

Private Providers in HE: a UK Perspective

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Outline

- **Parameters of the ‘private sector’**
- **The UK picture**
- **Some comparisons with the US**
- **Policy questions**

Parameters...

- Growth (& shift) to private sector is global, but regional variation & 'ups & downs' (Levy et al, 2010)
- US, Japan, Korea, Indonesia – large private sectors
- Western Europe – mainly publicly-funded
- Not-for-profit predominates, but for-profit growth fast in US
- In US, where federal grants are available to students = profitable business
- OECD data – show growth of 'Tertiary B' private HEIs (technical & occupationally-specific)

(Levy, 2009; CHEMS 2010)

PROPHE Data – 2010

	Private % of total HE enrolment	Year	Private % of total HEIs
Germany	4.9%	2008/9	34.3%
Bulgaria	17.6%	2008/9	30.2%
China	19.9%	2008/9	28.3%
Mexico	33.4%	2007/8	72.7%
Thailand	9.9%	2007/8	47%
Pakistan	23.8%	2007/8	46%
Japan	77.4%	2007/8	89.6%

Privatization...

- Private institutions
- Privatization as cost (and benefit) - sharing (PPPs)
- Privatization of services at public HEIs
- Diversification of revenue sources
- Corporatization of universities
- Publicly-financed or supported privatization
- Private & publicly-funded students
- Private finance in public HEIs

(IHEP, 2009; Teixeira & Amaral, 2001, CHEMS, 2010)

Typologies of 'private providers'

- V heterogeneous; not a 'sector'
- Differences in roles, mission, ownership, governance & management, use of funds
- Elite/semi-elite, religious/cultural, non-elite/demand-absorbing
- For-profit (enterprise, venture, shareholder)
- Public-private partnerships
- Blurring of boundaries: NFP, FP, Public, Self-financing...

Classification by function (UK study)

- **Focus on ‘content providers’**
- **Offering:**
 - own (UK) degree
 - own non-UK degree
 - own award jointly with UK HEI
 - accredited to offer an HEI’s award (UK or overseas)
 - certificated module within HEI programme
 - partnering UK HEI in on-line delivery

UK Study

- UUK commissioned, policy-focused, 8 months study (2009-10)
- Survey of UK (publicly-funded) HEIs – 181
 - 71 responses (39%) + 14 interviews
- Interviews with policy agencies – 34
- Mixed participation workshop, steering group
- Desk research + OBHE, 2 US-based experts

Main findings (1)

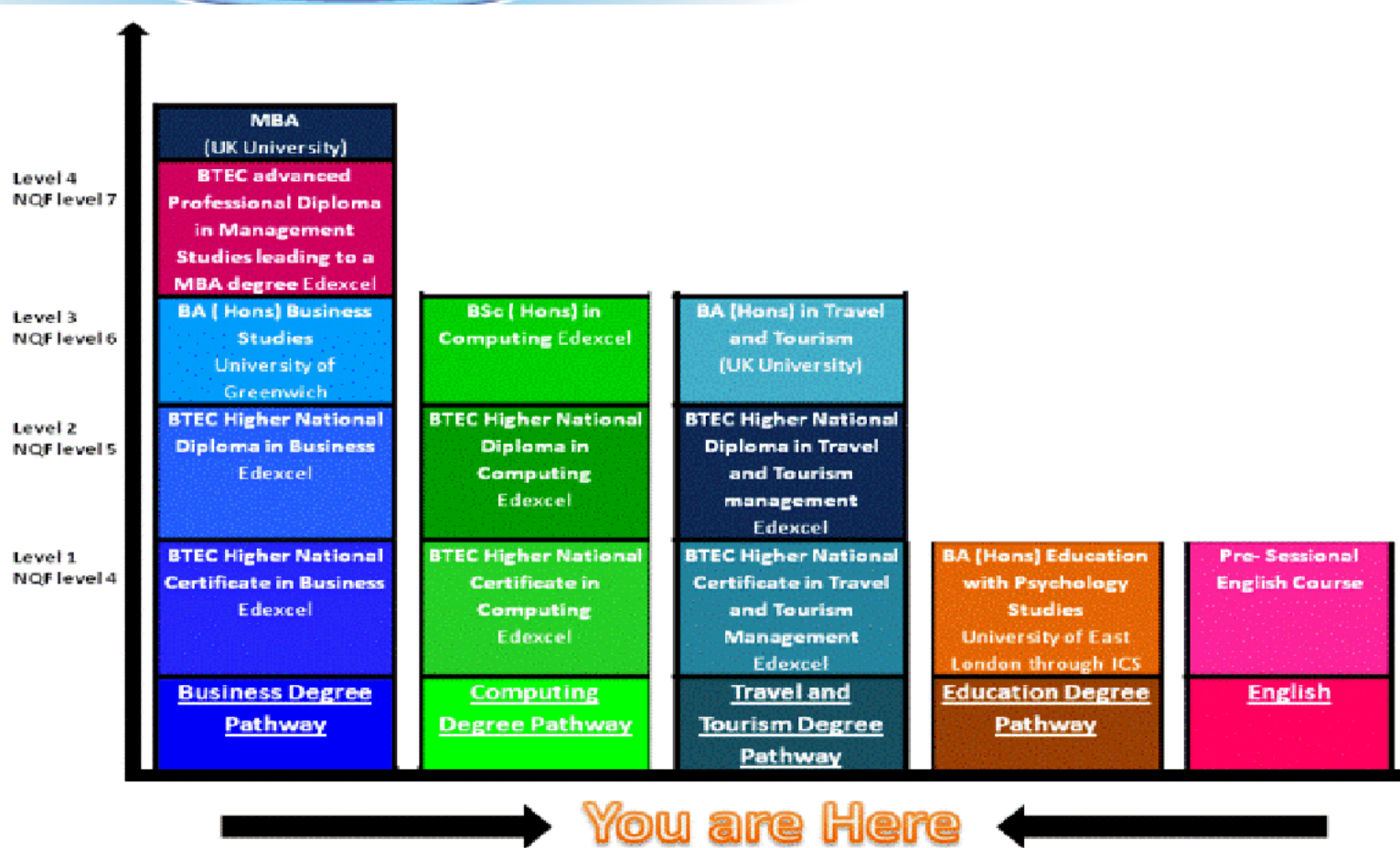
- Heterogeneous sector
- Own DAPs – for-profit & non-profit (5)
- Foreign universities (50-70)
- Private colleges with degrees validated by UK HEIs & some accredited overseas (most common)
- Certificated modules (common)
- Some partnerships for on-line
- PPPs ('pathways to degrees') – 5 companies & 33 HEI partnerships

