MODULE 1: ***HIGHER EDUCATION IN A GLOBAL WORLD: THE CONTEXT OF QUALITY ASSURANCE***

UNIT 1*:* TRENDS IN HIGHER EDUCATION

TABLE OF CONTENTS

Introduction

The second half of the twentieth century was a period of extraordinary growth in higher education and this continues in the first decade of this century. The effect of the growth is often referred to as the 'massification' of higher education, that is, the move from a system catering for an elite group to a situation with a much more diverse student population.

The initial response to the increasing demand for higher education was the establishment of more universities and other post-secondary institutions structured along traditional lines; in a sense, more of the same. But as technology became more sophisticated and the student cohorts more diverse, the shape of higher education changed substantially. New forms of higher education, delivered in new ways, impacted on the sector both in terms of the challenge to educators and to those concerned with ensuring the quality of offerings from the new institutions.

This unit examines the patterns of growth in the demand for higher education across the globe. It shows the unprecedented growth in some countries but also the lack of progress in providing access to higher education in some developing countries. There is also discussion of the demographic shifts that have occurred in recent times and how this requires governments and institutions to think of providing higher education for the lifetime of the individual even as populations in some countries are decreasing and aging.

The unit also explores how market forces changes have come into play in the higher education domain. There is discussion of the way that the balance between public spending and private funds has shifted so that the major sources of funding for higher education in many countries are from private sources such as student fees. The increase in the number of private institutions is also examined and the increasingly blurred lines between public and private, profit and not-for-profit education.

The material in this unit has been condensed from a book and a report by Kemal Gürüz:

Gürüz, K. (2008a) Higher education and international student mobility in the global knowledge economy. Albany, NY: SUNY Press. 2008.

Gürüz, K. (2008b) 'Quality assurance and funding systems.' Workshop on Norms for Financing and Managing the Operation of State-Supported Universities Organized by the Hellenic Quality Assurance Agency. March 31, 2008, Athens. Paper available at: www.hqaa.gr/files/Guruz_paper.pdf

Data and the material in these two sources have been updated by their author to reflect the most recent situation in higher education worldwide.

At the end of the unit you will be able to:

- Describe, in broad terms, the patterns of growth in demand for higher education

- Discuss the impact of demographic trends and ways in which technologies have been harnessed to meet the needs of new generations of students

- Discuss the ways in which market forces have impacted on higher education provision and the strategies developed by institutions competing for students

- Describe the growing tendency for funding of higher education to come from private sources including student fees

- Describe the movement to the establishment of an increased number of private institutions and the patterns of enrolment in these institutions in different countries.

Part 1: Enrolment and Increasing Demand

Compilation of statistics on higher education that allows meaningful cross-national comparisons to be made has always been a difficult task due for the most part to lack of standardized definitions and data collection procedures. The data presented in this unit are believed to be the latest available values that allow reasonably meaningful comparisons to be made but you should refer to the items by Kemal Gürüz if you wish to make a more fine-grained analysis based on the statistics presented below.

Trow (1972; 2006) has classified national higher education systems according to gross enrolment ratio (GER) into three groups as elitist (GER less than 15%), mass (GER between 15-50%), and universal (GER above 50%). It would be desirable to present data for net enrolment to comply with Trow's classification but in this instance gross enrolment ratios will be used as they are the data most commonly available internationally. According to Perkin (2006), in the year 1860, the gross enrolment ratio was only 0.46% in Europe, and 1.1% in the US. The corresponding values for the year 1900 were 0.88% and 2.3%, respectively, which heralded the beginning of the growth in enrolment and the transformation of what was until then a highly elitist system.

In the period 1860-1930, the number of university students increased from 3,385 to 37,255 in Britain, from 12,188 to 97,692 in Germany, and from 5,000 to 43,600 in Russia. Non-university enrolment, including teacher training, increased from 2,129 to 28,954 in Britain, from 5,797 to 37,199 in Germany, and from 3,750 to 247,300 in Russia. Enrolment ratios, though still quite low even in 1930, 1.9% in Britain, 2.6% in Germany, and 4.3% in Russia, nevertheless marked the beginnings of massification of higher education. On the other hand, total enrolment in higher education institutions in the United States had increased from 24,464 students in 1860 to 783,100 students in 1930, with a corresponding increase in the gross enrolment ratio from 3.1% to15.0% (Jarausch 1983; Ringer 2004). Thus by the year 1930, higher education had already been massified in the US, while it was still elitist in Europe according to Trow's classification.

In 1955, gross enrolment ratio averaged only 4.5% in Western Europe, and it increased to 10.3% in 1965, 19.5% in 1975, and 24.3% in 1985. The corresponding values averaged for the United States, Canada, Australia and New Zealand taken together were 12.5%, 24.3%, 36.6%, and 46.8%, respectively (Ramirez and Riddle 1991). Thus, higher education in Western Europe was massified in the late 1960s and early 1970s, about three decades after the United States.

The explosive growth in student numbers worldwide occurred after World War II. In the period, 1955-1994, student numbers increased by a factor of thirty-two in Norway; twenty-four in Spain; fifteen in Portugal; fourteen in Greece; twelve in Austria, Finland, Italy and the United Kingdom; eleven in France, Germany and Ireland; ten in Denmark and Sweden; nine in Switzerland; eight in Belgium; and seven in the Netherlands (Eicher 1998). In 1950, there were 2,296,000 students in the United States, 1,247,000 in the USSR, 391,000 in Japan, 262,000 in India, and 139,000 in China, and these five countries accounted for 69% of the global enrolment (UNESCO 1970). In 1970, enrolment in the

United States had increased to 8,498,000, to 4,580,000 in the USSR, 1,819,000 in Japan, and 2,009,000 in India (UNESCO 1972). Enrolment in China, on the other hand, had grown to 500,993 in 1975-1976. In 1990-1991, 3,822,371 students were enrolled in Chinese institutions of higher education; the numbers for the USSR, India, and Japan were 5,100,000, 4,950,974, and 2,899,143, respectively (UNESCO 1999).

In 1955, there were 30,792 higher education students in Australia; the number in 1975 was 273,137, and in 1985 it was 370,016 (Marginson 2002). In the period 1970-1990, the number of students in higher education institutions increased from 201,436 to 1,529,244 in Korea, from 10,995 to 75,178 in Malaysia, from 13,683 to 50,742 in Singapore, and from 203,473 to 535,064 in Taiwan, corresponding to annual growth rates averaging as high as 20% in Korea and Malaysia in the 1970s (Singh 1991). Gross enrolment ratio in Taiwan was 15% in 1977; it had risen to 85% in 2008. Between 1955 and 1986, enrolments multiplied by 112 in Nigeria, 103 in Kenya, 87 in Madagascar, 63 in Venezuela, 60 in Congo, 36 in Indonesia, and 33 in Thailand (Eicher and Chevaillier 2002). In the period 1974-2009, enrolment in the Turkish higher education system increased from 262,000 to 2,532,622, and the gross enrolment ratio, which was only 4% in 1965 and 6% in 1980, increased to 36.8% in 2005 (Barblan, Ergüder and Gürüz 2008, 69). Since 1960, enrolment in Africa has grown at an average annual rate of 9%. Africa now has over 300 public and over 1,000 private institutions of higher education, enrolling close to 5 million students (Teferra 2005).

Ramirez and Riddle (1991) and Scott (1998; 2000) estimate that out of the 1,854 universities founded between 1200 and 1985, three quarters were established since 1900, and 1,101 (59%) were founded between 1950 and 1985. However, universities met only part of the increasing demand. New types of tertiary-level institutions, generally referred to as non-university institutions were founded in order to meet the demand from students with increasingly diverse backgrounds, motives and career prospects in a cost-effective manner. These were generally more vocationally oriented, and of shorter duration.

The Open University, founded in the United Kingdom in 1969, represented a new type of institution of higher education. It served as a model for the distance education institutions that followed in many countries.

Thus, national higher education systems came into being that included, in addition to universities, distance education institutions and short-cycle vocational institutions. The latter are collectively designated as non-university institutions, where the term ‘university’ is traditionally, but not necessarily and increasingly less so, reserved for institutions with significant research activity and the power to award doctoral-level degrees. By about the 1970s, national higher education systems in developed countries, in general, comprised: (1) research universities, both public and private; (2) mass-education universities, generally public; (3) various types of two- and four-year non-university institutions offering degree-programs at bachelor- and associate-level in vocational fields, generally public; and (4) distance education institutions, almost exclusively public at the time.

Thus, the terms higher education, tertiary education and postsecondary education came to encompass all of the above. According to the latest figures available from UNESCO-IAU, there are presently 9,760 university-level institutions plus nearly 8,000 institutions of higher education in 184 countries and territories around the world.[1] However, in fully developed national systems, institutions are stratified according to their mission, research-oriented or mass education, and so on and differentiated according to their type as public or private.

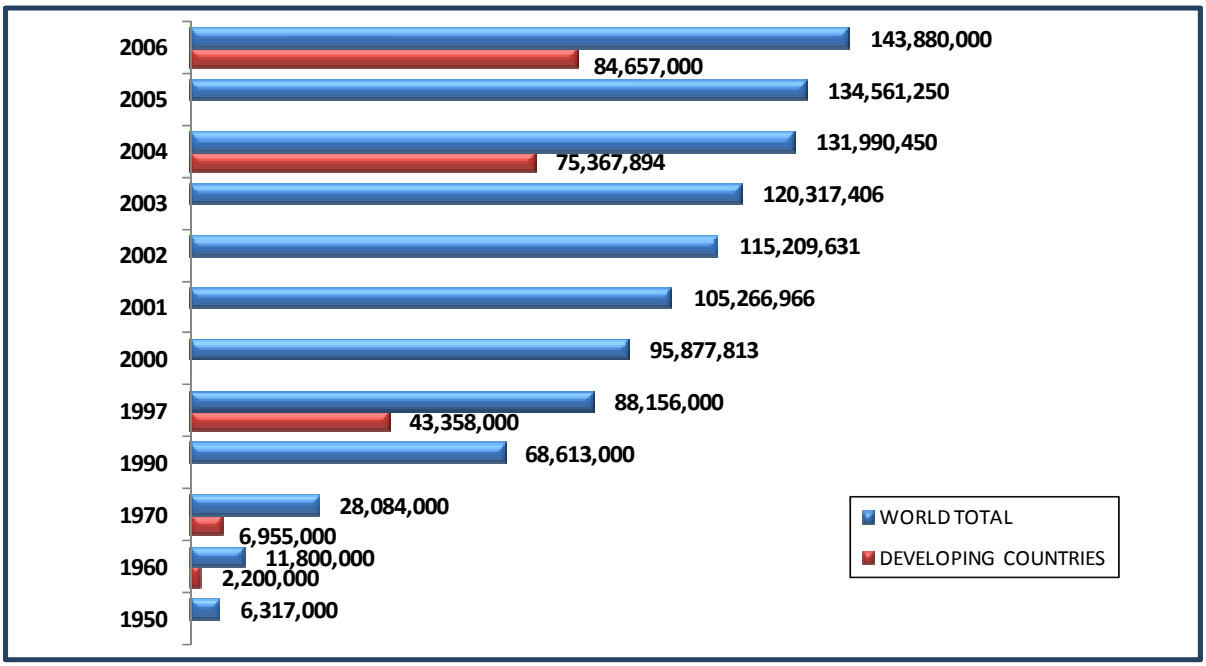
In many countries, including the United States and Western Europe, non-university institutions met a large portion of the increasing demand; in some cases they accounted for more than half the national enrolment.

