippo, H. (2015). Universities in Germany. Retrieved 11 March 2016, from http://www.german-way.com/history-and-culture/education/universities-in-germany/

Frank, A., Hieronimus, S., Killius, N., & Meyer-Guckel, V. (2010). *Rolle und Zukunft privater Hochschulen in Deutschland*. Retrieved from https://www.stifterverband.org/rolle-und-zukunft-privater-hochschulen-in-deutschland

Kehm, B. M. (2014). New forms of university governance in germany: autonomy, self-governance and the distribution of authority. In M. Shattock (Ed.), *International Trends in University Governance* (pp. 17–33). Abingdon, Oxon.: Routledge.

OECD. (2012). *Education at a glance: Germany*. Paris Cedex 16, France.

OECD. (2014). *education at a glance: Germany*. Paris Cedex 16, France.

Ostermeier, C. (2016). Exzellenzinitiative: What is the Excellence Initiative? Retrieved 21 September 2016, from https://www.exzellenz.tum.de/en/what-is-the-excellence-initiative/

Philipose, L. (2010). GERMANY: Private universities - not-so Ivy League. Retrieved 23 April 2016, from http://www.universityworldnews.com/article.php?story=20101217223423588

Pritchard, R. M. O. (2012). *Neoliberal Developments in Higher Education: The United Kingdom & Germany*. London: Peter Lang.

Stannek, A., & Ziegele, F. (2005). *Private Higher Education in Europe A National Report on Germany*. *CHE Arbeitspapier 71*.

Stannek, A., & Ziegele, F. (2007). Germany. In P. J. Wells, J. Sadlak, & L. Vlăsceanu (Eds.), *The Rising Role and Relevance of Private Higher Education in Europe* (pp. 131–212). Cluj-Napoca: Presa Universitar ă Clujean ă.

Unseld, C., & Reucher, G. (2010). University types: Private universities. Deutsche Welle: Education. Retrieved 24 April 2016, from http://dw.com/p/OotF

5 POLAND

5.1 Introduction

- Polish higher education has expanded rapidly.
- Between 1989 and 2005, it underwent the transition from an elite to a mass, and subsequently, a universal system: in about half the time this process took in other countries.
- Polish higher education has been subject to two distinct phases of development:
    - an expansionist phase – between 1989 and 2005.
    - a contraction phase – from 2006 to the present.
- The newly emerged and recently consolidated private sector has been at the forefront of both phases.

A large proportion of the higher education expansion was accommodated by the private sector, which became the largest private higher education sector in Europe.

- By 2010, 31.5 per cent of all enrolments in higher education were in the private sector (Antonowicz, 2015; Kwiek, 2013b).
- In 2012, of Poland's 453 higher education institutions, 71 per cent were private and the remaining public (Dakowska, 2014; GUS 2013).
- Enrolments peaked at almost two million in 2008, having risen fivefold (Kwiek, 2011; Grove, 2014).

Demand is now in steep decline due to demographic changes, and the very existence of a private higher education sector is in doubt. Its survival depends on repositioning itself in a national and global market.

5.2 History, context and nature of the market entry by provide providers

Historically Poland's national system of higher education was closely aligned to a German, or Humboldt model. The state established a legal framework within which institutions operated, and funded them. The institutions remained largely autonomous, exercising academic self-rule. Teaching and research were both treated as integral to higher education (Dobbins, 2011, p.16).

This model characterises the establishment of Poland's oldest university – the University of Krakow, which was established in 1364 and later renamed the Jagiellonian University. It also informed the interwar development of Polish higher education under the Second Polish Republic (1918-1941). This included the expansion of the University of Warsaw, and the foundation of Poland's first private university – the Catholic University of Lublin (1918).

Transformation – frequently involuntary – has been a perennial feature of Polish higher education. In the twentieth century it was influenced by Czarist, Nazi and Soviet forces. War, occupation, partition, and even complete national evanescence have all had a profound impact on Polish higher education: "Polish HE has repeatedly been faced with extinction and endured substantial human loss" (Dobbins, 2011, p.153).

Higher education under the Soviet-communist regime, between 1945 and 1989, was strictly controlled. The number of students enrolled, which ranged from 300,000 to 470,000 per annum, was a product of central planning quotas. There was an upwards trend in enrolments over the decades. However, as Table 5.1 shows, higher education in Poland under communism began and remained available only to an elite (Dakowska, 2014).

A particular legacy of Poland's communist era was a national educational attainment gap. By 1989, only six per cent of the labour force (aged 15-65) in Poland had a higher education degree compared to figures of 15-25 per cent across most other European countries (Antonowicz, 2015).

5.3 Relationships and interactions between private and public providers and the growth of private provision

The demise of the communist state saw the development of Poland's private/entrepreneurial sector and a greater demand for an educated workforce. These changes, combined with a growing population, which reached a demographic peak for the school age cohort between 1990 and 2005, were the spur for the increased demand for higher education places (Antonowicz, 2015). There was also the withering of the socialist ideal of 'manual labour' and a revision of public attitudes towards the value of higher education (Simonova and Antonowicz, 2006).

The immediate post-communist years in Poland saw the government apply a sudden and forceful series of *laissez-faire* reforms across Polish society, including higher education. The expansionist phase of Polish higher education was initiated in September 1990, with the Higher Education Act. The Act granted a high degree of autonomy to existing public HE institutions, and introduced the marketisation of higher education. Higher education expanded rapidly during the 1990s, both in terms of enrolments and the establishment of institutions, effecting a transformation from a unified to a diversified system (Kwiek, 2013a).

However, little was done to finance the growth in higher education provision from public funds, mainly due to austerity measures adopted to prevent national bankruptcy during the 1990s (Antonowicz, 2015). Demand absorption was left to the private sector, at minimum cost to public finances – a form of cost-sharing.

The expansion of the private sector was principally due to unmet demand and the minimal market entry requirements. The Ministry of National Education's entry requirements were associated with curricula, infrastructure and a minimum number of professors: once met, a new HE institution could be established.

Poland, therefore, developed a binary system of public and private provision of higher education. Universities and technical universities were largely public while economic academies, pedagogic, and higher vocational schools were private (Dakowska, 2014).

The expansion of higher education in Poland is illustrated in Table 5.1 and Figure 5.1.

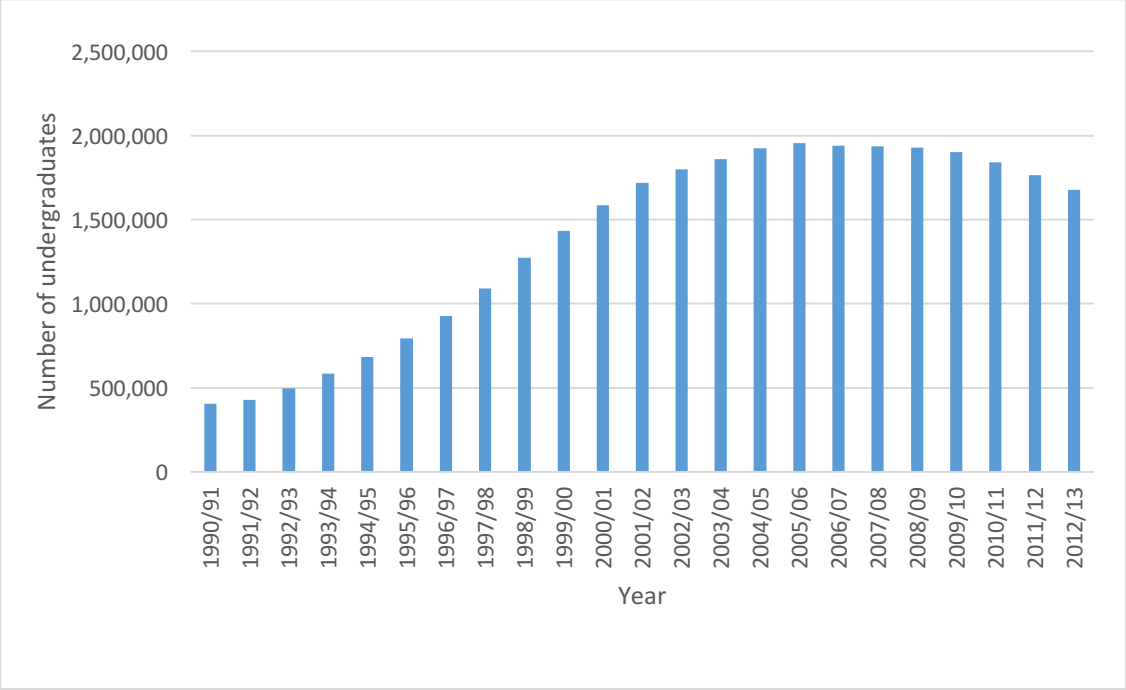

Figure 5.1 Number of undergraduates enrolled in Polish higher education 1990 - 2013
(Source: GUS 2013, p. 29).

Table 5.1 The growth of higher education in Poland: the proportion of 19 year olds enrolled in higher education

	Year			
	1951-60	1961-70	1971-80	1981-89
Percentage of eligible 19 year olds	8-9 %	1-13 %	12-16%	11- 13%

(Source: Kwiek, 2013a)

The number of private institutions rose from one – the Catholic University of Lublin – in 1989, to 280 by 2004, and 330 by 2009, the majority of which were teaching institutions (Kwiek, 2014). By 2012, of Poland's 453 higher education institutions, 71 per cent were private and the remainder public (Dakowska, 2014; GUS, 2013).

By 2010, Poland had the highest rates of enrolment in private higher education institutions in Europe, at 31.5 per cent (Kwiek, 2013a). Enrolments peaked at almost two million in 2008, having risen fivefold (Kwiek, 2011; Grove, 2014).

Public sector HE institutions are prohibited by law from charging 'traditional' students tuition fees. They are, however, free to charge 'non-traditional' students tuition fees: those who study part-time, and those who have not taken entrance examinations. Consequently, private provision has also developed in the public system, creating a dual form of privatisation (Kwiek, 2009), or dual track student funding.

Partly as a result of this, Poland has the highest number of part-time students in Europe, at 45 per cent (GUS, 2013). These part-time, tuition fee-funded courses in the public sector are of an inferior quality to their full-time publicly-funded counterparts. Entry requirements to part-time courses are nominal: passing the Matura exam is sufficient, regardless of the score

achieved, in contrast to the high scores required for entry to a full-time publicly-funded course (Kwiek, 2016).