Main findings (2)

- Size & scale unclear – lack of data
- 177 BAC-accredited colleges – 25,880 students, mainly international (c/f 165 universities – 2.3m students)
- Mainly small 1-2,000 students; largest – 5,000
- Similar patterns in other parts of Europe
- Those with UK DAPs + professional & business subjects – attract UK/EU students (same in the Netherlands)
- Colleges: lower tuition fees for international students than validating HEI; fast routes to qualifications

Foundation Course Providers

- 5 companies serving 33 HEIs at present
- 4 are for-profit, three are foreign-owned
- Rapid growth in last 10 years
- Offer recruitment and Foundation, English, pre-Masters programmes
- UC Union strong opposition, but providers claim they have created many new jobs
- Terms vary from a contract to a risk-sharing partnership



Other Universities & Colleges

Greenwich School of Management

	Academic Year	Cost	Academic Year	Cost
Oct	1st	£3,225	1st	£4,100
Feb				
June			2nd	
Oct	2nd	£3,225		£4,100
Feb			3rd	
June				
Oct	3rd	£3,225	Total Fees	£8,200
Feb			Earnings	£24,500*
	Total Fees	£9,675		

Academic Issues

- Narrow & **vocational curricula**, close to industries
- Mainly **international students**, some EU & domestic
- F2F & online
- **Small classes**, self-directed & active learning, practical knowledge & **employment-related skills**
- Role of tutors: **teaching, exam prep & student guidance**
- Multiple accreditations

Policy & Regulation

- **Globally, regulation for publicly-funded & private sectors is:**
 - Separate, combined, or non-existent (eg Denmark, private HEIs are banned)
- **Purposes of regulation:**
 - Ensure quality & equity
 - Prevent fraud, consumer protection
 - Protect reputation (HEI, national)
 - Monitor financial results to adjust incentives/taxation
 - Collect & disseminate reliable information (for public policy, for decision-making)

7 Elements of Regulation

Elements of regulation

- Operating conditions
- Formal policy statements
- Procedures for new HEIs, awards
- QA framework
- Policy on support & incentives
- Access to grants, services
- Provision of information

UK position

- Some terms protected
- No formal statements – differences across UK
- Various laws
- For publicly-funded & degree-granting (+ UK BA...)
- No formal policy
- Varies, but limited
- No national data, information

US picture

• Public Institutions	594
• Private NFP	1,127
• Private FP	
– Enterprise (family-owned)	41
– Venture (private co. owned)	31
– Shareholder (public co. owned)	112
	<u>184</u>
• Total	<u>1,905</u>

Critics (US)

- **FP Providers are making excessive profits**
- **Business model relies on access to student aid from govt.**
- **Default rate on loans high in this sector (21% c/f 6.5% for whole of private sector)**
- **Completion rates problematic**
- **State sector could supply better quality of education if funded to do so**

Policy Questions - UK

- ***Demand absorbing or widening choice?***
 - May become demand absorbing
 - Student choice widened mainly through flexibility of provision
- ***Are PPs 'free-wheeling' & is playing field level?***
 - Variable or no access to public resources, different QA system for DAPs, lack of public info & data, unfair treatment by UKBA?
- ***Is the FP/NFP distinction significant?***
 - Significant with regard to use of surpluses

Policy Questions - UK

- ***Does the absence of research matter for credibility?***
 - Research-teaching nexus not uniform across sector & may come under further pressures; some PPs do niche research; important as matter of public information; & research skills needed for degree-level education
- ***Are regulatory changes needed + what models?***
 - Regulation is needed to outline obligations and benefits as part of contribution to national HE system
 - Equitable treatment + similar accreditation/QA system for all?

Questions for governments

- **How to balance high demand with limited resources & shifting demographic trends?**
- **Purposes & forms of regulation?**
- **Appropriate mix of public & private (students, HEIs, funding, services)?**
- **Role of private sector in widening & extending access & enhancing employability?**
- **For-profit or not-for-profit?**