The gross enrolment ratio, which averaged 2.1% in 1955 (Ramirez and Riddle 1991) worldwide, increased to 7.7% in 1965 (UNESCO 1980), 10.7% in 1975 and 12.9% in 1985 (UNESCO 1999). The corresponding numbers for developed countries in the said years were 6.0 (Ramirez and Riddle 1991), 19.2 (UNESCO 1985), 33.5 (UNESCO 1999) and 38.6% (UNESCO 1999); and 0.9 (Ramirez and Riddle 1991), 2.8, 3.9, and 6.6% (UNESCO 1999) for the developing countries, respectively. Thus, higher education enrolment was rapidly becoming an indicator of development.

Figure 1, adapted from UNESCO statistics, shows that global higher education enrolment, which was 6,317,000 in 1950, had increased to 28,084,000 in 1970, 68,613,000 in 1990, and 88,156,000 in 1997. The increase in developing countries was even more dramatic: from 2,200,000 students in 1960, to 6,955,000 in 1970, and to 43,358,000 in 1997, which accounted for more than half the global total in 1997. Increasing enrolments in higher education is now an established global trend. UNESCO (2003) reported that the historic threshold of 100 million was passed in 2001. The most recent UNESCO data puts the global enrolment in 2006 at 143,880,000 students (UNESCO 2008).

[1] www.unesco.org.iau/onlinedatabases/list.html accessed on March 16, 2009.

Figure 1: Global Enrolment in Higher Education



Sources: UNESCO (1970; 1975; 1999; 2003; 2004; 2006; 2008)
http://stats.uis.unesco.org/unesco/TableViewer/tableView.aspx?ReportId=175

Of even more interest perhaps is the pattern of enrolment across the globe. Table shows the breakdown of the global enrolment according to regions. East Asia and the Pacific region together with North America and Western Europe account for more than half the global enrolment – 54% in 2002-2006. Also shown in table 2.1 are the average annual growth rates for the period 1991-2004. All regions showed significant growth in enrolment, and the world average was an impressive 5.1%. East Asia and the Pacific region, driven by the explosive growth in enrolment in China, experienced the highest growth in enrolment with an average annual growth rate of 8.1%. The increase in the higher education enrolment in this region was 25 million students in 1999-2006, and 33 million in 1991-2006. The average annual growth rate in this region was a staggering 11% between 1996 and 1999. Such growth rates that surpassed population growth rates led to a more than three fold increase in the gross enrolment ratio, from 7% in 1991 to 24% in 2006. The enrolment growth in South and West Asia was driven by the growth in India, which resulted in nearly doubling the gross enrolment ratio from 6% in 1991 to 12% in 2006. The growth in enrolment in Sub-Saharan Africa averaged an impressive 7.2% in 1991-2004, but was just not able to cope with the growth in the population of the tertiary-age cohort. Central Asia was the only region that did not experience a significant growth in tertiary enrolment.

Table1: Breakdown of the Global Enrolment by Regions

Region	Enrolment			GPI	Growth Rate, % 91-04	Teaching Staff, 2006	Gross Enrolment Ratio, %				
	2002	2004	2006				91	99	02	04	06
Arab States	5,939,658	6,517,436	7,038,000	1.00	7.9	280,000	11	19	20	21	22
Central and Eastern Europe	16,224,692	18,509,355	20,125,000	1.25	5.0	1,255,000	33	39	48	54	66
Central Asia	1,627,339	1,883,736	1,974,000	1.10	0.4	142,000	29	19	23	25	26
East Asia and the Pacific	30,812,401	38,852,387	43,777,000	0.95	8.1	2,710,000	7	13	19	23	24
Latin America and the Caribbean	13,094,561	14,601,908	16,247,000	1.16	5.1	1,249,000	17	21	26	28	34
North America and Western Europe	31,180,813	32,818,944	33,752,000	1.33	1.9	2,600,000	52	61	67	70	80
South and West Asia	13,582,983	15,465,266	17,253,000	0.76	6.8	777,197*	6	nd	9	11	9
Sub-Saharan Africa	2,747,184	3,300,418	3,723,000	0.67	7.2	153,000	3	4	4	5	4
World	115,209,631	131,999,450	143,899,000	1.06	5.1	9,165,000	14	18		24	25

Sources: UNESCO (2004; 2006, 21-23 and 120-129; 2008);

http://stats.uis.unesco.org/unesco/TableViewer/tableView.aspx?ReportId=175

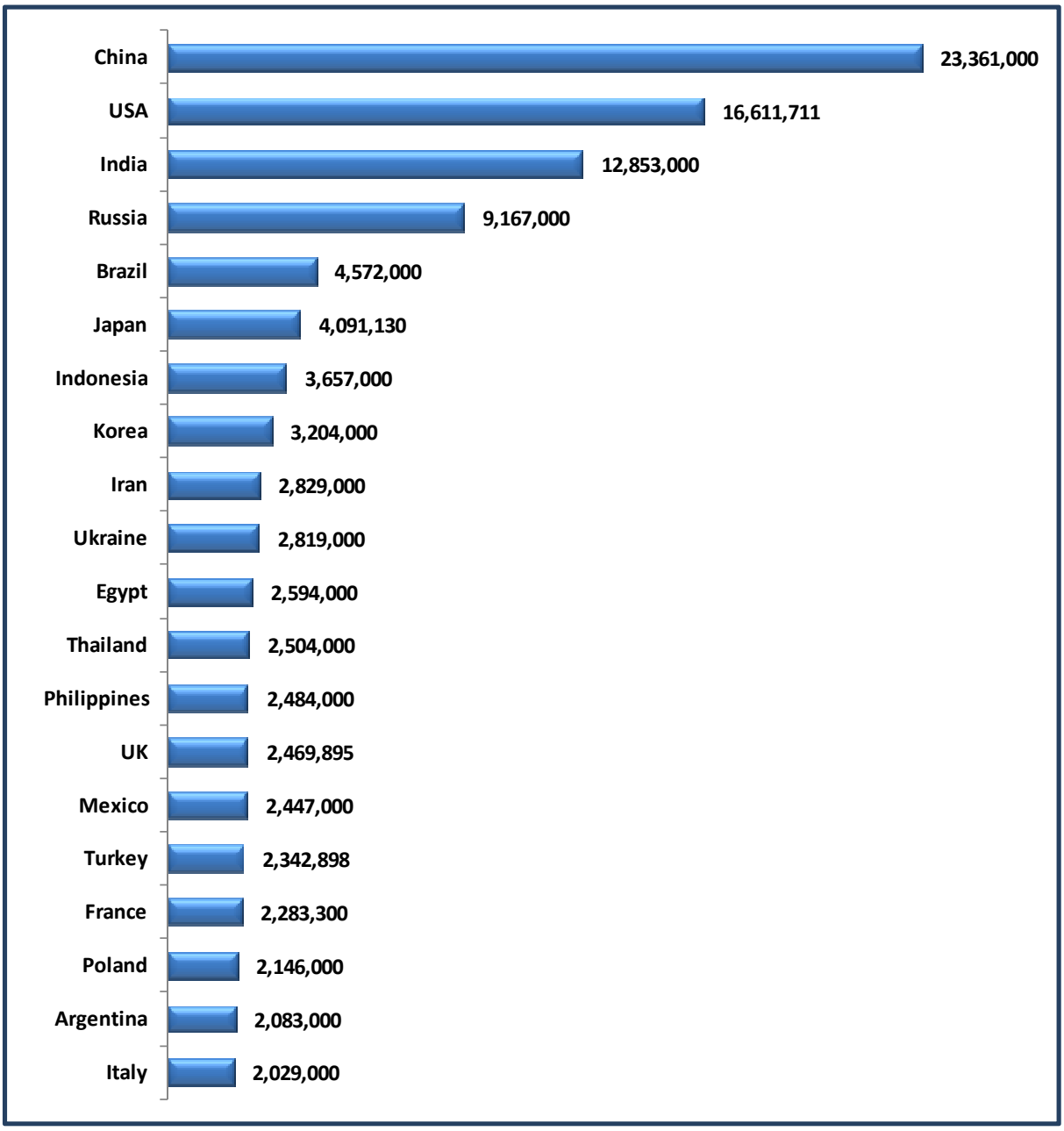
Gender parity, as measured by the Gender Parity Index, GPI, seems to have been achieved in the world as a whole, but East Asia and the Pacific, South and West Asia, and Sub-Saharan Africa still need to do significantly more in this area.

Also shown in Table 1 are the numbers of teaching staff in various regions. The world average of the student/teaching staff ratio was 15.7 in 2006. North America and Western Europe and Latin America and the Caribbean regions had the lowest ratios with 13.0

each, and Arab States and Sub-Saharan Africa regions had the highest with 25.1 and 24.3, respectively.

Figure 2 shows the top twenty countries with respect to enrolment. China, the United States, India, Russia, and Japan, the top five countries now account for just under half the global enrolment - 46%. UNESCO (2003) draws attention to the impressive achievements of China and India in the recent past. Enrolment in China has almost tripled over a relatively short period, while that in India has more than doubled from 6.2 million in 1993 to 12.9 million students in 2006. These two countries accounted for over 28% of the global enrolment in 2006.

