



From Public to Private

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From Public to Private

- Context and definitions
- Current state in Australia
- Private education in the rest of the world
- Problems in the industry
- Demand and future
- Conclusion

Context

History of private higher education in Australia

- Long tradition of private school education and post-school VET education.
- Higher Education has been largely public until 1989
- Seeking profits – who does it?
- What is private?

- Method – meta analysis of readings, collection of statistics.

Definitions

Private versus public

Non-profit versus for-profit

When is a 'surplus' a 'profit'?



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Current state in Australia

1987 – six institutions – agriculture and teacher training

Publicly funded but private legal titles

1989 Bond University – non-profit
University of Notre Dame Australia

1991 – ACU – also non-profit – also a ‘public’ institution, but
operating as a company limited by guarantee.

2008 – three more universities in Adelaide

Current state in Australia

The non-university sector is where the growth is.

In 2010, 1,192,657 students in HE – 857,384 domestic and 335,273 international. 93% in public institutions.

In 2010, there was 5% growth in student numbers in public institutions and 6.3% growth in private institutions

In 2010, there were 87 private providers, up from 77 in 2009 while 38 public institutions has been static for a while.

Many disciplines covered

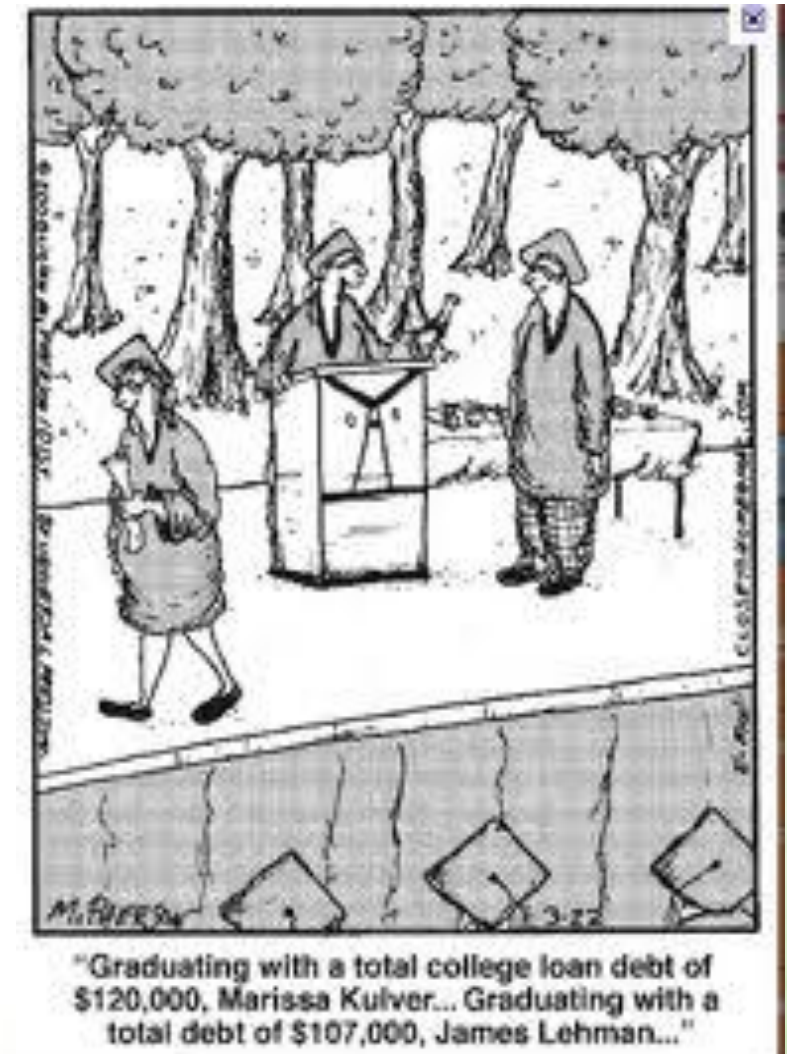
Current state in Australia

Privatisation of public institutions

HECS / HECS-HELP / Fees / FEE-HELP

Funding for public institutions

General “businessing-up” of universities



The rest of the world - USA

For-profit higher education transformed from a 'sleep-sector' of the economy to a \$3.5b business by the late 1990s (estimated \$20b in 2011).

Big players – University of Phoenix with over 500,000 students in 2011 and over 70 campuses

De Vry with over 80,000 students

Education Management with 132,000 students

ITT with over 70,000 students

Kaplan and Strayer with over 60,000 each

The rest of the world - USA

Big gap in the market in the USA – mature workers.

