Restructuring Higher Education : Public-Private Partnership

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Introduction

The restructuring of higher education is occurring in many countries in the Asia-Pacific region with increasing marketization of higher education. Although private higher education has been a long tradition in countries such as Japan, S.Korea, Indonesia and the Philippines, it is a relatively new phenomenon in countries such as Malaysia, Vietnam, China and other post communist countries in Central Asia. The paper begins by examining the global trend of restructuring higher education in terms of the financing and management of higher education. It analyses some of the forces driving these worldwide reforms and the various forms of restructuring that have been taking place in the region. Using illustrations from different countries, the paper shows how neo-liberal ideology in the 1990s has resulted in the privatization of higher education and the corporatization of public universities to meet excess demand for higher education, and to respond to the call for more accountability on the part of public universities.

The increased commercialization of higher education has resulted in a continuous debate on whether higher education is (or should be) a public good or a private commodity. The second part of the paper shows that much of the reforms are in the realms of finance and control of higher education thus blurring in the distinction between public and private. The paper analyzes the public and private discourse and maintains that higher education straddles the public and private for education inherently serves both public and private interests. (Molly something needs to be fixed in this sentence: perhaps it could read: and argues that higher education straddles emergent distinctions between public and private, but that irreducibly higher education contributes both to public and private interests. Or some such.)

The third section examines how the liberalization of the higher education sector has resulted in many innovative practices, in particular the various types of public-private partnerships that have sprung up between the state and private business. The paper concludes with a discussion on some of the implications the restructuring of higher education has for the role of the state and the role of an international governmental organization such as UNESCO.

Higher Education Context—

For countries to be competitive in the global market, neoliberal ideology posits that there should be a shrinking of the welfare state and cutbacks in social expenditure. This implies drastic cutbacks in public spending and the
privatization of public services such as health, education, housing and transportation. The underlying ideology of privatization is based on the argument that the public sector is wasteful, inefficient, and unproductive, while the private sector is deemed as being more efficient, effective, and responsive to rapid changes in the global economy (Walford, 1990). The global trend of privatization is being played out in many countries in the Asia-Pacific region that are undergoing structural adjustments such as deregulating the economy, reducing governmental intervention and curbing government spending. The restructuring process is impinging on nearly all the higher education systems where there is a shift of some of the cost of higher education from taxpayers to students and parents, an expansion of private higher education and the devolution of authority from government to higher education institutions (Johnstone, 1998).

Countries in the Asia-Pacific region are very diverse in terms of geographical size, economic development, political ideologies and educational traditions. For example, there are many island states in the Oceania compared to countries like China, Indonesia and India which have huge populations and large geographical areas. Japan, S.Korea, Australia, and New Zealand are advanced industrialized countries, with Singapore, Malaysia and Thailand as newly industrialized countries whereas Cambodia, Lao PDR and Vietnam are countries in transition (e.g. from agricultural economy to an industrialized economy, from a centrally planned economy to a market-oriented economy). Many countries in the region have a colonial history and their education systems are part of the colonial legacy. Higher education is greatly influenced by the countries’ historical past, nation-building efforts, and current global trends.

Despite the diversity in the region, higher education systems face similar problems and challenges. The common challenge in many countries is the need to widen access and increase the participation rate to higher education in the face of increasing government budgetary constraints. To meet the increasing social demand for higher education, governments have to seek alternative sources of funding to expand the higher education systems. As a result, the private sector in many countries has expanded dramatically over the past several decades. In addition to the growth of the private sector, public support for higher education has declined substantially. The idea that higher education should be seen as a “private good” rather than a “public service” has caused shifts in the patterns of funding higher education. The notion of “letting the buyer pay” becomes popular. There seems to be a growing public consensus that higher education is a private good primary benefitting individuals because they get higher salaries after graduation. Therefore the major cost of study at higher education level should be borne by the individual rather than by society (Altbach, 1997). At the same time, higher educational institutions are increasingly being required to demonstrate efficiency, accountability and productivity from various quarters, notably from the state which is usually the major source of funding for higher education. However, there has been a decline in the amounts of public funds and higher education institutions are required to do more with less. (These
neoliberal related elements will also be identified in chapter one, suggesting the commonalities of access and capacity, reduced budgets, the constant need to cope with changing private sector economic norms, etc.)