Figure 2: Top Twenty Countries in National Enrolment in Higher Education, 2006



Source: Gürüz, K. (2008a, 2008b)

Looking at individual countries there are some remarkable levels of growth. In 1950, there were only 139,200 students in Chinese institutions of higher education, and the GER was only 0.26%. In 1978, when China abandoned Mao Zedong's version of communism and opened up to the global economy, enrolment was 1,321,900 students and the gross enrolment ratio was still a dismal 1.56%; the corresponding numbers in 1985 were 3,558,700 students and a GER of 2.84% (Xie and Huang 2005). Following the sweeping reforms in the 1990s, current Chinese higher education institutions can now be

categorized into three major types: regular institutions, adult institutions and private institutions. There were 1,683 regular institutions in 2004, comprising regular universities, four-year colleges, junior colleges (*Zhuangke Xuexiao* in Chinese), colleges of higher vocational education, and independent colleges. All of the regular institutions are financed by and administratively supervised by the Ministry of Education, or another central ministry or agency, or provinces and province-level municipalities. The 528 adult institutions in 2004 comprised workers' colleges, peasants' colleges, colleges of administrative cadres, and various types of distance education institutions. The majority of adult institutions are administered and financed by local authorities, and a few by central ministries, and there are only two private ones (F. Huang 2003). Students comprise full-time undergraduate and postgraduate students in regular institutions, students in adult institutions, and self-directed learners in distance education institutions (Xie and Huang 2005).

On May 4, 1998, when then President Jian Zeming unveiled Project 985, aimed at advancing the creation of a knowledge economy by building universities and colleges, there were a total of 8,156,500 students in the Chinese higher education system, including the 3,525,000 so-called self-directed learners, and the GER was 8.62%. Without the latter group of students, enrolment was 6,429,900 and the GER was 6.80%. The number of full-time students, including post-graduate students, which was then 3,610,000, had increased by more than three-fold to 11,736,000 in 2003, and the total number of students of all types to 22,525,000, corresponding to an average annual growth rate of about 25%. The number of full-time instructors in regular institutions, on the other hand, increased from 410,000 to 724,700 in the same period, corresponding to an average annual growth rate of 12%.

Projections by Xie and Huang (2005) for China are staggering; their estimations for total enrolment in 2020 vary from 23.55 million to 30.90 million students, with a GER between 36.3% and 47.7%. As enrolment was already more than 23 million in 2006, it is quite likely that the number of students in the Chinese higher education system will be well above 30 million by the year 2020.

Figure 3, however, also points to a dark side of the global picture as it shows very low enrolment ratios for the less developed countries which feature at the bottom of the table.

In summary, there is very wide variation between countries. This ranges from countries with very low values include 5$ for Pakistan, 3% for Burkina Faso and 4% for Mali, 2% for Burundi, and 1% for Mozambique and Niger, to values 90% for Greece, Korea and Finland and above 80% for the United State and New Zealand.

Figure 3 below also points to another important feature of the global higher education scene. There seems to be a threshold corresponding to a gross enrolment ratio value of about 40%, which has been pointed out by UNESCO (2003, 7) with the following statement: 'Current estimates indicate that enrolment rates around 40 to 50% of the relevant population group are needed in order to allow for a country to function well in a globalized, competitive world.'

Viewed from this perspective, the situation in many African countries is indeed bleak; even China and India, despite their tremendous achievements in increasing enrolments in the recent past, have a very long way to go. It is for this reason that UNESCO (2003) is now advocating a global program for development and cooperation in higher education based on strong commitments by national governments and the international community. It is recommended that such a program should have clear targets and priorities, which are similar to those in the Education for All (EFA) program for basic education. Following the publication of the report by the Task Force on Higher Education and Society (World Bank 2000), the World Bank has started to put more emphasis on higher education, whereas in the past its lending policy, which was based on rate-of-return analysis, was geared toward lower levels of national education systems (Post et al. 2004).

According to a recent survey by the *Financial Times*, ('Gearing up for a new battle of the bulge,' January 25, 2006), and Longman (2004), the world is faced with a 'youth bulge.' Presently, 2.8 billion people are under twenty-five years old. By 2015, the global youth population will reach 3 billion, with 2.5 billion of them living in developing countries. Educating the youth to be productive citizens employable in the knowledge-driven global economy is now a major global challenge.

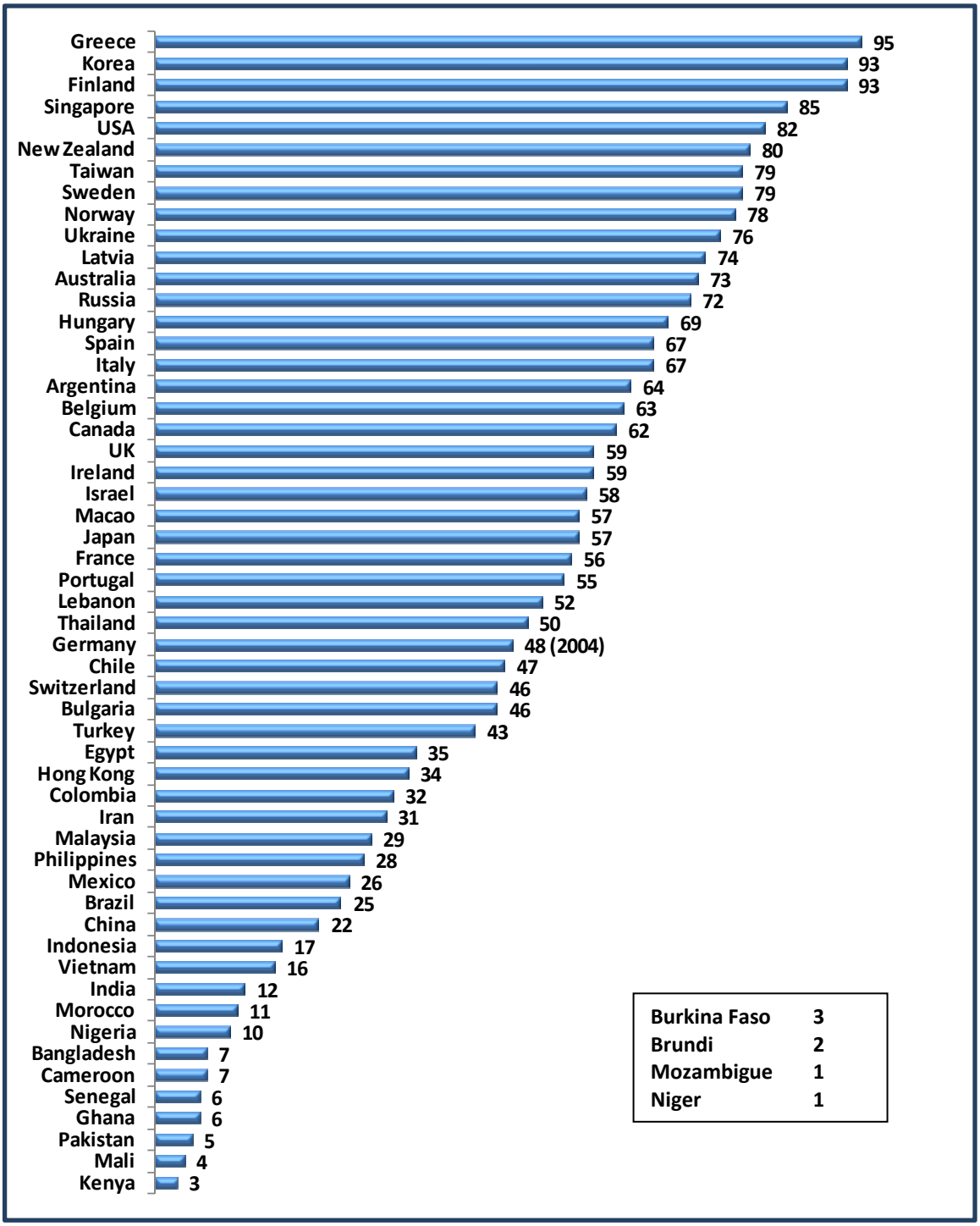
Exercise 1:

Take a look at Figure 3 and select two countries you know including your own if it is listed. What are the factors that might have contributed to the differences in Gross Enrolment Ratios between the two countries?

Exercise 2:

What is your view of the UNESCO statement (below) that higher education enrolment rates of 40-50% are needed for a country to function in a globalised world. Do you think this is a reasonable target?

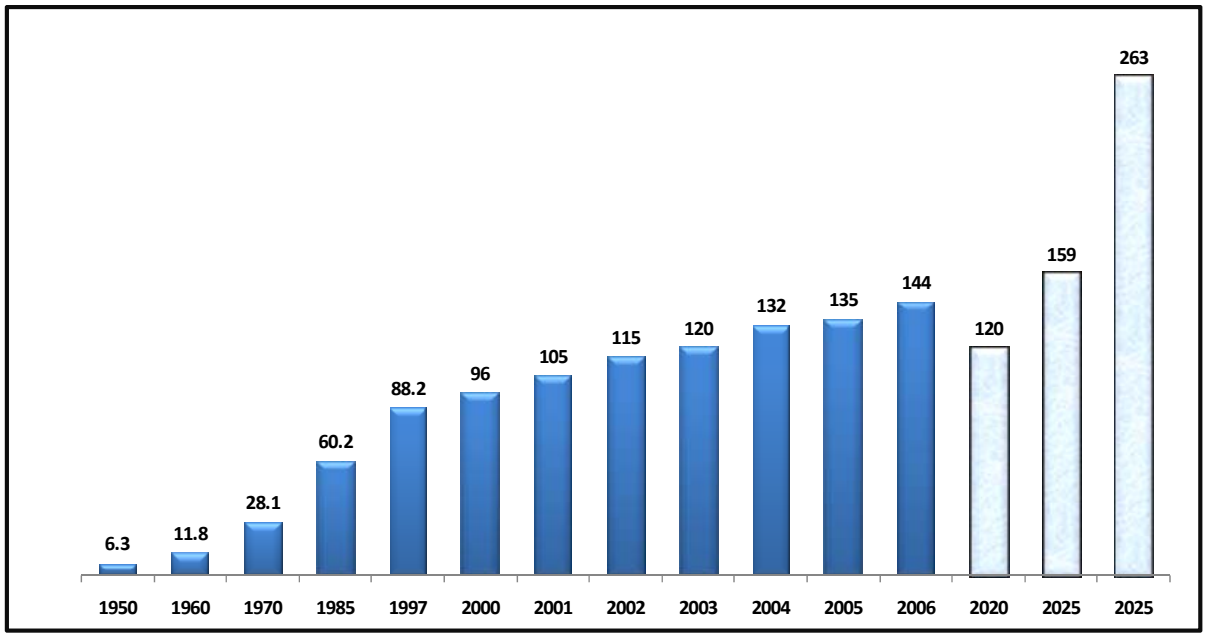
Figure 3: Gross Enrolment Ratio in Selected Countries, Percentage%, 2006



Source: Gürüz, K. (2008a, 2008b)

In conclusion, it seems as if growth in demand will continue. Figure 4 shows various projections for global demand for higher education. Values projected for the year 2025 vary from 125 to 263 million students. Since the former value has already been surpassed, it is quite likely that the second historic threshold of 200 million students will be surpassed by 2025. What is now certain is that the demand for some form of postsecondary education will continue to increase in the conceivably near future. IDP Education Australia (Australian Universities International Development Program) predicts that in the year 2025, 56% of the global demand for higher education will come from China, India, Malaysia and Korea (IDP 2002 quoted in Pearman (2004). Data from China clearly confirm this general trend in the composition of the future global demand for higher education.

