Private Providers in HE: 
a UK Perspective

Professor Robin Middlehurst
Kingston University and Leadership Foundation
Outline

- Parameters of the ‘private sector’
- The UK picture
- Some comparisons with the US
- Policy questions
• 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)
<table>
<thead>
<tr>
<th>Country</th>
<th>Private % of total HE enrolment</th>
<th>Year</th>
<th>Private % of total HEIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>4.9%</td>
<td>2008/9</td>
<td>34.3%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>17.6%</td>
<td>2008/9</td>
<td>30.2%</td>
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<tr>
<td>China</td>
<td>19.9%</td>
<td>2008/9</td>
<td>28.3%</td>
</tr>
<tr>
<td>Mexico</td>
<td>33.4%</td>
<td>2007/8</td>
<td>72.7%</td>
</tr>
<tr>
<td>Thailand</td>
<td>9.9%</td>
<td>2007/8</td>
<td>47%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>23.8%</td>
<td>2007/8</td>
<td>46%</td>
</tr>
<tr>
<td>Japan</td>
<td>77.4%</td>
<td>2007/8</td>
<td>89.6%</td>
</tr>
</tbody>
</table>
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

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…

(Bjarnason et al, 2009; CHEMS 2010)
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

(Fielden, Middlehurst & Woodfield, 2010)
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
<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Cost</th>
<th>Academic Year</th>
<th>Cost</th>
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<tr>
<td>Oct 1st</td>
<td>£3,225</td>
<td>1st</td>
<td>£4,100</td>
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<tr>
<td>Feb</td>
<td></td>
<td>2nd</td>
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<td>June</td>
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<tr>
<td>Oct 2nd</td>
<td>£3,225</td>
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<td>£4,100</td>
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<td>Feb</td>
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<td>June</td>
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</tr>
<tr>
<td>Oct 3rd</td>
<td>£3,225</td>
<td>Total Fees Earnings</td>
<td>£8,200</td>
</tr>
<tr>
<td>Feb</td>
<td></td>
<td></td>
<td>£24,500*</td>
</tr>
</tbody>
</table>

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)
## 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
- Total 1,905

(Kinser, 2006)
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?