Restructuring Higher Education

Studies on higher education reforms in different countries reveal a convergence in higher education policy ideas on issues relating on how to allocate resources, how to generate revenues, how to realign to new demands, and how to organize so as to lower cost, increase efficiency, increase productivity, and improve teaching quality (Slaughter and Leslie, 1999; Rhoades, 1995). The restructuring of higher education in many countries has resulted in a range of responses including the privatization of higher education, corporatization of public universities, implementation of cost-sharing policies, and formation of strategic partnerships between public and private sectors in the provision of higher education.

Privatization in Asian higher education has occurred when the state liberalizes policies to allow the private sector to establish higher education institutions to meet the excess or differentiated demand for higher education. Private higher education is the fastest growing segment of many higher education systems in the region. In some countries, Japan, South Korea, Indonesia and the Philippines, the private sector dominates higher education enrolling between 60-80 percent of all students. Since the 1990s, China, Vietnam, Mongolia, Kazakhstan, Uzbekistan have built up a large non-state sector. The drive of market forces in higher education has also led to reforms in the finance and management of public universities. The marketization of higher education is reflected in corporatized public universities in Australia, Malaysia, and more recently in Japan and Singapore, the development of autonomous universities in Thailand and Indonesia, and people-founded universities in Vietnam and China. (Molly mention India in this paragraph?)

In most countries, the public sector has not been able to meet increasing demand for higher education and the state has turned to the private sector to help fill the gap. The liberalization of higher education has witnessed the deregulation of the private higher education sectors in countries like the Philippines, Japan and S.Korea with an accompanying upsurge in student enrollments. By way of examples, the 1995 higher education reforms in S.Korea greatly reduced government regulations on student quotas and the issue of licenses for the establishment of new private higher education institutions (Kim and Kim, 2004). Similarly, the Japanese government has been deregulating its higher education system over the past 10 years in response to the country’s declining college-age population (Akabayashi, 2006).
At the other end of the spectrum, the liberalization of higher education has led to the emergence of a new and growing private higher education sector in other countries. Initially, private higher education in many of these countries emerged and took initial form in the absence of a clear legal framework. However, the situation has changed in recent years as more countries like Malaysia, China and Vietnam are putting in place legal frameworks to facilitate and regulate private higher education growth. For instance, the 1996 Private Higher Education Act in Malaysia to provides a regulatory framework for private higher education (Lee, 2004). In China, the 2002 private education law promulgates a legal framework to facilitate private growth and initiate the process of restructuring private higher education institutions and the accreditation of educational programmes (Yan and Levy, 2003). (See K.H. Mok’s essay in this collection.) In Vietnam the National Assembly adopted the Law on Education in 1998 which later was amended in 2005 to suit the rapidly changing higher education context in the country (Ngo, 2006).

It is possible to identify some common features in the restructuring of higher education in the region allowing for expected variation in the types of policies implemented in different countries.

1. **Diversified funding sources**: As mentioned earlier declining public revenues not only pits higher education sector against other public sectors including basic and secondary public education. Faced with growing austerity in the public sector, the higher education has had to diversify its funding sources, often with non-governmental revenues (Johnstone, 1998). The primary vehicles of this supplementation have been the introduction of student fees in for public higher education, the encouragement of the private sector to play a more active role in the provision of higher education, and the market-related activities for public HE institutions. Policies aimed at cost-recovery from students have been implemented in most of the countries in the region. In recent years, countries such as China, Vietnam, Cambodia and Laos which did not charge tuition fees in the past began to collect fees from a large portion of their university students. In the case of Australia and New Zealand, universities have long recruited international students and charge them full fees so as to generate revenue to compensate for government imposed budget cuts. The drive to generate more income has led a number of Australian universities to franchise their programmes and set up branch campuses overseas. For examples, we have Monash University and Curtin University in Malaysia, RMIT University in Vietnam and University of New South Wales in Singapore.