Figure 4: Projected Global Demand for Higher Education



Sources: a) 1950-2006: Figure 1; 2020-2025 are projections.
b) 2020: Altbach and Teichler (2001)
c) 2025: IDP (2002) quoted in Davis (2003), Olsen (2003), and Pearman (2004)

Part 2: Demographic shift and non-traditional students

The increasing demand for higher education has different demographic implications for developed and developing countries. The relevant age cohort and possibly adults who missed out before make up most of the enrolment in the latter case, and this is likely to continue in the near future. On the other hand, in the case of developed countries with knowledge-driven economies, not only are higher skills required in the workforce, but also continuous updating is needed to adapt to changing demand and creation of new knowledge. Outsourcing and especially off-shoring are increasing the number of displaced workers in manufacturing industries in developed countries. Those who lose their jobs as a result need to be retrained if they are to be reemployed in other jobs.

Furthermore, many of the developed countries that have made the transition from an industrial to a knowledge-driven economy are faced with the problem of aging populations, increasing the load on the workforce and straining the resources for social security systems. Projections by the United Nations Population Division, quoted in Davis (2003, 71), show that the decrease in population in the period 2000-2050 will be 30.3% for Russia, 19% for Switzerland, 13.6% for Japan, and 3.8% for Germany. More recent data by the World Bank (2006a, 46-48) show that the population of Germany will decrease from 82.5 million in 2004 to 82.3 million in 2020, that of Japan from 127.8 million to 126.7 million, and that of Russia from 143.8 million to 133.1 million, while that of Switzerland will remain constant in the same period. On the other hand, China will increase from 1,296.2 million people to 1,423.9 million and India from 1,079.7 million to 1,332.0 million.

The need for lifelong learning is thus expanding. This is leading to a blurring between initial degrees and continuing education certificates and between institutions at the secondary and the tertiary levels. The further education (FE) sector in the United Kingdom and the technical and further education (TAFE) sector in Australia are two of the many similar systems that exist in most of the developed countries. Such systems comprise diverse institutions that enrol students in a wide range of ages.

Clearly, tertiary-level institutions, including universities in most cases, especially in developed countries, are increasingly coming under pressure to serve a more diverse clientele, including, in addition to the relevant age cohort, working students, mature students, part-time students, day students, students enrolled in degree programs, students taking courses that lead to new vocational qualifications, and so on (Hore 1992). In other words, part-time students in full-time employment are now part of the higher education scene, and an ‘earning and learning’ market is emerging in many countries (van der Wende 2002).

Exercise 3:

What are the major demographic trends in your country and in countries in your region? What are the implications for the provision of higher education for your country in the next 10 years?

Older working and commuting students are now the majority in U.S. institutions (The Futures Project 2000a; 2000b; 2000c; Morey 2004). According to the figures quoted in 'Brains business,' (*The Economist*, September 8, 2005), the majority of the undergraduates in U.S. institutions are female, a third come from racial minorities, more than 40% are aged twenty-five and over, half attend part time, and 80% of students work to help support themselves. Enrolment of older students is on the rise in the United Kingdom (Woodley and Wilson 2002) and Australia (Dobson 2001), as well as in Austria, Canada, Germany, Ireland, Japan, New Zealand, and Sweden (Schuetze and Slowey 2002). The latter two studies also clearly show that the majority of the non-traditional students tend to be enrolled in non-university institutions or programs, rather than traditional universities. Furthermore, evidence from all of the countries mentioned indicate that the more elite research universities are often reluctant to engage in the types of programs favoured by non-traditional students.

While there was a burgeoning of public institutions in the 1960s and 1970s there are now private non-university institutions, both non-profit and for-profit in many countries. Such stratification and differentiation is now considered a desirable feature of national higher education systems in order to simultaneously address the issues of increased access, social mobility, quality, knowledge creation, lifelong learning, and the skill profile required in the workforce of a knowledge-driven economy (World Bank 2000; Schuetze and Slowey 2002; Osborne 2003).

It is quite likely that the fastest growing service sector in any developed country will be the continuing education of already well-educated adults. Countries with differentiated and stratified national systems of postsecondary education will obviously be better positioned in that respect. Governments in Australia, Canada, and the United Kingdom are attempting to expand and diversify higher education to meet student demand and labour market needs by resorting to private and vocational providers to offer degree-programs at the tertiary level (OBHE-BN September 2003, February 2004). www.obhe.ac.uk

The populations of Europe and Japan are aging; even the United States, which has a comparatively younger population, will be faced with 5% fewer working people by 2015 ('New working models,' Financial Times, September 27, 2004). The aging population of developed countries is increasing the need for immigration. It now looks certain that there will be increased immigration of foreigners with different nationalities, languages, cultures and creeds to advanced countries, including Japan, a country not yet culturally

attuned to this phenomenon. The United States, Australia, Canada, and New Zealand now have 'selective' immigration policies, which aim to attract 'skilled immigrants.' Germany, France, and the United Kingdom have also changed their immigration and citizenship laws and started campaigns to attract young people from all over the world to study in their universities.

According to an article entitled 'Globalisation creates its own workforce,' published in Financial Times, October 6, 2005, an estimated 200 million presently live and work outside of their countries of birth, double the number of such migrants twenty-five years ago. Docquier and Marfouk (2006) quote the UN statistic which put the number of international migrants in 2000 at 175 million, up from 154 million in 1990. Formal transfers of remittances by migrant workers amounted to about US$150 billion in 2004. The general question is the impact of migration on countries of origin and destination countries, and the specific issues involved are the following (Docquier and Marfouk 2006; Ozden 2006; Chellaraj, Maskus and Mattoo 2006; Schiff 2006):

1. Educational attainments of emigrants and the proportion of the well-educated, skilled emigrants to workforce in countries of origin;
2. The value of education and qualifications received in countries of origin in entering job markets in destination countries;
3. Education of immigrants' children and their integration into societies in destination countries;
4. The establishment of a 'fair balance' between direct (for example, remittances) and indirect (for example, the general positive diaspora effect) economic gains that accrue to countries of origin and the negative effects of 'brain drain.'

The United States, too, is already facing some of these issues. Minority students are projected to make up 80% of the growth in tertiary enrolment. Thus, minority students will account for 37% of the higher education enrolment in the United States (The Futures Project 2000a; Newman and Couturier 2001). Eighty percent of the prospective higher education students in the United States between 2000 and 2015 will be nonwhite and almost half will be Hispanic, the majority of whose parents have low educational attainments and have never been to an American school (Newman, Couturier and Scurry 2004, 165).

Part 3: The Rise of Market Forces in Higher Education

Bologna University, considered the first of the modern universities, traces its origins to 1088, when the famous jurist Irnerius probably started teaching Roman law in Bologna. What is pertinent to the topic at hand, however, is not the chronology of the medieval university, but the fact that Irnerius was teaching for a fee. In other words, the university in its origins was a demand-driven institution structured by market forces. It was centuries later that universities became creations of the state, and following the massification of higher education in the period after 1945, they increasingly came under the power and the influence of the state (Scott 1998). By the 1970s, in many countries, even in continental Europe, they were in fact effectively absorbed within the state bureaucracy.

Beginning with the Reagan administration in the United States and the Thatcher government in the United Kingdom, the role of the state in the economy started to diminish. Socioeconomic policies increasingly became predicated on market forces, and these developments affected the governance and financing of higher education worldwide. Newman and Couturier (2001) have described the results of this shift as 'the invasion of the academy by market forces.'

Higher education thus entered an era in which processes were started in many countries to transform it from a public sector structured principally by government regulation into a semi-public sector responsive to demand and competition, and the process is continuing at the present. This came at a time when demand for some form of postsecondary education was taking off in response to the skill requirements of the new economy, and public resources were shrinking. Governments started pressuring higher education institutions to do more with less. It was becoming clear that no country could afford to provide higher education of the most expensive kind free of charge to whoever demanded it, and that those who personally benefited from that service, including students and employers, had to contribute to its costs (OECD 1990). The result has been, in the words of Newman, Couturier and Scurry (2004, 32) 'a shift from dependence on regulation and oversight (by the state and on funds from the public purse) [2] to using the market as a means of ensuring public purposes.'

Two developments in the 1980s, one in the United Kingdom and the other in the United States, had a profound influence on higher education policy formulation throughout the world. The report issued by the Committee of Vice-Chancellors and Principals (CVCP 1985), known as the Jarrat Report, after its chairman, Sir Alex Jarrat, made the following recommendations:

1. Universities must be responsive to the market.
2. The university head should assume the role of the chief executive.
3. Managerial techniques must be introduced in university administration.
4. Unit costs and efficiency of resource utilization should be among the key concerns.