The bifurcation of the higher education sector does not hold throughout Poland's higher education system. The private higher education sector relies almost completely on the public sector workforce. The same academic staff often work at both public and private institutions.

The Law on Higher Education (1990, renewed in 2005) makes explicit allowance for academics to hold up to three appointments at higher education institutions. Some 30 to 40 per cent of public sector academics, and 70 to 80 per cent of professors, in 'soft' fields are also employed in the private sector, mainly to supplement their income as public academic salaries dwindled (Kwiek, 2011).

Private providers tend to pay less well than public institutions, and this has effectively prevented an identifiable private sector academic workforce developing. There are 99,908 academics working in higher education institutions: 56,441 identify public institutions as their primary employer, only 9,556 identify private institutions; the remainder identify research institutions (GUS 2013).

Public sector academics' teaching responsibilities in the private sector, and the absence of institutional performance-based funding, has been associated with a decline in research output from Polish universities. Between 1990 and 2010, the proportion of Polish research publications from a pool of Polish, Czech, Slovakian and Hungarian outputs fell in humanities from 55.6 per cent to 18.8 per cent; and in the social sciences from 48.8 per cent to 30.8 per cent (Kwiek, 2014).

In recognition of the problems associated with the multiple employment of staff, the law on higher education was amended in 2011. It gave rectors the power to prevent academics from holding multiple jobs. In 2011 the National Science Centre (NCN) was set up to support basic research. The NCN is a government agency, supervised by the Ministry of Science and Higher Education, which distributes over €200 million a year of research funds for projects in arts, humanities and social sciences, life sciences and physical sciences and engineering. From 2020 onwards at least 50 per cent of all research funding will have to be awarded on a competitive basis, whereas the prevailing norm was research funding distributed on a non-competitive statutory basis (Kwiek, 2014).

5.4 Patterns of course provision and student participation in the private sector

The private sector is almost entirely teaching oriented:

> "the overwhelming majority of Poland's 329 private higher education institutions do not perform research. At most they imitate it…only two out of 329 private institutions can be seen as conducting serious research" (Antonowicz, 2015, p. 69).

The expansion of HE, and private provision in particular, was concentrated largely in specific subjects: economics, social science and law ('soft fields'). By 2000, over 70 per cent of students taking these subjects were located in the private sector; currently it is about half (Kwiek, 2016). These subjects are relatively cheap to teach and require little infrastructure. They are popular among students too, as they are perceived to be "relatively easy to study and to complete" (Kwiek, 2016, p.317).

Private provision has widened access to and participation in higher education for the Polish population. Research has indicated improvements in access for students from low-family educational attainment backgrounds outside large urban areas (Herbst and Jakub, from Kwiek, 2016). Greater access has also resulted in a far better educated work force: 2.56 million individuals had some form of higher education credential in 2003; by 2009 it was 4.31 million; and by 2012, 24 per cent of the Polish work force (approximately the European average) had a higher education qualification (Kwiek, 2013a).

> "The expansion of the system through this dual form of privatization has fundamentally changed access to higher education in Poland. It is an undeniable "success story" and also to a smaller degree and equity "success story". (Kwiek, 2009, p.155).

Typically, however, prestigious courses at long-established public universities are populated by the most socially and economically advantaged students: "Students from upper and middle classes enjoy free education in public institutions, while low income students are more often found in private providers where they pay full-cost tuition fees" (Duczmal, from Antonowicz, 2015).

The corollary is that while private providers have widened access to HE, the cost has not been evenly distributed and is more likely to be borne by students from more disadvantaged backgrounds.

There is, it has been argued, a further deficit in terms of local provision for the socially disadvantaged located in more remote rural areas. The geographical distribution of private providers has largely duplicated that of existent public providers – a distribution dictated by levels of regional income. Private providers tend to be concentrated in urban and more affluent areas. The distribution of institutions has both promoted and eventually constrained widening of access to HE (Simonova and Antonowicz, 2006).

5.5 Role of governments and regulatory authorities

5.5.1 Accreditation

Once established, the government did little to regulate the private sector, often failing to ascertain that minimum standards were met. A 2000 report by the Supreme Audit Office found there were a number of both private and public institutions that had no qualified staff, held almost no lectures, and had inadequate infrastructure. The 2005 Higher Education Act established the State Accreditation Commission, to ensure institutions met minimum requirements.

The Accreditation Commission is accountable to the Ministry of Education and has formal powers. They can recommend the suspension of enrolment or the closure of a department or institution where the quality of service provided is inadequate (Simonova and Antonowicz, 2006). However, the Commission is forced to operate in the absence of any recognised national standards of teaching against which to conduct their assessments.

The Higher Education Act of 1990 granted a high degree of autonomy to the existing public HE institutions, and introduced marketisation to higher education. The governance of private providers is largely based on an Anglo-American model and entrepreneurial in character (Dobbins, 2011).

5.5.2 Funding

The private sector is funded almost entirely by tuition fees, these account for 93.1 per cent of the sector's income; only 1.8 per cent derives from research (Kwiek, 2011). State funding – only available to public institutions – is usually delivered in the form of a block grant calculated on the basis of the previous year's funding and adjusted via a weighted formula involving the number of students, and a student-to-(highly qualified)staff ratio. The funding is, consequently, dependent only on inputs, and does not include any performance evaluation. The funding is also delivered directly to faculties, and so is largely inaccessible to the university administration.

The concentration of funding and decision-making authority at the faculty level, and the related lack of performance-dependent funding, has meant that university management lacks co-ordination and is poorly placed to respond to market demands. There is a distinct under-representation of STEM subjects in Poland's graduate population. Less than 12 per cent of Polish graduates have degrees in science, engineering or manufacturing, whereas 41 per cent have degrees in social sciences business and law, and a further 12 per cent in education. Initially, during the years of expansion, the subject or quality of a qualification was of secondary importance: "credentials were more important than rigorous content" (Kwiek, 2016, p.317).

5.5.3 Governance

The public higher educational system, however, developed as an amalgam of recovered pre-war Humboldtian features (discussed above), and organisational structures retained from the communist administration, particularly in terms of funding. The Higher Education Act guaranteed academic freedom in terms of both teaching and research. The Act also granted a great degree of autonomy to individual institutions over organisational structure, personnel policies, and financial management. The institutions themselves also sought, after decades of highly centralised communist administration, to de-centralise power. Decision-making authority was now located in elected collegial bodies at institutional and faculty level (Dobbins, 2011).

The existing organisation of universities, locating a great deal of authority in the faculties, effectively prevented intervention from bodies such as university management, or the state. The state, or more specifically the Ministry of National Education, did, however, retain powers over employment and retirement conditions, staff qualification requirements, working hours, pay scales, and tenure. Polish universities nevertheless had a degree of autonomy that extended beyond the typical Humboldt system – including the authority to initiate and terminate areas of study, set admission procedures and student numbers, and procure non-state funding (The World Bank, 2004).

5.6 Situations and instances of market failure, and their impact on student participation, retention and achievement

5.6.1. The uncertain future of the private sector

The expansion phase of higher education ended in 2006, as a direct consequence of Poland's shrinking and ageing population, itself a result of falling birth rates and rising emigration.

- In 2013, the average number of children Polish women had was 1.25, among the lowest in Europe, and insufficient for generational replacement, falling from a peak of

2.70 in 1991. The number of births in 1991 was 550,000; in 2013 it stood at 369,600 (GUS, 2014).

- Six per cent of Poland's population are now located abroad, most of these are aged 18-44 years old (although the gender division is unclear). The average age at which women give birth in Poland is 29 years old. So the number of women giving birth to children in Poland is likely to fall further.
- The consequences are clear. The Polish population stood at 38.6 million in 1995, 38 million in 2010, and is predicted to fall to 32 million by 2050. The median age in Poland was 25.8 in 1950, 38.2 in 2014. By 2050 it is predicted to be 51 (Devictor, 2012).

The school leaving age cohort is also in decline. It stood at 612,000 in 2005, fell to 534,000 in 2010, and is predicted to fall to 360,000 in 2020. As a result, the total number of HE students in 2022 is expected to be 55 to 60 per cent of the number in 2008. In Europe, only Spain and Germany are likely to experience directly comparable falls. There was a 10 per cent decline in enrolments in 2009, and a further fall in 2010 (Kwiek, 2011).

Polish higher education students can be classified in terms of the sector to which they belong: public or private; or by whether or not they pay tuition fees. Fee paying students may be either at private institutions, or at public institutions studying part-time. Despite the overall decline in student numbers, there has been an expansion of publicly-funded places. Only 47 per cent of all students paid tuition fees in 2012, down from 56 per cent in 2009 (Kwiek, 2014). The numbers in 2013 were 689,000 (45 per cent) fee-paying, and 860,000 non fee-paying (Antonowicz, 2015).

This suggests that most of the contraction in higher education has been in the fee-paying private and dual track public sectors. Kwiek also remarks that the contraction of higher education has been felt most keenly by private providers, and that Polish higher education is experiencing "de-privatisation" (Kwiek, 2016, p.311). 27 per cent of students were enrolled in private institutions in 2012 (Kwiek, 2016). The number of private HE providers has fallen from 330 in 2009 to 315 in 2012, and is predicted to fall by 80 per cent over the next 10 years (Kwiek, 2016; GUS, 2013). The start of the 2011-12 academic year saw 17 institutions in the process of liquidation (Siwinska, 2011).

The public sector offering higher education 'free' of tuition fees contrasts with a large fee dependent private sector. The continually declining population (estimated to be arrested around 2025) will only increase pressure on the higher education sector, and private providers in particular. The consequence is likely to be a number of failing providers; this, Antonowicz (2015) remarks "is not necessarily bad news, because there are deep concerns about the quality of education they offer". It is possible that threatened providers, private or public, will lower their entrance requirements for students as institutions compete for those available, indicating market failure.

The situation is exacerbated as potential students and their families, who often bear the costs of their children's education, do not have access to information about higher educational institutions, such as teaching quality or the labour market outcomes for institutions' graduates. This large information deficit has not been adequately addressed by the state. Despite the 2011 law on higher education requiring higher education institutions to supply information about graduates' labour market placements, the data are not standardised, and are often misused by institutions for marketing purposes.

It is likely that many private providers will cease to operate due to financial difficulties, while others will merge in cost cutting exercises. The survivors are likely to have to alter their institutional profile and concentrate on life-long learning and short professionally oriented courses. The market for professional courses is small, and private providers already have 40 per cent of it, but it is likely to expand. There is also the possibility of attracting international students: but so far Poland has shown very little inclination to engage with this market. Only 1.4 per cent of Polish students were foreign nationals in 2011-12; 40 per cent of Poland's higher educational institutions had no international students at all.