The relationship between higher education institutions and the state is largely dependent on the issue of autonomy and accountability. The state and higher education institutions are constantly engaged in redefining their mutual relationship, with the state demanding more accountability and higher education institutions insisting on more autonomy. A significant global trend is an increase in institutional autonomy in return for more accountability.
2. Increased institutional autonomy: The increase in institutional autonomy is found in corporatized public universities and autonomous universities as reflected in the reforms of public sector financing to these universities. Despite corporatization most of the institutions’ financing still depends on public revenues. An important part of the higher education’s reform agenda is to seek a more efficient use of these public funds. The reform agenda has included budget reforms, expenditure reforms, personnel employment and compensation reforms (Johnstone, 1998). One popular reform is “performance budgeting” in which financial rewards and incentives are given based on multiple performance indicators such as degrees awarded in particular fields, average time to degree completion, success of faculty in winning competitive research grants and others besides overall student enrollments. Under a World Bank loan scheme, for example, Indonesia has implemented competitive funding schemes to create financial incentives for research and academic programme development in the 1990s.

Expenditure reforms are making headway in countries like Australia, New Zealand and Singapore where budgets for public universities are given as block grants and decisions on how to spend and allocate this lump sum lies with the institutional managers. As for personnel employment and compensation reforms, several countries like Indonesia, Singapore and Thailand are beginning to delink faculty members from the civil service so that their salaries can be tied to performance rather than seniority. The trend is also towards outsourcing educational support services such as student canteens, hostels and other services through contract management with private agencies so as to reduce the size of administrative staff in public higher education institutions. Besides financial flexibility, corporatized public universities and autonomous universities are given appointive power related to activities such as hiring and promoting personnel and the conditions of employment.

3. Increased accountability: In return for increased institutional autonomy, corporatized public universities are held more accountable for their quality, efficiency and transparency. To improve their institutional management internally, many of the corporatized universities and autonomous universities have adopted a whole range of new management practices from the corporate sector related to personnel practices, cash flows, market position, product diversification and accountability. Management techniques from the private sector such as mission statements, strategic planning, total quality management, ISO certification, right sizing and benchmarking are beginning to be institutionalized in many of the universities in the region. At the same time, higher education institutions in both public and private sectors are increasingly subjected to external evaluation and quality control. Australia and New Zealand have long established quality assurance agencies to monitor and evaluate the quality of educational institutions in their countries. More recently, the governments in Malaysia, Thailand and Indonesia have established quality assurance agencies to assess and accredit educational programmes offered by
both public and private higher education institutions. In countries like Japan, S. Korea and the Philippines where accreditation is usually carried out by independent accreditation bodies, governments is increasingly the accountability of quality assurance by taking over the roles and functions of these independent bodies. As for countries like Cambodia, Laos and Vietnam, there have been initial attempts to set up national quality assurance mechanisms but as yet without much success.

Public-Private Debate

The restructuring of higher education brings along with it a continual debate on the pros and cons of the private sector in comparison with the public sector. The arguments in favor of private higher education usually are based on three issues, namely, efficiency, equity, diversity and choice (Woodhall, 1997). It is commonly argued that private higher education institutions are inherently more efficient than public ones because of strong incentives to minimize costs and use resources efficiently. The private sector is held to be more responsive to the changing demands of customers and markets. Competition brings down costs and improves the quality of service. However, some studies suggest that this argument may not hold by showing that the private sector may turn out to be highly inefficient and may even economically corrupt as in the case of India (Tilak, 1993). In other cases competition leads to shoddy goods and services in the private higher education sector in Thailand (Savatsomboon, 2006).

Another common argument holds that charging higher fees can create “irreparable socio-economic inequities between the poor and rich” (Tilak, 1993) because the poor cannot afford the high fees whereas the rich can afford to do so. It needs further to be pointed out than even in situations where public subsidies are provided to promote equity, these can be “perverse” because they simply transfer income from poor to rich, as children from the middle and high income groups are heavily over-represented in higher education. To overcome this inequity, the shift is towards cost-recovery policy accompanied by scholarships or loans for the needy (Woodhall, 1997).

The private higher education sector is commonly looked upon as being flexible and responsive to the rapid changing demands of students and the labour market, and thus can offer a diversity of educational programmes and is in a position to broaden social participation in higher education. However, a closer look at the types of educational programmes being offered by private higher education institutions seems to show less diversity than expected. This is partly the result of “institutional isomorphism” for the range of education programmes that are offered in the private institutions is quite similar also similar to those offered in the public institutions. In general, private higher education institutions tend to offer courses that do not require high capital cost such as business management, computer science and electrical engineering. In some cases,
significant differences exist between public and private higher education institutions that cater to differentiated demands such as a Catholic education in the Philippines or an English education leading to a foreign degree in Malaysia and these are key characteristics of the private sectors in both countries.