5. Evaluation of university performance must be based on qualitative and quantitative performance indicators.

The recommendations of the committee were so radical for the time that they were severely criticized by academia, which referred to them as 'Jarratian Measures'; their implementation was commonly ridiculed as 'Jarratization,' and the period following the report was dubbed the 'post-Jarrat' period.

In 1980, the U.S. Congress passed the Bayh-Dole Act, which allowed universities to patent and commercialize the results of federally funded research conducted within the university. Thus, not only was a new source of income created for the universities, but the ties with corporations grew stronger, and the university came to be viewed as the place that supplies 'commercially valuable' initiatives, and corporate giving to universities increased considerably (Newman, Couturier, and Scurry 2004, 61-62). Perhaps as important, the traditional view of the products and outputs of the activities of the university as public goods started to change. According to a news article that appeared in the *Chronicle of Higher Education* ('Licensing revenue and patent activity, 2007 fiscal year.' 55(22), January 28, 2009.), twenty-eight U.S. universities had licensing income above US$10 million in 2007. At the top of the list were New York University (US$791 million), Columbia (US$136 million), and University of California System (US$98 million).

To the Jarrat Report and the Bayh-Dole Act must be added the literature that has emerged on the question of the purposes of higher education (Johnstone 1986; Leslie and Brinkman 1988; Tilak 1989, OECD 1990; Psacharopoulos 1992; Johnstone 1991; Johnstone 1992; Johnstone 1993; the World Bank 1994; the World Bank 1995; and Johnstone and Arora 1998; Paulsen and Smart 2001). The various reports by the World Bank, UNESCO, and the OECD, which portrayed higher education as a semi-public good with a private and a social return, rather than a purely public good, were particularly influential. This meant that the costs of higher education had to be borne partly by those who benefited from it. This argument provided a rationale for, and gave legitimacy to, tuition fees that was in line with social equity concerns. As you will see, by the mid-1990s the level of tuition fees as a proportion of recurrent expenditures in public institutions had significantly increased even in formerly Communist countries like Vietnam and China, where they were well above 10% and 20%, respectively (World Bank 1994; 42).

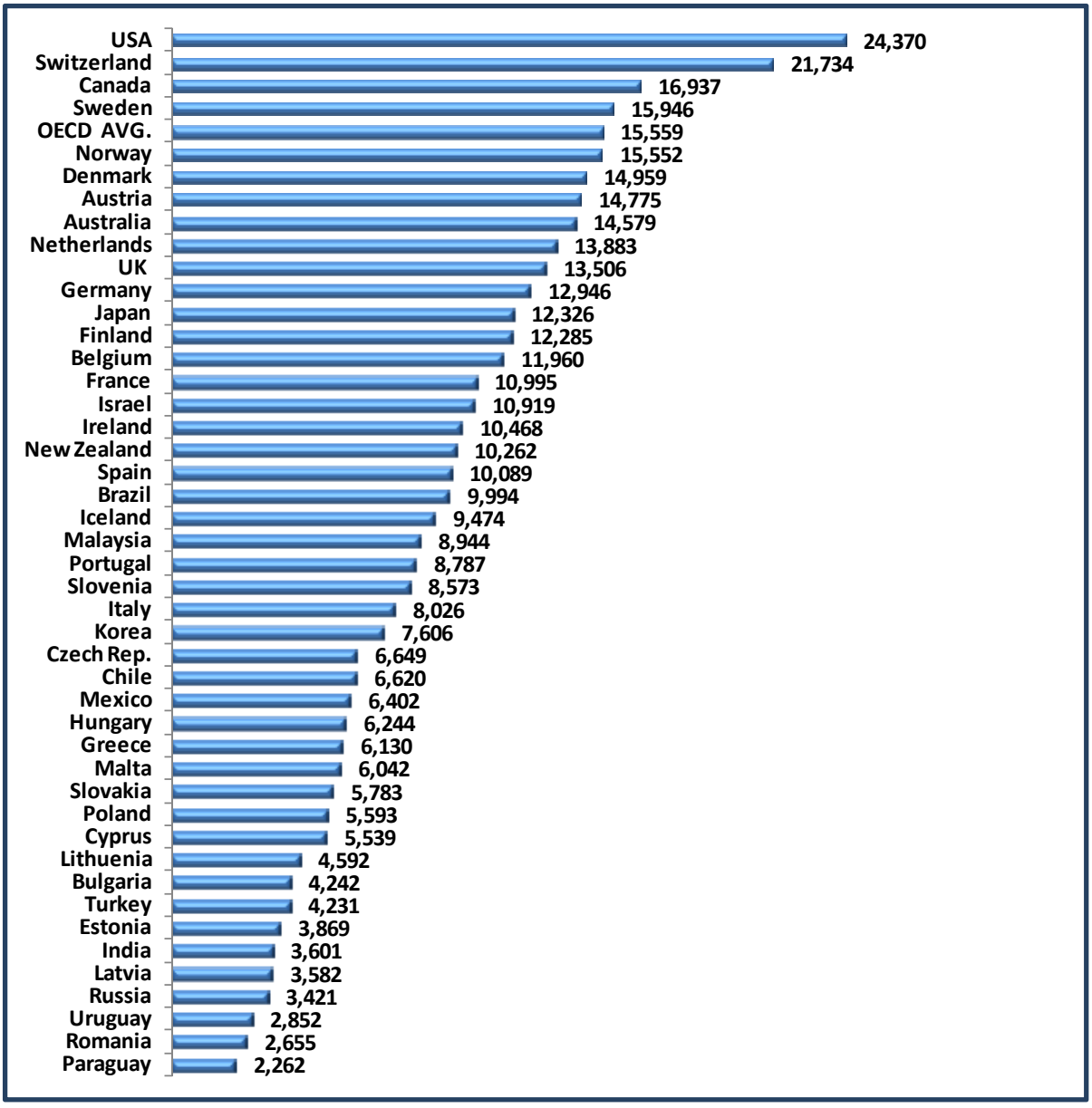
The introduction of tuition fees and calls for revenue diversification were accompanied by a new look at governance structures. In addition, many governments encouraged the development of private institutions to meet the increased demand in a manner that did not put pressure on the public purse. Thus, the rise of market forces in higher education manifested itself in the form of: (1) tuition fees; (2) private institutions; and (3) new governance patterns and structures.

Part 4: Public Spending and Tuition Fees

Funding Sources

Gürüz in his overview of higher education (2008a) and in his paper on quality assurance and funding systems (2008b) (www.hqaa.gr/files/Guruz_paper.pdf) shows the rise in institutional expenditures per students in the years 1990-2006 in all types of institutions..

Figure 5: Expenditure on Tertiary Level Institutions per Student, US$ (PPP), 2006 or nearest year available

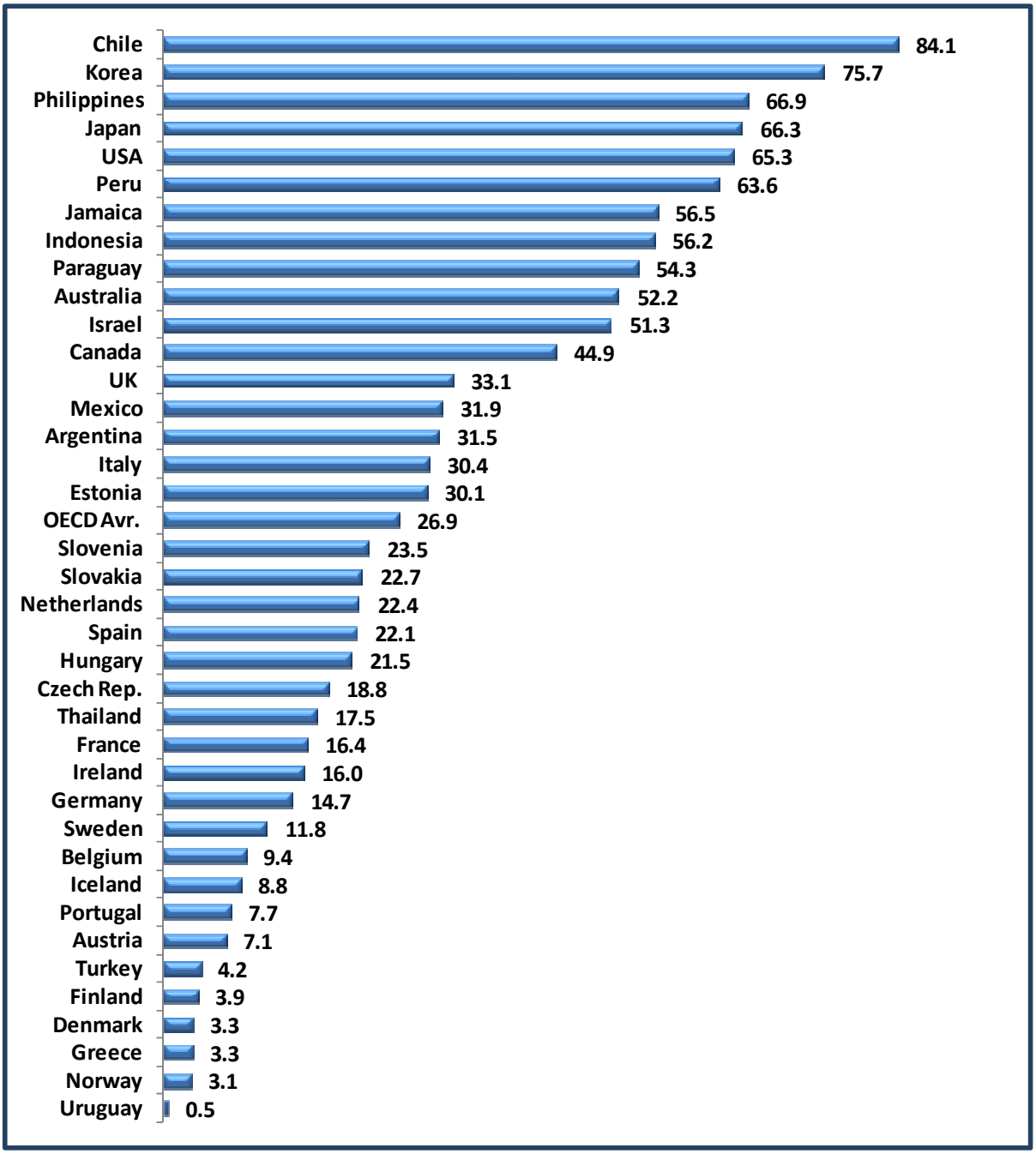


Source: OECD – Education at a Glance, 2008 Table B1.1a

All tertiary education including R&D activities GED 2008, India (2004) Malaysia (2007) Gürüz demonstrates that these increases occur in both public and private sectors, in OECD countries as well as partner countries. In most countries, per student expenditure has increased by more than 50% in the past two decades, clearly showing the increasing cost of providing higher education. Figure 5 shows expenditure per student in 2006. In 2006, United States and Switzerland lead the pack by a wide margin, with average per student expenditures of US$24,370 and US$21,734, respectively while Uruguay, Romania and Paraguay are at the bottom with US$2,852, US$2,655 and US$2,662, respectively.