A further response has seen private providers seeking political intervention with calls for some sort of state subsidy (Kwiek, 2011). There is an indication that Polish education policy may change. It might provide state subsidies for full-time students in the private sector that make up 17 per cent of those enrolled in the private sector. Kwiek (2011) adds a cautionary point: "Polish higher educational reforms…should not lead to the state funded survival of private institutions before the two decades of their history have been adequately evaluated" (Kwiek, 2011, p.5).

Kwiek (2016) also contends that the private sector was only ever an expedient measure: its flourishing during the expansionist phase was simply a means by which the Polish state could provide higher education during a period of peak demand.

References

Antonowicz, D. (2015). Digital players in an analogue world: Higher education in Poland in the post massification era. In B. W. A. Jongbloed and H. Vossensteyn (Eds.), *Access and Expansion Post-Massification: Opportunities and Barriers to Further Growth in Higher Education Participation* (pp. 63–82). Abingdon, Oxon.: Routledge. Retrieved from https://books.google.com/books?id=VpM0CwAAQBAJ&pgis=1

Dakowska, D. (2014). Between competition imperative and Europeanisation: the case of Higher Education reform in Poland. *Higher Education*, *69*(1), 129–141. http://doi.org/10.1007/s10734-014-9765-6

Devictor, X. (2012). Poland: Aging and the Economy. Retrieved March 3, 2016, from http://www.worldbank.org/en/news/opinion/2012/06/14/poland-aging-and-the-economy

Dobbins, M. (2011). *Higher education policies in Central and Eastern Europe: Convergence towards a common model?* Houndsmills, Basingstoke.: Palgrave Macmillan UK.

GUS. (2013). *Higher education institutions and their finances in 2012* (Vol. 1). Warsaw.

GUS. (2014). *Population projections for Poland 2014 - 2050*. Warsaw. Retrieved from http://stat.gov.pl/en/topics/population/population-projection/population-projection-2014-2050,2,5.html

Kwiek, M. (2011). Polish Private Higher Education , Politics , and Demographics. *INTERNATIONAL HIGHER EDUCATION*, *64*(Summer), 19–21.

Kwiek, M. (2013a). From System Expansion to System Contraction. Access to Higher Education in Poland. *Comparative Education Review*, *57*(3), 553–576. Retrieved from http://repozytorium.amu.edu.pl/handle/10593/9862

Kwiek, M. (2013b). Marketization , Privatization , and Declining Demographics : Their Impact on Polish Higher Education. *International Studies in Education*, *13*, 12–20. Retrieved from http://www.cpp.amu.edu.pl/pdf/Kwiek_ise201302.pdf

Kwiek, M. (2014). Structural changes in the Polish higher education system (1990–2010): a synthetic view. *European Journal of Higher Education*, *4*(3), 266–280. http://doi.org/10.1080/21568235.2014.905965

Kwiek, M. (2016). From Privatization (of the Expansion Era) to De-privatization (of the Contraction Era): A National Counter-Trend in a Global Context. In S. Slaughter and B. J. Taylor (Eds.), *Higher Education, Stratification, and Workforce Development* (Vol. 45, pp. 311–329). Cham: Springer International Publishing. http://doi.org/10.1007/978-3-319-21512-9

Simonova, N., and Antonowicz, D. (2006). Czech and Polish higher education - from bureaucracy to market competition. *Sociologicky Casopis-Czech Sociological Review*, *42*(3), 517–536. Retrieved from <Go to ISI>://000239943800003

Siwinska, B. (2011). POLAND: Private higher education under threat - University World News. Retrieved February 16, 2016, from http://www.universityworldnews.com/article.php?story=20111015213651212

The World Bank. (2004). *Tertiary education in Poland. Edition 1.* Warsaw. Retrieved from http://documents.worldbank.org/curated/en/2004/07/10151720/tertiary-education-poland

6. JAPAN

6.1 Introduction

Japan's higher education system is composed of:

- Universities (daigaku) and colleges that offer four-year courses
- Junior colleges (tanki daigaku) and special training schools (senshu gakko) that offer largely vocational courses over two years
- Colleges of technology (koto senmon gakko) that run five-year courses (OECD, 2011, p.195).

Japan's long standing private higher education institutions are the backbone of its higher education system. Some 70 per cent of tertiary students attend universities: of these, about 77 per cent are enrolled in private institutions. The number of private universities stood at 603 in 2014, out of a total of 781 higher education institutions. So 77 per cent are private.

Women remain under-represented in universities and graduate schools.

The junior colleges provide vocational courses, such as teacher training, and account for around five per cent of all higher education enrolments. Almost 95 per cent of junior colleges are private. About 90 per cent of students at these junior colleges are female.

Special training schools are also largely private. They offer vocational courses, approximately 40 per cent of which are health-related. About 18 per cent of higher education students are enrolled in these institutions.

The technical colleges, which specialise in engineering, are, by contrast, largely public institutions, but only account for two per cent of all higher education enrolments (OECD, 2011).

Japan's higher education system at the undergraduate level is dominated by private universities. The structure of Japanese higher education is the result of the growth in demand for university places from the 1960s onwards, and a lack of government investment in the public higher education sector (Asonuma and Urata, 2015).

Levy (1986) has termed Japan's private sector a 'demand absorbing sector'.

2012 figures relating to bachelor-level education (Mizobata and Yoshii, 2015) indicate that:

- 77.5 per cent of universities are private
- 11 per cent are national public universities
- 11.5 per cent are regional (municipal or prefecture level) public universities

In 2012 there were 2,562,068 undergraduate students, of which:

- 77.6 per cent were enrolled in private universities
- 17.5 per cent were enrolled in national public universities
- Five per cent were enrolled in regional public universities

The proportion of undergraduate students enrolled in private universities was even greater in the fields of human and social sciences, at 90 per cent (Mizobata and Yoshii, 2015).

6.2 History, context and nature of market entry by private providers

The Battle of Sekigahara (1600) resulted in the establishment of the Tokugawa Shogunate (1603-1868), essentially a feudal military government exercising authority over the whole of Japan. During this period numerous educational establishments were founded throughout Japan by central and local government. Their principal function was to transform the "semi-illiterate warrior class into a fully literate class of loyal bureaucrats" (Zhang, 2013, p.7). These institutions provided education in Confucianism, literature, medicine, and, in the final years of the Shogunate, even foreign languages.

Ordinary people also had access to education through private schools run by temples (Tera-goya) providing tuition in basic literacy and mathematics. The Tera-goya became the foundation of the Japanese primary educational system (Ojala et al., 2015). By 1868 the literacy rate in Japan ran at 43 per cent for men and 10 per cent for women (Nakamura quoted in Mizobata and Yoshii, 2015).

The Imperial Meiji Restoration (1868) and subsequent Meiji period (1868-1912) saw Japan open up to the West and its society underwent a transformation from a feudal state to a market economy.

The Meiji government began developing both a primary and secondary education system and introduced compulsory education of four years in 1872, subsequently extended to six years.

The first years of the Meiji period also saw the emergence of a higher educational system. Tokyo University was founded in 1877, along with numerous state, public vocational, and private colleges. A second Imperial University (today: Kyoto University) was founded in 1897.

The growth of the Japanese higher education system in the later part of the nineteenth century reflected a more general growth in the Japanese economy. Yet, throughout this period, access to higher education was restricted to a relatively small elite (Mizobata and Yoshii, 2015).

The expansion of Japan's higher education system started in the early part of the twentieth century. The 1916 Higher Education Act granted formal recognition to Japan's higher education private sector. Furthermore, a number of the colleges, both public and private, were elevated to university status in the 1920s, following the decree on the university in 1919. By 1920, there were 100,000 higher education students (Ojala, Tanaka, and Turunen, 2015). However, the education system until the end of the Second World War was used not just to teach but to indoctrinate young people by promoting national unity (nationalism) based on the Imperial Throne (Ojala et al., 2015).

The 1947 Fundamental Law on Education effectively reconstructed the Japanese educational system. The number of universities increased dramatically, as former colleges were again elevated to university status, and a large number of private universities were founded (Mizobata and Yoshii, 2015). The state retained the capacity to charter institutions, and this became its means of regulating universities.

The number of students at Japanese universities increased from 100,000 in 1920 to over three million 80 years later (Ojala et al., 2015).

Japan's higher education sector experienced a dramatic expansion in the 1990s, realised through a series of reforms to the university system. The first major reform arose from

'*University Education'* a report of the University Council in 1991. The subsequent reforms attenuated and relaxed the Standards for Establishment of Universities that governed the procedures for the official recognition of an institution as a university.

A further reform removed government control of universities' curricula, allowing universities to devise their own. Changes to the School Education Law in 1991 introduced university self-regulation in terms of both inspection and evaluation of academic standards (Arimoto, 2015).

6.3 Relationships and interactions between private and public providers and the growth of private provision

Figure 6.1 shows the growth of higher education participation in Japan. Using Trow's (1973) classification of higher education participation rates, Japan's higher education system moved from elite provision in 1960 (less than 15 per cent: 709,878 students), towards massification by the late 1970s (15-50 per cent: 2,206,436 students in 1980), and universal provision during the 1990s (50 per cent or more[13]: 3,067,703 students in 2000). Private provision has played a significant role in this growth.

The enrolment rate in universities and junior colleges throughout the 1970s and 1980s was stubbornly fixed at around 36 per cent of school graduates, as a result of the government-set quota on student numbers. This limit on student places is achieved through notoriously stringent and highly competitive entrance examinations (colloquially known as the "exam war"). Every year candidates sit a standardised National Center for University Entrance Examination, administered nationally over a weekend in January. These examinations are administered by the university the student intends (or hopes) to enrol. By contrast, private university candidates do not need to take the Center Test.

The growth of higher education may not affect elite universities. As Trow (1973, p.19) observes "in a mass system elite institutions may not only survive but flourish; and elite functions continue to be performed within mass institutions." And this is exactly what has happened in Japan. Japanese elite institutions – long established national universities – remained effectively unchanged as a direct result of the expansion of the higher education sector. By 1995 the rate of enrolment stood at 45.2 per cent, and had reached 57 per cent by 2014, with a further 23 per cent enrolled in other institutions, such as vocational schools.