The idea that higher education is a public good has strong support among educators and the academy. The non-rivalous nature of public goods implies that one person’s use of the good does limit that of another, and its non-excludable character holds that a person cannot be prevented from using the good. According to this definition higher education is a public good because it is freely available (if there is no scarcity) and consumption by one person does not impair the interest of others (Cemmell 2002). The position of UNESCO is that higher education is a human right and access to higher education should be based on merit and not on affordability.

Higher education is increasingly being viewed as a private commodity that is saleable and tradeable, a position detailed by Jane Knight in her contribution to this collection. The private rates of return of higher education to the individual are higher than the social rates of return. Individuals invest in higher education credentials in the hope of a better future and to compete for scarce social positions. Higher education institutions sell their expertise and services. Corporatized public universities in Malaysia, for example, franchise their educational programmes to private colleges, rent out physical facilities to the public, and generate income from various campus operations such as patented inventions and licensing of intellectual property. Private higher education is a booming industry in Malaysia, attracting investments from many new players including state governments, foreign universities, public listed companies, individual proprietors and even housing developers. With the emergence of cross-border education and the prevalence of open and distance learning, higher education is now an export commodity and a tradeable service in the global economy. (Knight, 2006) Higher education now ranks third in Australia’s exports. The issue of further trade liberalization in educational services is included in the current negotiations under GATS in the WTO.

However, the marketization of higher education is not without its critics. In his paper “Higher Education as a Market: a problem or solution?” Gibbs (2001) distinguished between “education for the market” and “markets for education”. It is the second concept that concerns us. “Markets for education” means that education services are delivered by markets and learning increasingly takes place in settings that can be conceptualized as analogous to a “learning factory”. Adopting the model of a market for higher education presumes an accompanying discourse is on consumer rights and choices. Market forces move higher education towards “structured, consumable education through modularisation, semesterisation and self-directed learning” (p.87). When education is emphasized as a commodity, the outcome at the end of the process is not an educated person, but credentialled persons who can use their educational
credentials for economic benefits. The primary emphasis in the learning process is on the acquisition of employable skills rather than the development of capacities such critical reflection on one’s own learning as a socially responsible person. In such a university curriculum, the “new products are designed with built-in obsolescence” (p. 87). The commercialization of higher education leads directly to the vocationalization of the university curricula, in which students are consumers and educators service providers. Instead of asking “what ought I do?” students increasingly ask “what do I need?” When research submits to market forces, its demands determine the direction of research as opposed to other values and purposes of the academic enterprise. Consequently, this critique continues, the goals of research and the development of knowledge are more and more linked to the production of marketable products rather than social knowledge (Buchbinder, 1993).

In Chapter One we refer to Johnstone and Bain’s typology of higher education and its identification of several discrete dimensions along which public and private behavior may be arrayed. They conclude that it is becoming increasingly difficult to say what it is that makes a university “private” as opposed to “public”. There is no question that education inherently serves both public and private interests. It addresses public interests by preparing the young to assume adult role in which they can undertake civic responsibilities, embrace a common set of values, participate in the democratic processes, and engage in social, economic and political activities that contribute to national development (Levin 2000). At the same time, education also addresses the private interests of students and their families by providing them with economic, social, cultural and political benefits. Education straddles both the public and private. There seems to be a blurring of the distinction between public higher education institutions and private higher education institutions.
Fig. 1: Higher Education Institutions – Finance and Control

A useful way to analyze higher education institutions is along the dimensions of finance and control. One set of questions asks: where do the funds come from in terms of origin? Are they private or public? Do they come from the state or the market? Another set of questions concerns who actually controls the institutions? Who control the expenditure and other aspects such as degrees or programmes offered, terms and conditions of employment and student admission? Are the controls internal or external to the institutions? In figure 3.1, a “pure” dependent public university falls into category I where the institution is clearly public, owned and funded by the state (see Fig. 1). Its mission is public, established by the government and paid by public revenue. All of its expenditures are controlled externally by the ministry of finance, and the government also controls the size of enrolment, student admission and types of programmes offered.