There are generally two sources of institutional income from which these expenditures are made: public and private. The latter includes the expenditures made by students and/or their parents, referred to as household expenditure, in the form of various fees, and other private sources, such as donations made by charitable organizations, the private sector and the like. Figure 6 shows the values of this indicator for various countries in 2005.

Figure 6: Private Expenditure on Tertiary Education, Percentage of Total Expenditure, 2005 (or nearest year)



Source: Gürüz, K. (2008a, 2008b)

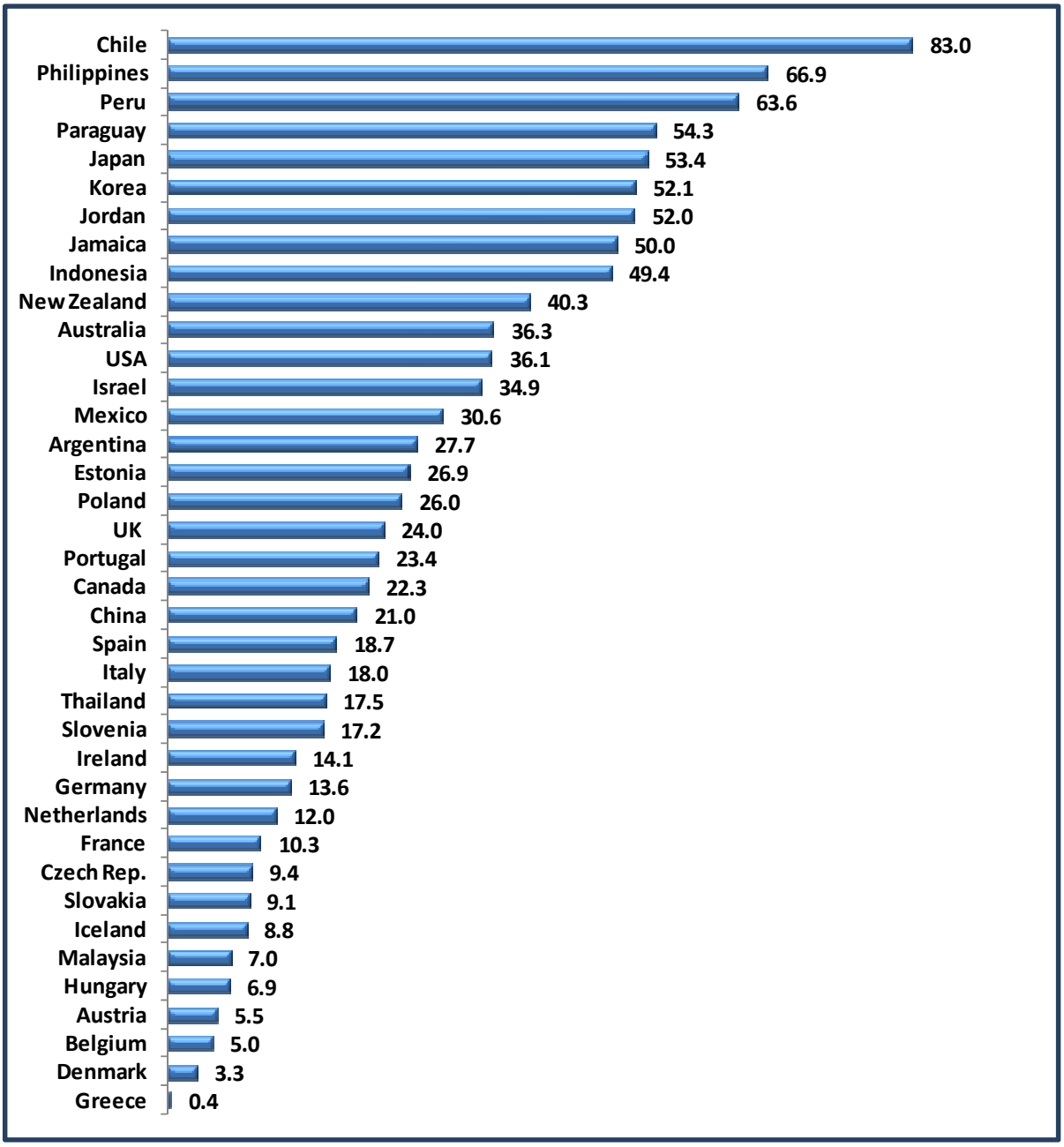
Exercise 4:

Look at Figure 6 and identify three countries in your region or three countries about which you know something. Make a list of these and for each one try to identify the social, political and economic reasons for the differing amounts of private expenditure on higher education.

As is clear in Figure 6, the share of private sources in per capita expenditures sees Chile, Korea, Philippines, Japan, and the United States, at the top of the ladder with 84.1%, 75.7%, 66.9%, 66.3% and 65.3% share of private sources, respectively. These countries have large shares of private institutions in their higher education systems, and tuition fees in public institutions. In Korea, for example, private institutions are 95% dependent on tuition fees, and fees make up 40% of the revenues of state institutions (Chevaillier and Eicher 2002).

Gürüz's also work shows the change in the contribution of households in per student expenditures in the period 1995-2005.

Figure 7: Share of Households in Expenditures on Tertiary Education, Percentage of Total, 2005 (or nearest year)



Source: Gürüz, K. (2008a, 2008b)

Data in Figure 7 demonstrate that Chile at 83.0%, Philippines 66.9%, Japan 53.4%, and Korea 52.1% are again at the top. This time, however, the United States has dropped to the twelfth position among the countries shown with a 36.1% share of households. The reason for this is the large amount of donations to U.S. institutions from charitable organizations and private donors, which, according to the survey 'Brains business' (*The*

Economist, September 8, 2005) totalled US$24.4 billion in 2004-a value that is many times the public higher education budget in a large number of countries. Thus, the share of contributions from private sources other than households is much higher in the United States compared to other countries.

Continental Western European countries, in general, are at the bottom of both leagues when it comes to private funding. The conventional view in Continental Western Europe is that higher education is a public good. Higher education in this region is thus characterized by a relatively low share of private institutions,[2] relatively low tuition fees, and high state subsidies even for students' living expenses (Vossensteyn 1999; Schwarz and Rehburg 2004). Johnstone (2004) characterizes Europe as 'the last bastion of generally 'free' higher education.'

It is clear that the contribution of households to the expenditures for higher education has increased in all countries in the period 1995-2005, including Western Europe, and have remained high where they were already high as in the Asia-Pacific rim, Latin America and the United States. Johnstone (2004; 2006, 39-41) refers to this worldwide trend as increased 'cost sharing,' which he defines as: 'a shift of the higher educational cost burden from exclusive or near exclusive reliance on government, or tax payers, to some financial reliance upon parents and/or students, either in the form of tuition fees or of 'user charges' to cover the costs of formerly governmentally- or institutionally-provided room and board.' According to Johnstone (2004), cost sharing has occurred in a number of ways, including:

- introduction of tuition fees in public institutions where they did not exist before or sharp rises in countries where there were tuition fees already;
- the imposition of 'user charges' for student services such as lodging and meals, which were heavily subsidized or free available before;
- elimination or reduction of student grants and scholarships, and introduction of more effective ways of cost recovery on student loans; and
- shifting the burden of meeting increased demand to private institutions.

Tuition Fees

United States, Canada, Japan and Korea are countries where tuition fees in public institutions have existed for a long time. However, in the United States, starting in the 1980s, subsidies from state budgets to public institutions were significantly reduced and as a result, the share of tuition fees in the income of public institutions rose from 18.9% in 1980 to 24.9% in 1998 (Newman, Couturier, Scurry 2004, 42, Figure 5).

Chile, Australia, the United Kingdom and China are countries where tuition fees were introduced starting in the 1980s. Tuition fees were introduced and institutions were forced to diversify their revenue sources as part of a comprehensive series of structural and financial reforms launched in Chile in 1981 (Schiefelbein 1990; Brunner 1993;

[2] The caveat here is that private universities in the Netherlands and Belgium are government-dependent, and are thus indistinguishable from public institutions.

World Bank 2002). Students pay tuition fees in all types of institutions. Typical annual tuition fees are US$ 2,500 in a private autonomous university, and US$1,650 in a traditional public university (9,670 and 5,270 dollars on a purchasing power parity basis). The university entrance examination plays a triple role in Chile: it places students in institutions and programs; it is used in distributing the indirect public support funds among both private and public institutions; and it is used to select students eligible for loans and scholarships. Students must obtain a minimum score to be eligible to enter a public university or an autonomous private university, and about 6% higher than that to be eligible for loans and scholarships, which are means-tested. This student support scheme is administered by each university separately as a university-specific fund. Repayment has been a chronically major problem. Since 2004, a parallel scheme has been put in place, which is open to all students and is managed through the banking system. The top 27,500 students in the university entrance examination carry with them a per student entitlement, which is paid to the institutions in which they are placed whether they are public or private (Brunner and Tillett 2006). These awards range in value, depending on how high the individual's test score is. The highest value awards represent a significant share of the total cost of one year of study at a typical institution. Since 1981, private institutions have expanded, enrolments have significantly increased, and the share of fees and income from services have come to account for nearly 60% of the revenues of higher education institutions, public and private taken together (Gonzalez 1999; Espinoza 2000). The result that Chile is at the top by a wide margin with a household share of 83% in per student expenditure in higher education in 2005.