University of Phoenix aims at this market:

Learning Centres in shopping malls, highway exits

Open 24 hours a day, material available on-line

Students get government loans to study

Other market – corporate universities

Corporations partner with degree granting institutions.

All these models decouple teaching from course design.

Rest of the world

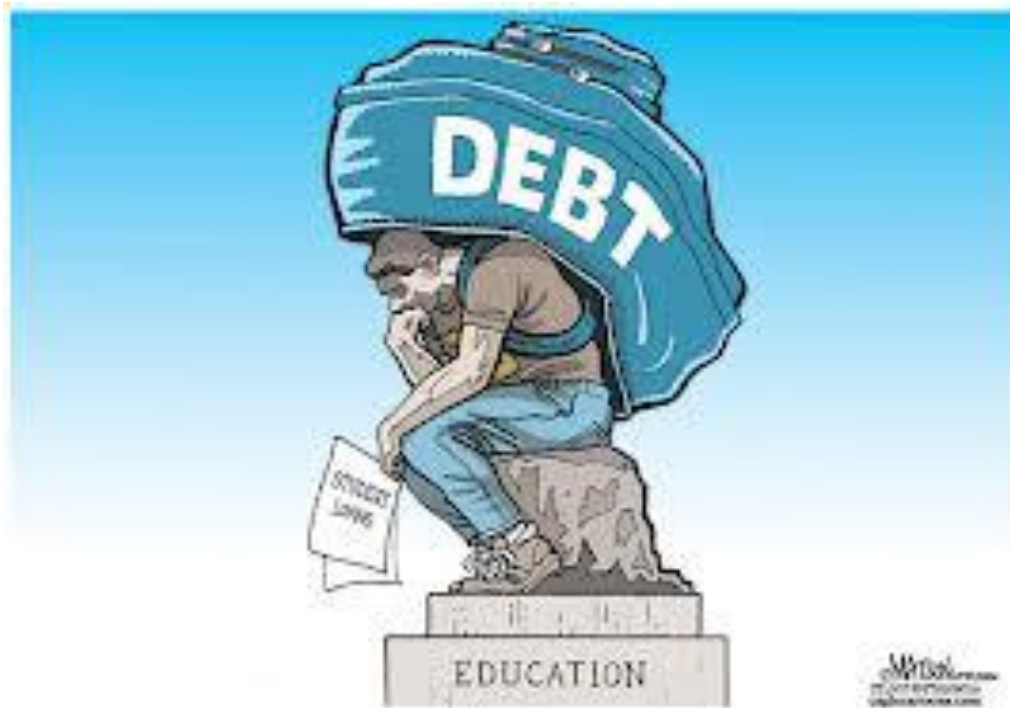
Latin America – substantial private sector growth in the 1980s

UK – private providers developing partnerships with established universities – mostly focused on international students

Asia – Growth in the private sector in Hong Kong, China, Singapore and Malaysia. Many of those ‘private providers’ are actually public Australian universities.

Problems in the industry

In the USA, many of the large players have been taken to court for enticing students into taking loans they can't afford.



Problems in the industry

Accreditation of private providers remains a problem for all – accreditation of public providers about to become more difficult in Australia

Higher education as a market – are there true supply/demand pressures? Do for-profit institutions offer a more efficient and productive model?



Consumer expectations



Demand

Competition in the market

Three kinds of demand for private education:

“more”

“different”

“better”

Demand in a system of government loans – subsidised private education.

Demand

If contestable funding is only open to public institutions, does this limit student choice?

Could be argued that HE remains the only education sector where institutions are discriminated against on the basis of ownership.

(In Victoria, where contestable funding has been offered to private providers, total enrolments have grown by 44%, nearly all to private providers)

Demand

Estimated 60% of jobs required some level of tertiary education, but less than 40% of adults have this level of education.

Can a 'unified system', such as exists in Australia, meet everyone's needs?



Futures

Attendance at Tertiary Education is directly correlated with a country's wealth. Maybe a large increase in for-profit education could 'jumpstart' the economy and cost the government very little.

For-profits developing educational services which they on-sell to non-profits – requires serious decoupling of teaching and course development.

Future may be that for-profits and non-profits become indistinguishable. Think about what has happened in the school sector.

Conclusion

Assumption that a for-profit sector flourishes in a space where non-profit fails – but I think it is where the non-profit delivery is just not optimal.

“Entrepreneurial, for-profit institutions will increasingly force non-profit [institutions] to examine their programs and become more competitive” (Morley, 2004)

Higher education in any form produces public good.

Let's have some true competition for funding.

Profit or non-profit?



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