At the other extreme, an independent private university falls into category III where ownership is clearly private and it draws all its revenues from non-governmental sources and is free from external control in the finance and management of the university.

However, in many higher education systems there are various mixes of universities which fall outside these two categories. Category IV consists of independent public universities which draw a substantial part of their financing from the market but are still very much externally controlled by the government.
Examples of independent public universities include the corporatized public universities in Malaysia, semi-public universities in Vietnam, people-founded universities in China as well as universities owned by public corporations in Malaysia. Universities that fall into category II are the dependent private universities that are found in Japan and India where the private universities are privately owned but they are entitled to public subsidies. The emergence of category II and IV universities makes it harder to distinguish between a public university and a private university. This is further compounded by the various types of public-private partnerships in the provision of higher education.

Public-Private Partnerships

The public-private partnership is a derivative of privatization, which refers to cooperative ventures between the state and private businesses. The hallmark of partnership is cooperation and not competition and the aim is to spread financial risks between the public and private sector. Partnering definitely blurs the boundaries between public and private. Linder (2000) suggest that "public-private partnership" can have different meanings: (i) public-private partnership as management reform by incorporating corporate managerialism into public institutions, (ii) public-private partnership as problem conversion by letting the market perform government’s tasks for less money, (iii) public-private partnership as risk shifting by load shedding to the private sector, and (iv) public-private partnership as restructuring public services by getting the private sector involved in providing public services. The liberalization of higher education has brought about a wide range and complex mix of innovations particularly in the various types of public and private partnerships in the provision of higher education using different modes of delivery such as cross-border education, open and distance learning. The next section is an analysis of the heterogeneity of public and private partnerships that are found in different countries in the region.

1. **State/provincial governments and private companies**: The decentralization of higher education from central government to the provincial and state level has resulted in many state or provincial governments partnering private companies in setting up educational joint-ventures such as provincial universities in China, deemed universities in India and state universities in Malaysia. (Molly, could you add a footnote explaining what a deemed university is. I think they are not well understood outside of India.)

2. **Public universities and private companies**: The need to generate revenue has driven many public universities to set up partnerships with private companies to engage in market-related activities. In China, private colleges affiliated to public universities have been set up since 1999. These affiliated colleges were established with private financing and operate under independent management. They receive important academic resources and gain enhanced reputation from the prestigious universities with which they are affiliated (Cao and Levy, 2005). With
some slight variations, many of the foreign branch campuses in Malaysia and Vietnam also fall into this category. The normal practice is that a public university in Australia will set up a private company to run its off-shore branch campuses. These off-shore campuses are joint-ventures between an Australian public university and a private company from the host country.

3. **Public universities and private colleges:** Another type of partnership between public universities and private colleges is found in Malaysia where both local and foreign universities franchise their educational programmes to private colleges in the form of twinning or credit transfer programmes because private colleges are not allowed to confer degrees.

4. **Consortia of public universities:** The marketization of higher education has witnessed the establishment of consortia of public universities to offer education programmes through distance learning mode. For example, The Open University Malaysia is owned by a consortium of 11 public universities that have set up a private company to run the open university which offers distance education programmes. Universitas 21 is owned by another consortium of 21 universities and offers distance education programmes throughout the world.

5. **Non-profit private universities:** In many of the post-communist countries, non-profit private universities have been set up by the community to widen access to higher education. In Vietnam, semi-public higher education institutions have facilities built, managed and operated by the state in cooperation with economic sectors, social organizations, and individuals. Semi-public institutions are provided with state funding for infrastructure development, but all the operating costs are covered by student fees (Ngo, 2006). People-founded higher education institutions exist in China that have been established by social, professional and economic organizations. All these people-founded institutions are run on a full cost recovery basis, virtually of which comes from student fees. In Malaysia, a number of private universities has been set up by political parties funded by the supporters of these political parties.

These institutional partnerships between the public and private have been established partly to share financial risks, to raise capital investments and to facilitate technology transfer. Other forms of public and private partnerships in higher education are more amorphous and do not involve any specific institutional linkages.