In Australia students paid fees in the 1950s and the 1960s, but fees were kept low, and were waived in many cases to increase access. They were abolished by the Labor Government in 1974 (Marginson 2002; Duckett 2004). In 1988, the Higher Education Contribution Scheme (HECS) was introduced by another Labor government, whereby students started paying a portion of the full cost, either upfront at a discount, or through the tax system after they graduated and start earning above a certain annual salary. In 1996, a three-tiered fee structure was incorporated into the HECS, where different fees were charged to students in different programs according to the future income earning potential of the graduates. The Australian system moved closer to a market-driven system in 2003, when:

- universities were permitted to charge up to 25% higher fees, and HECS repayments by students were moved closer to full cost recovery;
- universities were authorized to admit students up to 35% of the domestic students enrolled in each undergraduate course and charge direct tuition fees at any level; and
- fee-paying students in both private and public universities were made eligible for a new system of income-contingent loans entitled FEE-HELP (Higher Education Loan Program) (OBHE-BN, March 2004).

Since the mid-1990s, the ratio of fees to public spending in Australian universities has increased from about 30% to over 55% (Gamage and Mininberg 2003). Comparison of the share of households in per student expenditure in Australian institutions of higher

education for the years 1995 and 2005 reflect the results of the fee policies adopted in this country, where the share of households increased from 20.0% to 36.3% in the period indicated. The so-called 'Commonwealth-supported places' are allocated to students on the basis of their secondary school performance as measured by various examinations. Only citizens of Australia and New Zealand and some Australian permanent residents are entitled to the Commonwealth-supported places where the government pays part of the cost up to seven years for full-time students and sixteen years for part-time students. Thus, the new scheme provides additional incentive to Australian universities to recruit more foreign students. However, tuition fees became a hotly debated election issue in 2007. The new Labor Government's campaign promises included across-the-board cuts in HECS charges, an increase in the number or size of targeted scholarships to students from disadvantaged backgrounds, cancelling the HECS debt of graduates in fields such as nursing and teaching that have a relatively lower future income potential, and boosting student income support to those from poor families.[3]

Until the 1980s, the only fees that students paid in continental European countries were of an administrative nature, and were very low. Otherwise, tuition fees were taboo throughout the Continent. Since the 1980s, however, tuition fees have been introduced or greatly increased in public institutions in a majority of continental European countries and in the United Kingdom (Chevaillier and Eicher, 2002; Johnstone 2006, 11-23, 55-74). In the 1980s, universities in the United Kingdom started charging full fees to students from outside of the European Union (EU) and considerably lower partial fees to students from within the EU. Then in 1998, a flat fee of 1,000 pounds was introduced by the Labor Government of Prime Minister Blair on a means-tested basis. Scotland, however, chose to split off from the rest of the United Kingdom in 2001 and adopted a system of deferred-payment tuition fees like in Australia. The Graduate Endowment Scheme was created in 2001 for this purpose (Chevaillier and Eicher 2002; Johnstone 2006, 62). Starting in the year 2007, universities in the United Kingdom are allowed to determine the fees to be charged up to a maximum of 3,000 pounds, more than double the amount that students paid till then. The bill also allows institutions to charge non-EU foreign students up to five times the fee that British students pay. Most of the higher education institutions opted for the highest rate (Labi 2005a). Welsh students in universities in Wales, on the other hand, were exempted from the new arrangement and continue to pay the previous flat fee of 1,200 pounds per academic year on a means-tested basis (Johnstone 2006, 64).

In 1998, the *Land* of Baden-Württemberg imposed fees on students who took longer than the six years normally required to complete undergraduate studies. The fee was about US$550 per semester, but the federal government stopped it in 2002. In January 2005, however, the Federal Constitutional Court overruled the tuition ban imposed in 2002. There is now a fee of 500 euros per semester for students who stay on beyond normal periods in Germany (Labi 2005c). Like in Germany, legislations enacted in the Czech Republic and Hungary in 1998 also allow institutions to charge fees to students who fail to graduate in time (Johnstone 2006, 69).

[3] 'Education heads election agenda.' *The Times Higher Education Supplement*. March 2, 2007.

Tuition fees were introduced in Austrian universities and *Fachhochschulen* starting in October 2001. Tuition fee was set at the relatively modest level of 363 Euros per semester. In September 2008, however, the ruling left of centre coalition government caved in to students' protests and abolished tuition fees, depriving Austrian institutions of a revenue source as the government had simply reduced public subsidies to university budgets by a corresponding amount when fees were first introduced.

Presently, there are no tuition fees in public institutions in Greece, Denmark, Norway, Sweden, and Finland. Where they exist, fees in Continental Europe, are either less than 10% of the average living costs (Vossensteyn 1999; Schwarz and Rehburg 2004), or are restricted to some graduate-level programs as in Greece, or to students who remain beyond normal periods of study, as in Germany and the Czech Republic. Ireland charges no tuition fees, but students are required to pay a service of 750 Euros per year.

'Dual track fees' or 'selective fees,' which target certain groups of students are becoming increasingly common. Students are targeted either on the basis of their secondary school performance as measured by their grades in various tests, or on the basis of their nationality. Examples of selective fees on the basis student performance are found in former communist countries of Central and Eastern Europe and in African countries formerly ruled by Marxist regimes. Two types of students are admitted to higher education institutions in these countries: those who pass an entrance examination or have sufficiently high grades at the secondary level and become eligible for state support, and others, including foreigners, who pay fees. Russian universities, for example, from 1996 on, are allowed to enrol fee-paying students to the extent that in the 2001-2002 academic year, the ratio of full-fee-paying students had risen from 25 to over 50% of the total enrolment (Chevaillier and Eicher 2002; Johnstone 2006, 65-66); fees now make up about half of the revenues of public universities in Russia (Tilak 2005). Scott (2002) refers to this as 'privatization of higher education in Central and Eastern European countries from within.' Other countries that have such schemes are Egypt, Ethiopia, Hungary, Kenya, Poland, Romania, Tanzania, Uganda and Vietnam.

According to many, China, like Chile, is another success story in implementing higher education governance and finance reforms. Starting with the Decision of the Central Committee of Chinese Communist Party on Reform of the Education System issued on May 29, 1985, higher education in China has undergone major structural changes (Mok 1999, Yang 2000, OECD 2003a, Cai 2004; Garret 2004; Mohrman 2005; Huang, F. 2005; Huang, J. 2005; Hewitt and Liu 2006; Johnstone 2006, 68). These include a shift from an elite system to emphasis on increased access, decentralization and devolution of power from central to provincial and municipal authorities and institutions, allowance for and facilitation of private higher education, and introduction of a cost-sharing approach through greater reliance on tuition and other fees to finance higher education costs. Tuition fees charged in public universities were US$25 per year in 1989 and had reached US$100 in 1995, when fees in public institutions accounted for 13.5% of the revenues. Tuition fees were increased to US$250 in 1006, US$375 in 1997, and US$ 500 in 2000, in which year the share of fees had increased to 22.2%, while the share of public

subsidies had decreased from 70% to 56%. In 2001, the breakdown of the revenue sources of regular institutions was as follows:

- appropriations from the state budget, 52%;
- tuition and other fees, 25%;
- other sources, 23%.

Since 1997, all institutions charge fees according to centrally determined criteria, which correspond on the average to around 25% of the unit cost. In 2004, tuition fees in public universities were the equivalent of US$625 per year. Fees are relatively quite high in world-class institutions such as the Tsinghua, Beijing, Shanghai and Jiao Tong universities (Feng and Gong 2006; Hayhoe and Zha 2006).

Xie and Huang (2005) underline the rapidly rising student/staff ratios, and the significantly diminished teaching facilities and library resources per student as negative aspects of the staggering expansion of the Chinese higher education system in the last decade. J. Huang (2005) and Hewitt and Liu (2006), on the other hand, point to a different aspect of the impressive growth in the Chinese higher education system. In J. Huang's view, Chinese higher education is currently exhibiting the characteristics of a 'seller's market,' which means that there is a shortage of supply of higher education services, and a big demand for higher education despite significantly increased tuition fees. However, what the buyers seek to purchase is a diploma to be used for promoting their career and to ensure further promotion, not scholarship. Cutting classes and hiring others to attend classes in their place to avoid punishment by teachers is not uncommon. Hewitt and Liu refer to this situation as the 'stuffed duck' system, whereby they liken students educated by pervasive rote learning in Chinese institutions to force-fed Peking ducks, fattened for the dinner table. Nevertheless, recent Chinese reforms are generally viewed as impressively successful, both quantitatively and qualitatively.

The New Zealand experience clearly shows how the introduction of fees and forcing institutions to diversify their revenue bases transform universities into active players in the global higher education market. In New Zealand, the 1989 Education Act established the Students Allowance Scheme in a manner similar to the HECS in Australia, and empowered the institutions of higher education to set fees. This has forced institutions of higher education to start recruiting foreign students aggressively in order to make up for lost state subsidies.

The government of India, on the other hand, tried to do just the opposite in order to attract foreign students. Tuition fees in the prestigious IITs and institutes of management in India are over US$3,000. In 2005, the Supreme Court of India overturned a move by the government to slash fees in these institutions to below US$700 in order to increase the international competitiveness of these institutions (Gupta 2005). In some Indian public institutions where tuition fees are low, revenues from other types of charges to students now account for up to 5-% of the annual institutional income (Tilak 2005).

As part of the sweeping reforms introduced in Japan in the spring of 2004, national universities are now allowed to set their own fees up to 10% higher than the ministry's designated standard fee, which is presently about US$5,000 regardless of the field of study (Maruyama 2005).

Fees were introduced in Turkey as part of the new governance structure legislated in 1981. Later in the 1980s, fees were redefined as student contributions to costs of tuition and student services. A special fee-paying track was introduced in 1992, for which student contributions are considerably higher. Students in the regular track attend classes during daytime, and students in the second track in the evenings. However, admission to both tracks is through the central admission system, which is based on a central examination and high school performance. Thus, the present fee structure in Turkey is a combination of tuition fees and user charges. Parental contributions that appear in budgets of state universities in Turkey essentially reflect the student contributions in both tracks, which cover tuition-related contributions as well as contributions towards the costs of highly subsidized meals, lodging, medical care and extracurricular activities. Fee levels are determined each year by the government and vary from one discipline to another based on standardized, rather than normative unit costs. Standardized unit costs are calculated essentially by using budget figures. By law, contributions to be paid by students in the second track cannot be less than half of the unit costs. Universities have the authority to increase fees by up to 20%, and to admit or not to admit students in the second track; most research intensive public universities and private universities have chosen not to admit students in the second track. Students who remain beyond normal periods of study pay 50% more for the first year, and twice the regular fee in any subsequent year they remain. The so-called contributions to be paid by students in the normal track in the 2007-2008 academic year vary from US$55 for distance education programs to US$140 in the two-year programs, and US$425 in faculties of medicine, depending on the program in public universities. Contributions to be paid by students in the second track vary from US$440 in the two-year programs to US$750 in business and economics and US$1,000 in engineering. Tuition fees in private universities can be over US$10,000. Tuition-related expenditures from this source account for about 20% of the total payment by students.