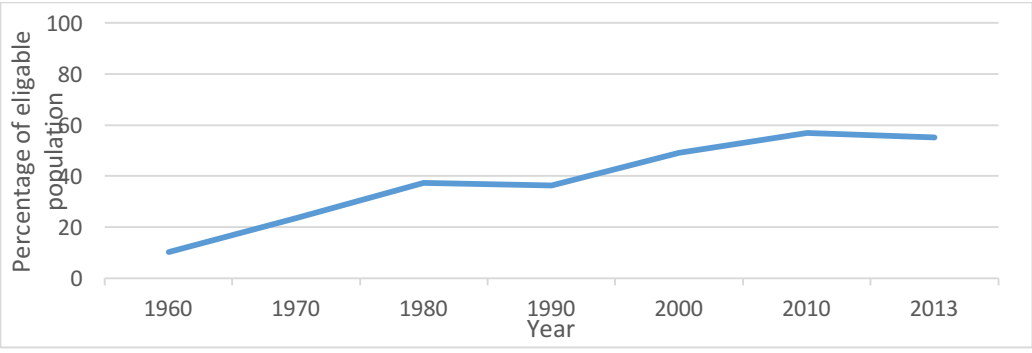

Figure 6.1 Enrollment in Japanese institutions of higher education: 1960 - 2013
(source: http://www.mext.go.jp/english/statistics/)

[13] It is worth noting that Trow (1973) categorises 50 per cent universal participation because it marks the point at which higher education becomes effectively compulsory, a standard, and expected phase of the life course.

Table 6.1 focuses on the number of universities by the type of provision. It shows that:

- the number of universities increased from approximately 507 in 1990 to a total of 781 in 2014; and
- the number of private universities increased by 81 per cent over this period, from 372 to 603.

This was largely achieved by converting existing junior colleges to universities resulting in an associated reduction, by 37 per cent, in the number of junior colleges and specialised training colleges since 1995 (OECD, 2011).

Table 6.1: Number of universities in Japan by type of university 1950 - 2014

Provider	Year												
	1955	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010	2014
Private	122	140	209	274	305	319	331	372	415	478	553	597	603
Regional	32	33	35	33	34	34	34	39	52	72	86	95	92
National	72	72	73	75	81	93	95	96	98	99	87	86	86
Total	228	245	317	382	420	446	460	507	565	649	726	778	781

(Data from: Kazuyoshi, 2015)

It is contended that the rapid expansion of the university sector was associated with a decline in the quality of education: “It is undeniable that acceleration of the growth of universities and mass production of higher education brought declines in student quality and their academic abilities” (Arimoto, 2015, p.11).

Figure 6.2 shows that in 2014

- 77 per cent of universities were private
- 11 per cent were national public universities
- 12 per cent were regional (municipal or prefecture level) public universities

It also illustrates how the percentage of private universities, as a proportion of all universities in Japan, has remained fairly constant since the 1980s. By contrast, the proportion of national public universities has actually declined, especially since 2004, from 99 to 86 after their incorporation which led to closures and consolidation (Arimoto, p.13). Constraints on profit making have done little to deter the establishment of private educational institutions in Japan during the previous 20 years.

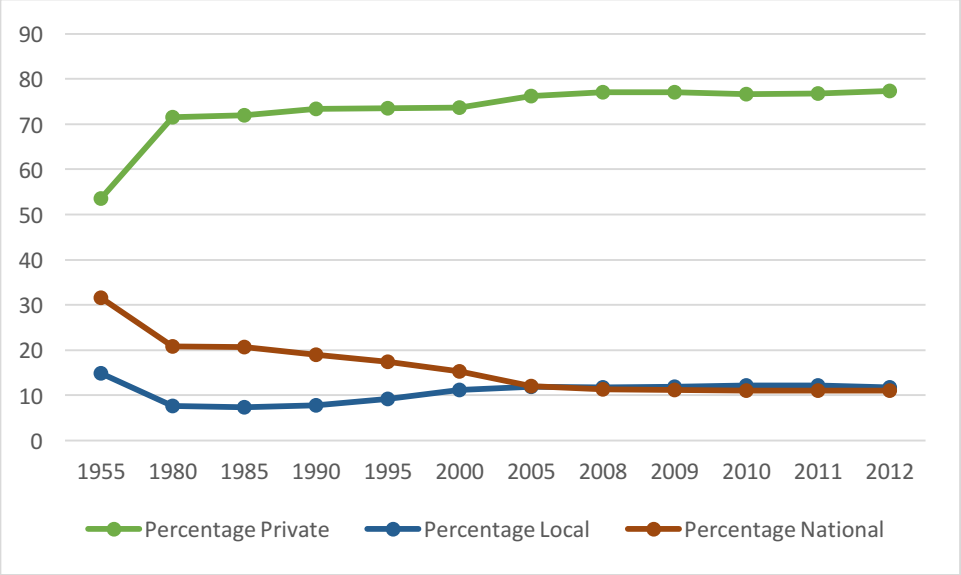

Figure 6.2: Percentage of Japanese universities by type 1955 - 2012
(source: http://www.mext.go.jp/english/statistics/)

The dominance of private universities is reflected in the distribution of undergraduate students. In 2012 there were 2,562,068, of which:

- 77.6 per cent were enrolled in private universities
- 17.5 per cent in national public universities
- Five per cent in regional public universities

The proportion of undergraduate students enrolled in private universities was even greater among those studying human and social sciences, at 90 per cent.

The government has introduced some promotional measures directed at private universities which include:

- subsidising private universities' operating costs facilities and maintenance costs;
- loans from The Promotion and Mutual Aid Corporation for Private Schools of Japan;
- preferential tax treatment; and
- support for managerial improvement of educational resources.

The amount of subsidy directed towards private universities has grown from 132 million Yen in 1970 to 3,209 million Yen in 2011, although this is down from a peak of 3,249 in 2008 (MEXT, 2012). These subsidies represented about 11 per cent of average operating costs in 2012.

6.4 Patterns of course provision and student participation in the private sector

Private universities are largely concerned with undergraduate education in the humanities and social sciences. The natural sciences are concentrated in the public sector at both undergraduate and postgraduate level (Mizobata and Yoshii, 2015).

The private higher education sector's main source of income is tuition fees. Historically students' tuition fees were mainly financed by a student's family. However, student loans (some of them government subsidised) were introduced in the 1980s. Loan take-up was around 14 per cent in 1984, with approximately 10 per cent of loans granted interest free. Loan take-up rose to about 35 per cent by 2009, with the interest free take-up remaining static at about 10 per cent. The increase in student loan take-up reflected the increased participation in higher education of students from lower income families, unable to pay the tuition fees from their own resources (Kaneko, 2013).

6.5 Role of governments and regulatory authorities

The Japanese economy has faced decades of low growth which still endures today[14] resulting in low tax returns, and restrictive public spending. Government is also handicapped by the level of the public debt, the highest in the OECD countries as a proportion of GDP. These factors have constrained the government's investment in public higher education (Ikuo, 2014).

The government's higher educational policies have concentrated available public resources on a small number of national universities, and particularly on natural science subjects, at both undergraduate and particularly postgraduate level.

The Standards for Establishment of Universities was originally introduced in 1956 by the Ministry of Education, Culture, Sports, Science and Technology (MEXT). It effectively regulated the quality of higher education in Japan in both the public and private sectors by dictating the minimum standards that had to be met either to establish a new university, or to re-organise existing institutions – including adding a department, or adjusting student numbers. Meeting, or failing to meet, the set standards determined whether a charter would be granted to a new institution or, crucially, renewed where an institution was being re-organised: "the chartering process emerged as the primary means of state control over private institutions in the post-war period" (Kaneko, 2013, p.173).

The issue of governance was critical in the relationship between national universities and the state. Each university's senate was vested with the ultimate decision-making authority, but universities remained under the authority of the state. For example, the president of each university was a state appointment. Kaneko describes the situation relating to the governance of national universities as "a construct built on a contradiction" (2013, p.174). An attempt was made to resolve the contradiction by introducing an American style board of governors. However, the proposal foundered in the face of opposition, opposition built on the suspicion that this managerial construct could be used to re-impose authoritarian restrictions on academic freedom previously experienced in the inter-war years under the military junta.

[14] The Bank of Japan, for example, in January 2016 introduced negative interest rates in a bid to stimulate the economy.

Government control over universities was retracted in 2004 with the Incorporation of National Universities which replaced direct government governance with a supervisory role. Internally, power became vested in the university president and newly established boards of administration. These assumed authority that had traditionally been held by faculty councils, which previously had selected the president and held a power of veto over the president's decisions – essentially inverting the traditional management structure from bottom-up to top-down (OECD, 2011; Arimoto, 2015).

There remain distinct limitations on universities' autonomy. MEXT still retains the power to set tuition fees, set the cap on student enrolment, and promote equal educational opportunity. Furthermore, any substantial change to a national universities' programme or department must be notified to MEXT and sometimes requires its approval. In 2005, 58 per cent of academic re-organisations required approval, while the remainder required notification (OECD, 2011).

Incorporation was also extended to private universities. The Second Article of the Private School Law (2004) required all private universities to be incorporated, becoming School Corporations. Yet, to obtain this status universities were prevented from making a profit from education provision. However, the Structural Reform Special Zone Act in 2003 granted particular municipalities exemption form government regulation, allowing for-profit educational providers to establish themselves in these areas. To date, there is little evidence of this actually occurring. The sole example of an undergraduate provider re-locating in a de-regulated area, with some branches nationwide, ultimately failed.

6.6 Situations and instances of market failure, and their impact on student participation, retention and achievement

Japan's demographic structure is changing: the birth rate is declining and the population ageing. The number of 18 year olds fell to 1.18 million in 2014, from a post war baby boom peak of 2.49 million in 1966; in 1992 (the second baby boom) the number stood at 2.05 million. The number of 18 year olds is predicted to fall to below one million by 2031.

Inevitably these demographic changes affect the number of college students which are predicted to fall from 650,000 in 2018 to 480,000 in 2031. In turn, there is now an over-supply of higher education places among private providers. In 2014, 40 per cent of private universities had fewer students than they had capacity for which has a direct impact on their income as such institutions are largely, if not entirely, dependent on student fees. The high cost of tertiary education, which is principally met by the student's family, has been cited as one reason for the declining birth rate (OECD, 2011).