1. **Public subsidies to private institutions:** Traditionally, private universities in Japan and India are given public subsidies. In Japan private universities receive as much as 25 percent public subsidies but in return these universities are subjected to tight government regulations on the size of their student enrollments and the types of academic programmes they can offer.

2. **Faculties from public universities teaching in private institutions:** The governments in Indonesia, Cambodia, Vietnam and Laos allow
faculty members from public universities to teach or work part-time in private institutions for such a policy is seen as aid in kind from the government to the private higher education sector.

3. **Students on government loans studying in private institutions:** Another form of aid-in-kind is the provision of government loans to students studying in private institutions. In Malaysia, only those students who are enrolled in accredited programmes in the private institutions are entitled to apply for government loans so as to encourage the private institutions to seek accreditation for the programmes they offer.

4. **Outsourcing of student services in public campuses:** The practice of outsourcing to private companies is becoming increasingly popular among public universities. For example, the corporatised public universities in Malaysia engage private agencies to provide services such as cleaning, running student canteens, and evening building student dormitories. The strategy of “build and lease” is adopted to develop infrastructures in public university campuses.

5. **Public and Private partnership in research:** To establish stronger linkages between university and industry, many universities have established industrial parks and incubators to promote public and private partnership in research. Many of these market-related activities focus on short-term applied research geared towards the development of marketable products.

6. **Public and Private partnerships in offering professional services:** After the corporatization of public universities in Malaysia, faculty members are allowed to sell their expertise to the market through consultancy and offering other professional services. For example, to prevent the medical faculty members from joining the private sector, these medical doctors are allowed to offer private consultation to their patients for a certain number days per week while continue working in the public universities.

**Implications on role of state and UNESCO**

The restructuring of higher education has brought about a changing relationship between higher education and the state in many of the countries in the Asia-Pacific region. Instead of being the sole provider of higher education, the state has liberalized the higher education sector to allow new providers such as for-profit private providers, non-profit private providers, consortia of universities, media companies, multinational companies and corporate universities. With the expansion of private higher education in many countries, the state has to take on the responsibilities to regulate the private sector and to oversee private higher education institutions through institutional licensing and programme accreditation. The state has to assume the role of a protector and take on the function of consumer advocacy by widening access to higher education, formulating policies to promote social equality, and by monitoring the quality of educational programmes. In most of the countries reviewed in this
paper, a gradual shift has taken place from state control of higher education toward state supervision. In the state control model, government usually regulates access conditions, the curriculum, degree requirements, examination systems, the appointment and remuneration of staff, the selection and admissions of students, and other administrative matters. Conversely, in the state supervisory model universities are responsible for their own finance and management. In this model the state oversees higher education systems in terms of assuring quality and maintaining a certain level of accountability. With the privatization of higher education and corporatization of public universities, the shift is from central state control to market-based policies which result in various public and private mixes in the higher education sector which require the state to take on an expanded role of being the provider, regulator and protector of higher education.

The restructuring of higher education has also brought about the emergence of cross-border higher education with the accompanying increased mobility of students, academic staff, academic programmes and educational institutions across national borders. The international mobility of students, programmes and institutions brings with it a whole host of problems and challenges which cannot be easily resolved by the state at the national level. It requires inter-governmental organizations like UNESCO and OECD as well as international networks like INQAHE and APQN to play an active role in ensuring mutual recognition of academic qualifications, quality assurance of educational programmes and good practices in the provision of cross-border education. As an international governmental organization, the roles of UNESCO in higher education are setting international norms and standards, building capacity and acting as a clearing house to promote information sharing and networking.

UNESCO has several normative instruments that are directly related to cross-border higher education including:

- UNESCO Regional Convention for Recognition of Academic Degrees
- UNESCO-OECD Guidelines for Quality Provision of Cross Border Higher Education
- UNESCO-APQN Toolkit on Regulating Cross-border Higher Education

Besides developing normative instruments, UNESCO carries out capacity building activities to help member states to tackle the issue of qualifications recognition and quality assurance in the context of cross-border higher education as well as open and distance learning. UNESCO also has produced many publications on higher education to promote the notion that higher education is a public good and to advocate the position that the internationalization of higher education is more than merely the commercial trade of educational services. UNESCO serves as a counter-point to WTO in building bridges between education and trade, focusing on consumer protection and promoting capacity building for both trade and education.
References