The falling number of college students has had several effects. Firstly, there has been increased competition between universities for students. This, it has been argued, has resulted in the entry requirements for university being substantially diluted (Matsutani, 2012). It is possible for universities to exempt students from entrance exams altogether by utilising the Admission Office (AO) track. The AO track grants admission through an interview and the assessment of secondary school achievements, and was originally designed to grant admission to individuals with highly specialised skills. It is also argued that course demands have also been attenuated (Matsutani, 2012).

Secondly, existing universities face closure. For instance, St. Thomas University (Amagasaki, Hyogo Prefecture) closed in in March 2015; Tokyo Jogakkan College (Machida, Tokyo) is due to close in March 2016. Both institutions had 'managed' closure and ceased

recruiting new students long before they actually closed permanently (Kazuyoshi, 2015). In the face of such threats, private universities that are members of the Association of Private Universities of Japan have developed a collective insurance fund, specifically designed to support those who lose their jobs (Prasol, 2010).

Institutional responses to increased competition have included:

- Institutions relocating from suburban areas to cities to increase their appeal to urban-oriented students.
- Universities attempting to capitalise on their regional status, by, for example, partnering with the local community to incorporate social service activities into the curriculum to keep young locals from relocating to cities.
- Universities updating their courses and departments to increase their contemporary relevance, by transforming liberal arts into practical sciences, such as nursing, education or, nutrition, and literature departments into international studies departments.
- There is also a trend developing toward incorporating vocational elements into liberal arts courses, to providing students with the skills sought by employers in areas such as information and communications technology, maths, statistics, management, sales and marketing (Kazuyoshi, 2015).

There is little tradition of mature students featuring in Japanese higher education. Statistics covering university students does not include their age. “Despite the talk of a ‘life-long learning society’, Japan’s universities continue to be populated exclusively by the young – the difference with the situation in western countries, where the proportion of mature students is increasing steadily, is striking” (Ikuo, 2014, p.1).

Japanese higher education as a whole appears to lack a competitive presence in the global higher education market. It attracts few foreign nationals to its educational institutions. There were 184,155 international students in Japan in 2014, of which 90 per cent were from Asia (JESSO, 2015). The higher education system in Japan, it has been argued, has only undergone a partial internationalisation, and ‘Asianisation’. By contrast, countries like China have been far more successful in attracting students from Asia, drawing away Japan’s potential international students. China educates eight per cent of the world’s 4.3 million international students, up from two per cent a decade ago. Not only are degrees offered in English, but also studying in Chinese is more attractive as a means of integrating into the booming Chinese economy, while acquiring Japanese no longer serves this purpose (Clavel, 2014).

The Japanese government has attempted to improve Japan’s higher education global presence and the internationalisation of Japan’s higher education system through its ‘Top Global University Project’. The aim of the project is to promote “international competitiveness of higher education in Japan by providing prioritised support to top universities that engage in world-class education and research and universities that promote internationalisation and reform” (Kazuyoshi, 2015, p.1). Thirteen universities have been identified as ‘world-class’ universities that have the potential to be ranked in the top 100 in world university rankings. These are due to receive ¥4.2 billion in subsidies over the next ten years. Only two are private universities while the remaining 11 are long-established national public universities. There is also a second, lower tier – Type B universities – that will receive up to ¥1.7 billion: half of these 24 universities are private (MEXT, 2014). Regardless of the success of project, one unintended consequence is likely to be a reinforced hierarchy and greater disparities

among universities (Kazuyoshi, 2015). The consequences of the globalisation of higher education constitute a further threat to Japan's private higher education system, along with Japan's declining birth rate.

References

Arimoto, A. (2015). Introduction: The changing academic profession in japan: Its past and present. In A. Arimoto, W. K. Cummings, F. Huang, and J. C. Shin (Eds.), *The changoing academic profession in Japan* (pp. 1–26). London: Springer. http://doi.org/10.1007/978-3-319-09468-7

Asonuma, A., and Urata, H. (2015). Academic fiundign and allocation of research money. In A. Arimoto, W. E. Cummings, F. Huang, and J. C. Shin (Eds.), *The changoing academic profession in Japan* (pp. 57–77). London: Springer.

Clavel, T. (2014). Japan struggles to keep up as China woos international students |. Retrieved February 19, 2016, from http://www.japantimes.co.jp/community/2014/10/26/issues/japan-struggles-keep-china-woos-international-students/#.VscvdWe9SUl

Ikuo, A. (2014). Globalization and Higher Education Reforms in Japan: The Obstacles to Greater International Competitiveness. Retrieved January 28, 2016, from http://www.nippon.com/en/in-depth/a02801/

JESSO. (2015). *International Students in Japan 2014*. Retrieved from http://www.jasso.go.jp/statistics/intl_student/data12_e.html

Kazuyoshi, H. (2015). Universities Struggle to Cope with Shrinking Population and Globalization. Retrieved February 5, 2016, from http://www.nippon.com/en/features/h00095/

Levy, D. C. (1986). *Higher education and the state in Latin America*. London: University of Chicago.

Matsutani, M. (2012, January 10). Student count, knowledge sliding | The Japan Times. *The Japan Times*. Tokyo, Japan. Retrieved from http://www.japantimes.co.jp/news/2012/01/10/reference/student-count-knowledge-sliding/#.VriDqme9SUl

MEXT. (2014). Selection for the FY 2014 Top Global University Project: Press release. Tokyo, Japan: MEXT. Retrieved from http://www.mext.go.jp/b_menu/houdou/26/09/__icsFiles/afieldfile/2014/10/07/1352218_02.pdf

Mizobata, S., and Yoshii, M. (2015). Restructuring of the Higher Educational System in Japan, 25–49. http://doi.org/10.1057/9781137549143_3

OECD. (2011). *OECD Economic Surveys: Japan 2011 - Preliminary version* (Vol. 2011). Paris Cedex 16, France. Retrieved from http://www.oecd-ilibrary.org/economics/oecd-economic-surveys-japan-2011_eco_surveys-jpn-2011-en

Ojala, A., Tanaka, Y., and Turunen, O. (2015). Higher edcuation systems and labour market outcomes in Japan and Finland, 1950-2010. In Y. Tanaka, T. Tamaki, J. Ojala, and J. Eloranta (Eds.), *Comparing post-war Japanese and Finnish economies and scoieties: Longitudoinal perspectives* (pp. 43–70). Abingdon, Oxon.: Routledge.

Prasol, A. F. (2010). *Modern Japan: Origins of the Mind: Japanese Traditions and Approaches to Contemporary Life*. Singapore: World Scientific. Retrieved from https://books.google.com/books?id=vaP0ewRVrzsC&pgis=1

7. CHILE

7.1 Introduction

Chile has one of the largest private higher education sectors in the world.

- In 2013, 84 per cent of all Chilean higher education students attended private institutions (OECD, 2015).
- Only 16 of Chile's 60 universities are public.
- Chile has a further 102 private higher education institutions.
- 17 public institutions were created by an act of Congress, in 2015, but they are not functioning yet (Ministerio de Education, 2015).
- Chile has a gross tertiary enrolment ratio of 89 per cent; with 31 per cent of young people in 2013 expected to graduate with a bachelor level degree (OECD, 2015).
- Public revenue accounts for only 35 per cent of expenditure on higher education: the remainder comes from private sources, mainly in the form of tuition fees from the students and their families (OECD, 2015; OECD, 2009). The private sector is long established but expanded enormously during the 1980s. The sector has been subject to numerous reforms as a result of broader political and social change. The privatisation of public higher education in Chile and the blurring of the boundaries between the public and private sectors is a characteristically Chilean feature in the Latin American context. Chile provides an example of a country not just with a large private sector, but also one that may have been extended to its practical limits, where the increased cost of tuition may have reached the limit of what the public will tolerate.

7.2 History, context and nature of market entry by private providers

7.2.1 Chilean higher education established

The first Chilean university – the Royal University of San Felipe – was founded in 1738 (operational: 1757) and was granted authorisation by the Spanish Crown. In 1842 it became the University of Chile (UCH). UCH was a liberal, and largely secular, institution embodying the political attitudes of Chile's post-colonial administrations[15]. The first rector, Andres Bello, and the first professors were all state appointments. It was "a striking public institution, an integral part of the state apparatus" (Levy, 1986, p.70).

Levy (1986) argues that the subsequent development of Chile's private higher-education sector was a reaction to the state's dominance of education which was often characterised by an anti-clerical agenda. The first private university in Chile – the Pontifical Catholic University of Chile (UC) – was founded in 1888, specifically to provide an alternative to the UCH, and was Latin America's first Catholic University.

Subsequently, only six further universities were founded in Chile up until 1980.

- Only one of these was public – the State Technical University (UTE: 1947)
- Two were Catholic (Valparaiso: 1928; University of the North: 1956)

[15] Chile officially declared independence from Spain in 1818. The powers of the University of Chile were embedded in the 1833 constitution.

- Three were private-secular (Universidad de Concepción: 1919; Universidad Técnica Federico Santa María: 1926; Universidad Austral de Chile: 1954)

The establishment of these universities is indicative of the profound influence of the nation's geography on the development of Chilean higher education. Chile is a long narrow strip of land, and access to Santiago, the capital, has been difficult for most of the population located in outer lying regions. Universities founded before 1980 are known as the 'traditional' universities.

The motivation for the foundation of private-secular universities was not to expand choice for those who already had access to higher education, nor to create alternatives to UCH, but rather to provide versions of UCH in the relatively impoverished provinces. Regionalism was another motivation for the foundation of the private Catholic university of Valparaiso, established in Chile's third city. There is, additionally, a fortuitous element about the existence of private-secular universities. For instance, the University of Concepción (1919) was planned as a public university in Chile's second city, but a lack of public funds meant it could only be established as a private institution.

Historically, the subsidies received by the public universities were gradually extended to include the private universities as well. The University of Concepción, for example, received income from a lottery. Generally, funding was based on previous budget allocations, and distributed on a basis of institutional size, enrolments and the cost of research and postgraduate programmes (Brunner and Briones, 1992; Brunner, 1993). Tuition was generally free, and enrolment determined by national standardised test scores (initially and until 2003 the *Prueba de Aptitud Academicica*, PAA; subsequently the *Prueba de Selección Universitaria* PSU) and secondary school performance (Brunner, 1993). The system had a decidedly undergraduate orientation: only one per cent of all enrolments were postgraduate (Brunner, 1993).

Despite rising demand for university places, demand absorption was not the main reason for the *foundation* of private universities. Demand-led expansion has been met largely by existing universities opening regional annexes, especially UCH (Levy, 1986).

However, changes to the financing of private universities aimed to increase their capacity. The Christian Democratic Party's administration (1964-1970) began to finance private universities. The succeeding socialist/Marxist Unidad Popular government (1970-1973) shouldered the entire burden of university funding irrespective of public-private status.

7.3 Relationships and interactions between private and public providers and the growth of private provision

Table 7.1 shows the massive expansion in higher education enrolments, especially between 1970 and 1980. The number of enrolments increased from 6,283 in 1935 to 24,703 in 1960 and 147,049 in 1975.

Table 7.1: Total enrolments in Chilean higher education 1935 - 1980

Enrolment	Year							
	1935	1945	1955	1960	1965	1970	1975	1980
Total Enrolment	6,283	8,893	19,749	27,703	41,801	76,979	147, 049	118,978*
% of Cohort Group	1.4	1.8	3.5	4.0	5.6	9.2	16.2	10.8

*Echeverria (from Levy, 1986) reports this figure for 1981, Gonzalez (1999) for 1980. These data are not strictly comparable although both authors agree on the 1975 figure (Source: Echeverria from Levy, 1986).

Figure 7.1 shows how the percentage of enrolments in private universities had risen to 37 per cent by 1960, and then remained relatively static over the next two decades.

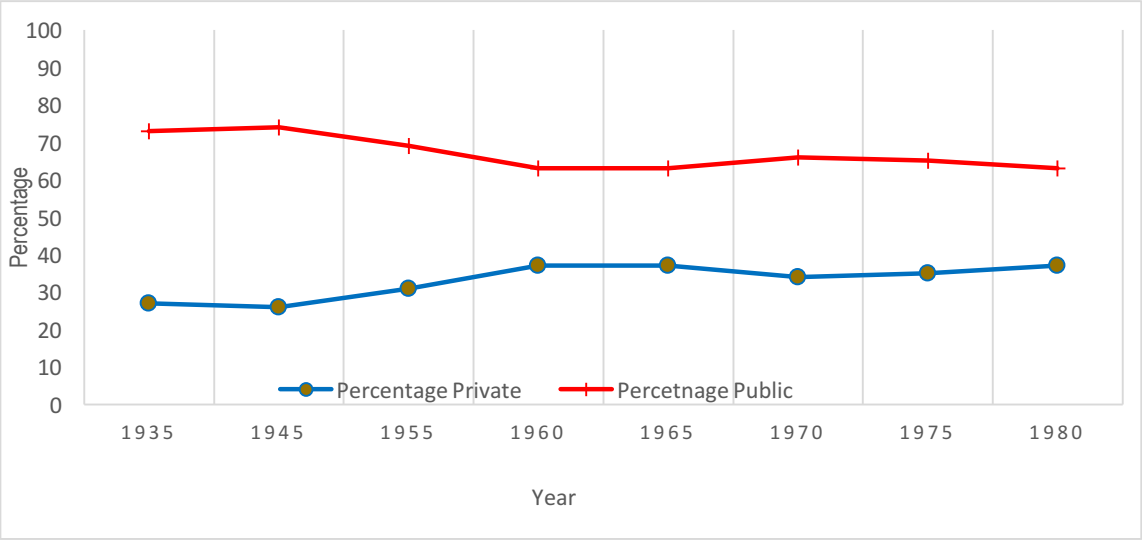

Figure 7.1: Percentage of student enrolments in Chilean higher education by type of institution 1935 - 1980
(Source: Echeverria from Levy 1986)

7.3.1 Chilean higher education restructured

The US-backed coup of 1973 saw the establishment of a military government led by General Augusto Pinochet (1973-1990). Pinochet initiated far-reaching social and economic reforms modelled on the teachings of the 'Chicago School' of economists, and implemented by Chilean graduates of the school, the 'Chicago Boys'. "..(A)ll public and private institutions were judged on a criteria of economic efficiency" (Gonzalez, 1999, p.75). The reforms included:

- market deregulation;
- the privatisation of the countries' pension scheme and health service;
- the elimination of pro-union legislation; and,
- deep cuts to public spending on health, welfare, and education ranging from 15 to 35 per cent between 1974 and 1980, according to varying estimates (Hinshaw and Stearns, 2014; Bernasconi, 2010).

The higher education system was subject to whole scale re-structuring from 1980 onwards, through the enactment of a new law – Decreto Ley 1980, 3.541[16]. These neoliberal inspired reforms aimed to:

- increase efficiency by making institutions more responsive to market demand;
- reduce public expenditure through cost-sharing policies including transferring a significant portion of the costs to students and the private sector; and,

[16] Additional associated legislation: Decretos con Fuerza de Ley nos. 1, 2 and 3 of 1980; Decretos con Fuerza de Ley nos. 4, 5, 22 and 24 of 1981 (Brunner, 1993b).

- increase quality by linking public subsidies to quality assessment mechanisms (OECD, 2008).

These reforms sought to create a more differentiated and diverse higher education system, and expand enrolments (Bernasconi, 2004). Differentiation was achieved by establishing a three tier higher educational system which still exists today (Gonzalez, 1999). The three tiers are:

- research universities (a total of 60 in 2014)
- professional institutes (IP) (a total of 44 in 2014)
- vocational centres (CFT) (a total of 58 in 2014) (OECD, 2015)

The research universities included the traditional and newly established universities: the former are state subsidised, the latter entirely independently funded. The professional institutes provided four-year professional programmes, the vocational centre courses two-year vocational programs (Gonzalez, 1999).

A further distinction in Chilean higher education is between the traditional and new universities. The traditional universities are grouped in the Consejo de Rectores (Rectors' Council), known by the quasi acronym CRUCH. CRUCH represents 25 of the 162 tertiary institutions in Chile, which together enrolled 301,336 students in 2014, compared with the 843,269 students enrolled in non-CRUCH institutions.

Since the 1970s, the CRUCH traditional universities have managed a common higher education admissions test known as the *Prueba de Aptitud Académica* ('scholastic-aptitude test') and, since 2003, the *Prueba de Selección Universitaria* (PSU, 'university-selection test'). These tests are still taken today by those students wanting to enter the selective traditional universities. However, some of the more academically accomplished and/or ambitious new private universities, dating from the 1980s that were chiefly set up by political groupings such as Catholic sects or entrepreneurs, use PSU for all their undergraduate admissions. By contrast, the new private universities were free to remove any barrier to entry save the resources required to pay the institutions' fees (Brunner, 1993a).

Levy (1986) considers the distinction between public and private universities in Chile as largely symbolic, rather than having any profound academic or financial dimension. Furthermore, Chile does not systematically collect information at national level on either completion rates or the average length of completed courses in individual universities (OECD, 2009). Consequently, comparisons at the institutional level are difficult. However, there are certain contrasts that can be made between public and private providers.

The 1980 reforms proposed that any further expansion of enrolment would be accommodated by private institutions, and that the remaining public funding would be distributed on a competitive basis. The law also made it easier for new private universities to be established. New entrants were no longer required to be authorised by a specific piece of legislation, a process that was both stringent and protracted (Gonzalez, 1999; Cox, 1996). The licencing system applied to new universities has been variously described as "very lax" (Bernasconi, 2003, p.18) "minimal" (Brunner, 1993, p. 72) and "permissive" (González and Pedraja, 2015, p.4).

In 1980, new universities were created to increase enrolments:

- 16 new private local universities were established – one in each province and four in Santiago, and

- two state universities were divested of their local branches, which were then merged, creating 12 new state universities and two professional institutes.

However, only three new private universities were created after the initial reforms between 1980 and 1987 because of the tight political control of the higher education system. By 1990, 35 universities were founded once all the restrictions on new entrants were lifted (Cox, 1996).

An OECD review in 2009 identified several key areas where public universities were subject to greater regulatory constraint than private institutions, these include:

- Being subject to government financial control rules – ex ante and audits
- Limited flexibility to establish salaries
- Limitations on hiring and dismissing faculty
- Cannot take long term commercial loans (OECD, 2009)

The result of these discrepancies is that public universities are at a competitive disadvantage:

> "although public universities receive the majority share of their funding from private sources, they must follow civil service regulations while the CRUCH private universities, which receive a significant part of their income from public sources, are not constrained by the same regulations, even in terms of financial control for the public portion of their resources" (OECD, 2009, p.256)

The years since the restructuring of Chile's society and economy has seen Chilean tertiary education expand, and the expansion accommodated by the private sector.

The expansion of the private sector from 1983 to 2014 can be seen in Table 7.2 which presents the raw numbers enrolled by institution type, and Figure 7.2, which presents the data as percentages of the total student population.

Table 7.2: Total undergraduate enrolment by institution type 1983 - 2014

Institution	Year						
	1983	1990	1995	2000	2005	2010	2014
CFT	39,702	77,774	72,735	52,643	63,176	128,566	147,982
IP	16,914	40,006	40,980	80,593	114,546	224,301	351,184
Cruch	105,341	108,272	154,986	201,262	232,477	281,686	301,336
Private	2,708	19,509	69,004	101,386	184,828	303,785	344,103
Academia	8,330	-	-	-	-	-	-
Total	172,995	245,561	337,705	435,884	595,027	938,338	1,144,605

(Source: Ministerio de Education, 2015)

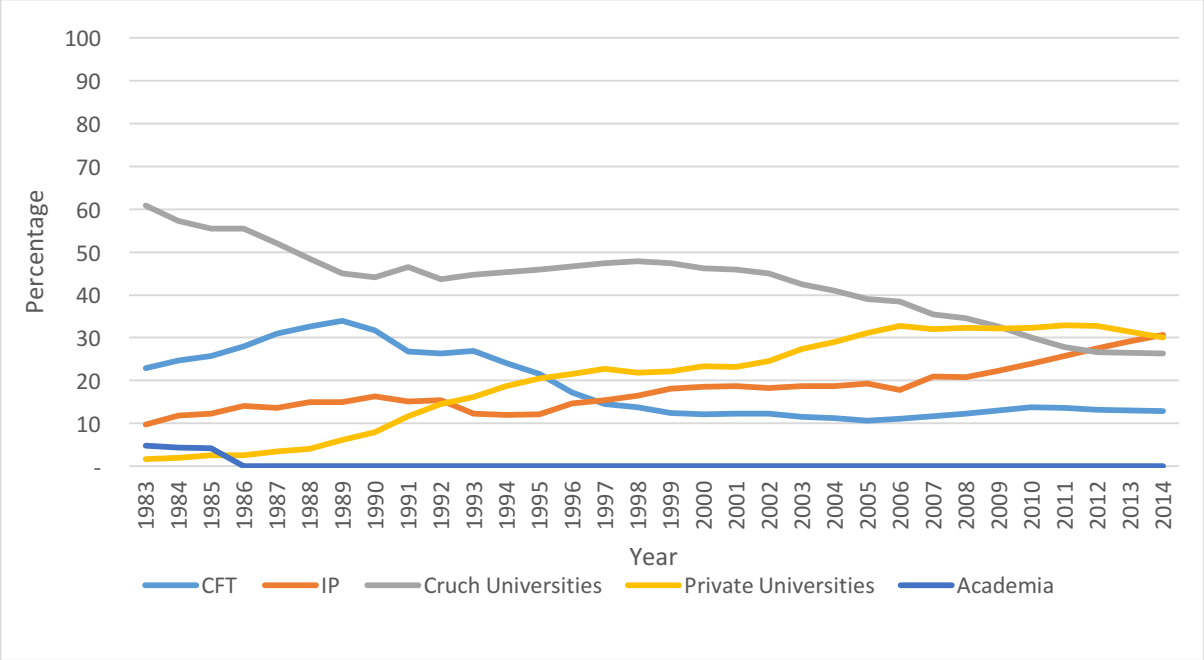

Figure 7.2 Percentage of undergraduate enrolment by type of institution 1983 - 2014
(source: Ministerio de Education, 2015)

The expansion of the HE sector has meant that by 2014, 90 per cent of institutions of higher learning were private, and 84 per cent of enrolments were at private institutions (OECD, 2015), compared with just 34 per cent in 1975 (Bernasconi, 2005). The effect of the expansion of the private sector has been to increase the proportion of young adults with tertiary qualifications. The percentage of 25-35 years old with a tertiary qualification stood at 41 per cent in 2011, two percentage points above the OECD average (OECD, 2011; Eurostat, 2014).

7.4 Patterns of course provision and student participation in the private sector

Fundamentally the private sector constitutes the higher education sector in Chile and so draws on students with diverse academic abilities and from wide-ranging socio-economic backgrounds. However, private universities are more likely to be populated by students from lower socio-economic backgrounds when compared to the well-established public universities.

The new privately funded universities are often charged with being low quality diploma mills (González and Pedraja, 2015). However, no data are readily available on drop-out and completion rates or the labour market outcomes differentiated by graduates of private and public higher education institutions.

7.5 Role of governments and regulatory authorities

7.5.1 Accreditation

Institutional accreditation is linked to participation in the government's accreditation process, which supports quality assurance in the tertiary education system. The *Consejo Superior de*

Education, established in 1990, oversees and regulates Chile's private and public higher education system. The accreditation scheme applied to new institutions involved three stages:

- obtaining a licence, at which point a new institution could begin its activities;
- assessment over at least six years, which involved annual progress reviews on particular elements of provision and comprehensive reviews every two to three years, involving peer review, audits, examinations, and self-evaluation based on 12 criteria[17];
- judgement based on the institution fulfilling its planned objectives. The outcomes can be as follows: the institution can be granted full autonomy; the period of assessment can be extended; or the institution is disestablished and closed.

A key aspect of the accreditation system is the number of years of accreditation awarded: this indicates the quality of the institution, and hence constitutes a form of national ranking. So Universidad de Chile and Universidad Católica have seven years, a further five institutions have six years (forming a second layer of prestige) etc.

The system of accreditation has some limitations and deficiencies.

- There is no statute that defines the obligation of either the state or the institutions to provide information;
- the accreditation process is slow;
- the consequences of a negative evaluation and non-accreditation remain nebulous (Brunner, 2007).

Brunner (2007, p.22) states: "in general, public authorities appear helpless when faced with serious incidents that cheat consumers; or with abusive publicity from institutions or with institutional strategies that are in conflict with the market's code of good conduct."

More recently, corrupt practices have been identified among individuals involved with the National Commission of Accreditation. The deputy president, two former rectors of private universities, and the universities' owner have been charged with bribery, money laundering, and taking kick-backs. The Chilean Comptroller's Office audit report on the National Commission of Accreditation cited a lack of control procedures and assessment plans and a conflict of interests, amounting to failure to comply with the law on Quality Assurance of Higher Education (No. 20197) (Olivares, 2013).

7.5.2 Funding

State universities, since 1980, have been only partially subsidised by the state. They have had to finance approximately 50 per cent of their budget. The additional revenue was derived principally from the introduction of tuition fees, contract research funding, and competitive peer reviewed research grants, sourced from the newly established, publicly funded, national Research Fund. In addition, but less significantly, funds were available indirectly (*aporte fiscal indirecto* ADI) from the 'best student formula'. These payments were

[17] "The Criteria cover 12 domains or ambits of evaluation: (1) Institutional integrity (clear-complete information to the public); 2) Institutional mission and goals; (3) Institutional administration, governance and self-regulation; (4) Students' progression and achievement; (5) Student facilities; (6) Faculty: the process of teaching; (7) Degree programmes; (8) Research and artistic creation; (9) Community services; (10) Teaching resources; (11) Financial administration and resources; (12) Physical infrastructure and Facilities" (Cox, 1996, p. 38).

based on the proportion of the 20,000 (raised to 27,500) best SATs/PSU performing students each institution was able to recruit each year.

The newly founded private institutions were initially entirely reliant on revenue from tuition fees. In 1989, however, they became eligible to compete for one form of *aporte fiscal indirecto,* the funding associated with subsidised students. Private providers are locked into a highly visible competition for students. Commercials and billboards advertising educational institutions are prevalent across Chile, embroidering the fabric of Chilean society.

Several private establishments have closed down because they were unable to recruit a sufficient number of students: for instance, Autónoma Indoamericana (1994), Real (1996), Santa Cruz de Triana (1996), Contemporánea (1996), Mariscal Sucrem (1998), and de Temuco (1999). Others were sold, such as the universities of Las Condes (1998) and Educadores (1999) (Teixeira and Amaral, 2001). Chile, in 2014, had 60 universities, 44 of which were private. It also had 44 professional institutes 58 centres of technical training (Centros de Formación Técnica) – all of which are private.

The non-university higher educational sector can be run for profit but all Chilean universities are prohibited by law from making profits. However, this stricture appears to be ineffectual. Bernasconi states:

> "this rule is shunned by many, possibly the majority of private universities in the country [who] resorted to clever triangulation with companies owned by the proprietors of the university—to make earnings available to the founders or owners of the university" (Bernasconi, 2013 p.8).

Similarly, González and Pedraja argue that "many of these new private universities distribute funds to investors or supporters by means of large payments for space, equipment or services or giving well-compensated administrative positions and consultancy jobs" (González and Pedraja, 2015, p.4).

Government-funded student loans (*Fondo Solidario de Crédito Universitario* FSCU), administered by the Ministry of Education (Lozano-Rojas, 2012) were originally only available to students at CRUCH universities and only if the students met both the academic and financial eligibility criteria. Universities were responsible for collecting the loan repayments and for absorbing debt defaults. FSCU repayments declined from 63.3 per cent in 2000 to 45.8 per cent by 2005 (OECD, 2009).

In 2005, student loans (*Crédito con Garantía Estatal* CAE) were made available to all university students. These loans were financed through a joint state-commercial venture that enabled the government to leverage private capital. In the first two years, the government contributed US $28 million and loans worth US $200 million were made. 64 per cent of the recipients were students from the poorest two quintiles. Some argue that making universities responsible for guaranteeing these loans and absorbing any defaults has helped low-income students access credit without the need of a guarantor, unlike student loan schemes in many other countries (OECD, 2009).

7.5.3 Governance

The Pinochet regime made profound changes to universities' system of governance. Universities had enjoyed considerable autonomy. They were entitled to establish departments and courses, and held degree awarding powers. However, in 1973 their powers were removed and control vested in the government through government-appointed military rectors. Staff and student groups were prohibited while universities were subject to a

'purification' process (Brunner, 1993b; Bernasconi, 2007). Bernasconi summarises the situation:

> "entire fields [of study], like sociology, political science, anthropology, and political economy were practically wiped out from the university. Institutional autonomy, freedom of speech, academic freedom, and pluralism disappeared; the structural and governance reforms of the late sixties were abolished, and the university was put under permanent surveillance" (Bernasconi, 2005, p.15).

University staff were also stripped of their civil servant status. This allowed the introduction of differential pay awards for academics across organisations and competition for staff between institutions.

The public governance of higher education in Chile is the responsibility of the higher education division of the Ministry of Education and at least five other government institutions. The ministry's responsibilities include identifying and evaluating policies and standards; distributing resources; overseeing compliance; and granting official recognition to candidate institutions.

There are three distinct types of governance: one that applies to state universities, another to private universities belonging to CRUCH and a third to other private universities, professional institutes and technical schooling centres. This system has been in place for decades (Olivares, 2012).

7.6 Situations and instances of market failure, and their impact on student participation, retention and achievement

The system of higher education constructed during the years of military rule has proved resilient and has become effectively institutionalised. There have been no major structural reforms since then (González, 2013; González and Pedraja, 2015).

The established publically funded universities have managed to retain their academic pre-eminence despite the expansion of the higher education system. The new privately funded universities are often charged with being low quality diploma mills (González and Pedraja, 2015).

> "Privatisation, because it was associated with lax government authority, has reinforced the prestige of previous existing institutions, which became the elite sector. This had the effect of relegating most of the new private sector to an inferior second-rate category" (Teixeira and Amaral, 2001, p.378).

This distinction between the traditional and new universities stems from perceptions concerning the quality of their academic work, and more substantive assessments of differences in the quality of their research facilities and activities, and the qualifications of their staff (Teixeira and Amaral, 2001).

The cost of attending a university does not necessarily reflect its quality. Tertiary education in Chile ranks as one of the most expensive in the world. Private spending on higher education is more than three times greater than public spending, effectively an inversion of the relationship found in many other OECD countries. Two thirds of the private spending is derived directly from students' families. Annually this amounted to 30 per cent of the country's per capita income in 2009, which was three times greater than the level in the

USA, while the proportion of Chilean students in receipt of scholarships was less than 14 per cent compared with 51 per cent in the US (González and Pedraja, 2015).

Assessing the current situation in Chile, Gonzales and Pedraja state: “Higher education in Chile is not only among the most expensive in the world in relation to income but also among the most socially segregated” (Gonzales and Pedraja, 2015, p.5).

Several studies have found that the higher education reforms have benefited those in the higher income bracket the most, strengthening the existing socio-economic stratification (Espinoza, 2007; Nunez and Miranda, 2010; Núñez and Miranda, 2007; Torche, 2005; Torche and Wormald, 2007). The 1980 reforms aimed at enhancing equality of access have been a partial failure (Teixeira and Amaral, 2001).

Explanations for the persistence of inequality of access vary and include:

- the impact of social class (Sapelli, 2009);
- the cost of tuition and associated loans (Espinoza, 2007; Torche, 2005); and,
- the inequalities fostered by the secondary education system (Matear, 2006; Leer, 2011).

Matear argues:

> “one of the most perverse outcomes of the Chilean education reforms is that those students educated in private schools are best placed to compete for places in the highly selective public universities, while students educated in the state-funded schools are least able to do so” (Matear, 2006 p.19).

The difficulties financially disadvantaged students face in gaining access to higher education are twofold: the academic selectively of the traditional universities, and the often prohibitive level of tuition fees charged by newer establishments (Teixeira and Amaral, 2001).

The high cost of tuition fees has been cited as a reason for the 40 per cent drop-out rate from Chilean universities (Andre, 2012).

Evidence suggests that discontent with the state of Chilean education, both secondary and tertiary, led to high school protests in 2006 (the “Penguin Revolution”, on account of the colours of the school uniforms) and protests involving high school and tertiary students in 2011. Commenting on this social unrest Bernasconi has said:

> “Its support has extended way beyond the most politically active students, who had typically led and galvanized their peers, involving at its peak a majority of public opinion. The transformations the movement seeks to leverage are not just changes in education but in the ‘model’ of development Chile has been enacting for the past 30 years” (Bernasconi, 2012, p.2).

The specific objectives of the protests associated with higher education were, and continue to be:

- an end to tuition fees;
- increased public funding;
- improvements in quality standards; and
- the elimination of profiteering within higher education (Rowling and Clark, 2012).

Gonzales and Pedraja (2015) contend that the practical limits of privatisation of higher education have been reached in Chile, and that the increased cost of tuition has reached the limit of what the public will tolerate.

The current Bachelet government (2014 onwards) is committed to educational reform, specifically in response to the protests and public sentiment. Pre-election pledges were made to institute free universal undergraduate education and to date this has only been extended to the poorest 50 per cent of families. This demographic are, however, the least likely to achieve the necessary level of academic attainment to participate in higher education. Consequently, the numbers actually taking advantage of the opportunity are likely to be relatively low, constituting only about 17 per cent of the student population of 1.2 million. This reform alone is unlikely to have any profound effect on the ratio of private to public financing of higher education (Morgan, 2016).

The role of the private sector may alter in the future and indeed the higher education sector is showing some signs of a return to a public system. Some 17 new public HE institutions have been founded and are due to become operational soon. However, any announced state re-orientation towards a public higher educational system maybe more apparent than real.

Guzman (2016 - personal communication) characterises the present legalarive situation in Chile in the following manor. The Chilean Government, through the new proposed law on higher education currently being considered by the Chilean Parliament, is intending to: continue with financial support for the private sector; offer no uplift in its provision for the public system; retain the current imbalance between the state and private sector; regulate, and to limit the autonomy of, the state sector in a way never done before (e.g. by appointing four Government members of a new board overseeing the state sector). Guzman (2016) concludes that it is difficult to envisage signs of any return to a public system.

References

Andre, R. (2012). Higher Education in Chile. Retrieved April 27, 2016, from http://www.americasquarterly.org/Higher-Education-in-Chile-0

Bernasconi, A. (2004). *EXTERNAL AFFILIATIONS AND DIVERSITY: Chile's Private Universities in International Perspective*. Albany, New York. Retrieved from http://www.albany.edu/dept/eaps/prophe

Bernasconi, A. (2005). Are there research universities in Chile. *"Flagships": Research Universities in Developing and Middle-Income Countries: Boston College, June 24–25*. Boston. Retrieved from https://books.google.com/books?hl=en&lr=&id=ErUrSQylAWEC&pgis=1

Bernasconi, A. (2010). Chile's Dominant Private Higher Education. *ASHE Higher Education Report*, *36*(3), 23–35. Retrieved from http://eric.ed.gov/?id=EJ896397

Bernasconi, A. (2012). Chile: The Rise and Decline of a Student Movement. *International Higher Education*, (66), 27–29. Retrieved from https://ejournals.bc.edu/ojs/index.php/ihe/article/view/8596

Brunner, J. J. (1993a). Chile's higher education: between market and state. *Higher Education*, *25*(1), 35–43. http://doi.org/10.1007/BF01384040

Brunner, J. J. (1993b). Higher Education in Chile from 1980 to 1990. *European Journal of Education*, *28*(1), 71–84. Retrieved from http://www.jstor.org/stable/1503822?seq=1#page_scan_tab_contents

Brunner, J. J. (2007). *Chile's Higher Education System: a comparative political economy focus*. Retrieved from http://200.6.99.248/~bru487cl/files/HE_Chile_021107.pdf

Brunner, J. J., and Briones, G. (1992). Higher Education in Chile: Effects of the 1980 Reform. In L. Wolff and D. Albrecht (Eds.), *Higher Education Reform in Chile, Brazil and Venezuela*. Washington, D.C.: The World Bank.

Espinoza, O. (2007). Creating (in) equalities in access to higher education in the context of structural adjustment and post-adjustment policies: the case of chile. *Higher Education*, *55*(3), 269–284. http://doi.org/10.1007/s10734-007-9054-8

Eurostat. (2014). Chile-EU - statistics on education -. Retrieved February 17, 2016, from http://ec.europa.eu/eurostat/statistics-explained/index.php/Chile-EU_-_statistics_on_education

González, C. (2013). Higher education: A canary in a privatisation coalmine. Retrieved February 15, 2016, from http://www.universityworldnews.com/article.php?story=20131105161210333

González, C., and Pedraja, L. (2015). *The Chilean Higher Education Experiment and Its Discontents*. Berkely, California. Retrieved from https://www.timeshighereducation.com/features/how-to-balance-public-and-private-contributions-to-higher-education

Gonzalez, L. E. (1999). Accreditation of Higher Education in Chile and Latin America. In P. G. Altbach (Ed.), *Private Prometheus: Private higher Education and development in the 21st Century* (pp. 65–84). Westposrt, CT.: Greenwood Press.

Guzman, C. (2016). Personal communication.

Hinshaw, J., and Stearns, P. N. (2014). *Industrialization in the Modern World: From the Industrial Revolution to the Internet [2 volumes]: From the Industrial Revolution to the*

Internet (Vol. 2). Santa Barbara: ABC-CLIO. Retrieved from https://books.google.com/books?id=twxIAgAAQBAJ&pgis=1

Levy, D. C. (1986). *Higher education and the state in Latin America*. London: University of Chicago.

Lozano-Rojas, F. A. (2012). Human Capital Contracts in Chile: An exercise based on income data on Chilean HE graduates. *Latin American Journal of Economics*, *49*(2), 185–245. http://doi.org/10.7764/LAJE.49.2.185

Matear, A. (2006). Barriers to Equitable Access: Higher Education Policy and Practice in Chile Since 1990. *Higher Education Policy*, *19*(1), 31–49. http://doi.org/10.1057/palgrave.hep.8300114

Ministerio de Education. (2015). Compendio Histórico de Educación Superior. Retrieved April 27, 2016, from http://www.mifuturo.cl/index.php/estudios/estructura-compendio

Morgan, J. (2016, February). A delicate balance. *Times Higher Education*, 14–39. Retrieved from https://www.timeshighereducation.com/features/how-to-balance-public-and-private-contributions-to-higher-education

Nunez, J. I., and Miranda, L. (2010). Intergenerational Income Mobility in a Less-Developed, High-Inequality Context: The Case of Chile. *The B.E. Journal of Economic Analysis & Policy*, *10*(1). http://doi.org/10.2202/1935-1682.2339

Núñez, J., and Miranda, L. (2007). *Recent Findings on Intergenerational Income and Educational Mobility in Chile* (Working Papers No. 244). *Development*. Santiago, Chile: Retrieved from http://www.econ.uchile.cl/uploads/publicacion/75504e79-7bfc-4da9-9843-b4c3b8476f30.pdf

OECD. (2008). *Reviews of National Policies for Education: Chile 2007*. Paris. Retrieved from UL http://www.oecd-ilibrary.org/content/book/9789264041004-en

OECD. (2009). *Tertiary Education in Chile*. *Education*. Paris. Retrieved from http://www.sourceoecd.org/9789264050891

OECD. (2013). *Education at a Glance 2013: Chile*. Paris. Retrieved from http://www.oecd.org/edu/Chile_EAG2013 Country Note.pdf

OECD. (2015). *Education at a glance*. Paris Cedex 16, France.

Olivares, C. (2012). Chile faces urgent need for governance reform - University World News. Retrieved February 18, 2016, from http://www.universityworldnews.com/article.php?story=20121128232113245

Olivares, C. (2013). Urgent need to strengthen university accreditation - University World News. Retrieved February 17, 2016, from http://www.universityworldnews.com/article.php?story=20130130144106843&query=urgent

Rowling, K., and Clark, N. (2012). Higher Education in Chile. *Americas Quarterly*. Retrieved from http://www.americasquarterly.org/Higher-Education-in-Chile-0

Sapelli., C. (2009). *The Evolution of the Intergenerational Mobility of Education in Chile by Cohorts: Facts and Possible Causes* (PUC No. 384). *Documentos de Trabajo*. Santiago, Chile: Instituto de Economia. Pontificia Universidad Católica de Chile. Retrieved from http://ideas.repec.org/p/ioe/doctra/348.html

Teixeira, P., and Amaral, A. (2001). Private Higher Education and Diversity: An Exploratory Survey. *Higher Education Quarterly*, *55*(4), 359–395. http://doi.org/10.1111/1468-

2273.00194

Torche, F. (2005). Privatization Reform and Inequality of Educational Opportunity: The Case of Chile. *Sociology of Education*, *78*(4), 316–343. http://doi.org/10.1177/003804070507800403

Torche, F., and Wormald, G. (2007). *Estratificación y movilidad social en Chile: entre la adscripción y el logro*. Santiago, Chile: CEPAL and Naciones Unidas.