Detailed information and data are available on the Website of International Comparative Higher Education Finance and Accessibility Project (ICHEFAP) at the State University of New York (SUNY) at Buffalo on tuition fees, total costs of higher education to parents and students (household expenditures), and the various mechanisms that the governments use to aid and subsidize students in various countries. Data are available to show levels of tuition fees, all expressed in US dollars on a purchasing power parity (PPP) basis, in public institutions varying from 128 dollars in Ethiopia to 12,000 dollars in some U.S. state universities.

According to OECD (2007, Table 5.1), tuition fees in 2004-2005 in member countries expressed in US dollars on a purchasing power parity basis (2005 PPP) were as follows:

- 5,000 and above : United States
- 3,500-4,000 : Australia, Japan, Korea, Canada
- 3,000-3,500 : Israel
- 1,500-2,000 : United Kingdom, New Zealand, Netherlands
- 1,000-1,500 : Italy
- 500-1,000 : Turkey, France
- Free : Czech Republic, Finland, Ireland, (apart from an annual service fee) Iceland, Norway, Poland, Sweden

Outside of continental Europe, the general tendency is to increase fees, particularly in Latin America and the Asia-Pacific region (Chevaillier and Eicher 2002; Tilak 2005). A study by Psachoropoulos and Patrinos (2002) shows that private returns to higher education are increasing worldwide, which provides further justification for tuition fees. However, the fact that the bills on fees were enacted with only the slimmest of margins in parliaments in both Australia and the United Kingdom, and the rejection of fees in Austria and Hungary in 2008 clearly shows that although no longer taboo, tuition fees in public institutions remain a controversial issue. The introduction of tuition fees in countries where higher education used to be free, and increase in fees where they existed, is now a major global trend. There are few countries left where there are no fees in public institutions. In those countries where public institutions do not charge tuition fees, such as in Brazil, private institutions account for a large portion of the enrolment. Johnstone (2006, 31-49) refers to this approach as another form of cost sharing.

A final note on tuition fees concerns the differential charged to foreign students. Countries in which higher fees are charged to foreign students are Australia, Austria, Canada, Ireland, the Netherlands, New Zealand, the Slovak Republic, Switzerland, Turkey, the United Kingdom, and the United States. In the EU, students from other member countries are treated as home students. Countries that charge the same fees to all foreign students include France, Greece, Hungary, Iceland, Italy, Japan, Korea, Portugal and Spain. On the other hand, until recently, the Czech Republic, Denmark, Finland, Germany, Norway, Poland, and Sweden did not charge fees in public institutions; this, however, is changing in Germany (OECD 2004b, 26), the Czech Republic, Sweden and Finland.

Part 5: The Growth of Private Institutions

Market forces in higher education interact in such a way that the differences between public and private, and for-profit private and non-profit private institutions are becoming increasingly blurred. On the two ends of the spectrum lie the 100% privately funded and the 100% publicly funded institutions (Levy 1986; Newman, Couturier, and Scurry 2004, 108). A typical private institution receives some revenue from public sources directly or indirectly, and a typical public institution generates some of its revenues from private sources such as tuition fees, donations, and services performed. The traditional private/public dividing line is now replaced by a new one, which would separate for-profit from non-profit institutions. Even that line tends to be blurred, since a number of public and non-profit institutions are engaged in for-profit undertakings, especially in trans-national education (UNESCO 2003; Levy 2009).

The OECD (2004a, p.11 in Glossary) and UNESCO (2006, 30) define a private institution as one 'controlled and managed by a non-governmental organization (e.g. a Church, Trade Union or business enterprise), or if its Governing Board consists mostly of members not selected by a public agency,' and distinguishes between government-dependent and independent private institutions. A former type of institution is one that 'receives more than 50% of its core funding from government agencies or one whose teaching personnel are paid by a government agency.' Thus, church-affiliated universities such as those encountered in France, Spain, Belgium, and the Netherlands are government-dependent private institutions, and there is little difference between them and the state institutions in their respective countries. The real distinction at the present, however, is between non-profit and for-profit institutions. To keep the discussion in this section simple, no such distinctions will be made, and the simple definitions of public and private institutions given by the OECD will be adhered to.

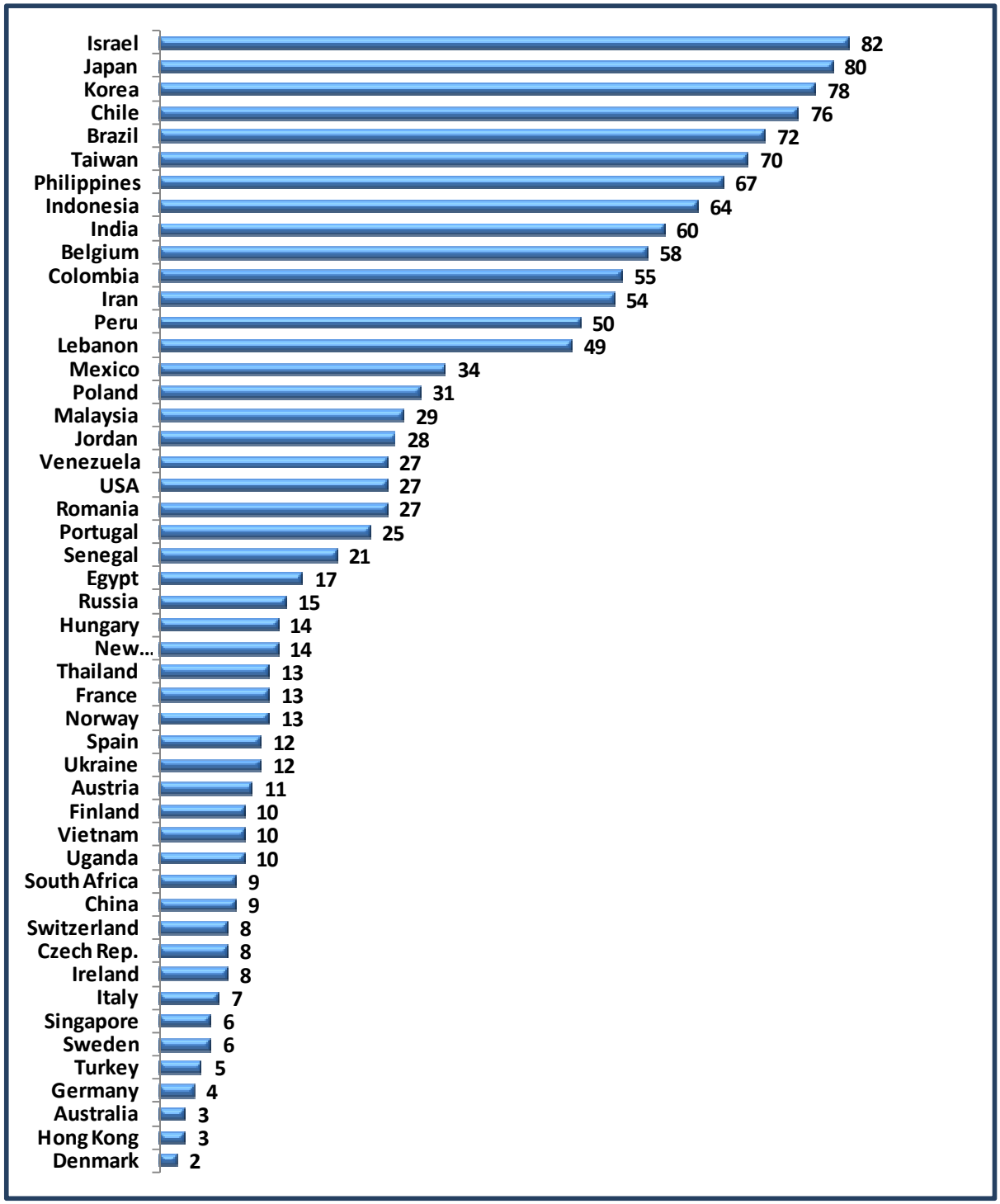
With these caveats, Figure 8 shows the share of private institutions of all types in higher education systems of selected countries, based on enrolments. At the top of the figure are Israel 82%, Japan 80%, Korea 80%, Chile 76%, Brazil 72%, and Taiwan 70%. However, the older private universities in Israel, like the church-affiliated private universities in Belgium and the Netherlands, are of the government-dependent-type, and there are few differences between them and the state universities. UNESCO (2006) reports the share of private universities in the Netherlands as 100%.

Israel currently has 18 public colleges and universities and 9 private ones. Private universities are of the government-dependent type, receiving financial aid through the Council of Higher Education (Iram 2006). Applications to open 11 new private colleges, about half of them branch campuses of private institutions, have been held on hold due to resistance from public institutions, which have cited unfair competition

Exercise 5:

For a country that you know you should identify one university that is considered to be 'public' and one that is considered to be 'private', for example as in the case of Israel cited above. Now look at the web-sites for your chosen universities and see if you can find the source of funding for each - you might find this in the institution's annual report. On the basis of what you find, can you say (1) that the 'private' university receives no direct or indirect public funding and (2) that the 'public' university has no income apart from public funding it receives?

Figure 8: Share of Private Institutions in National Systems, Percentage of Total Enrolment, 2004



Source: Gürüz, K. (2008a, 2008b)

There is only one truly private university in the United Kingdom, the University of Buckingham. Many, however, view the British universities, especially the pre-1992 ones,

in particular the red brick civic universities, as government-dependent private institutions that have charters of their own. In Levy's (1986) typology, the United Kingdom system is public-autonomous.

Students in private higher education institutions make up significant percentages of the national enrolments in Asia-Pacific countries and in Latin America. In a number of countries such as Korea, Japan, Taiwan, the Philippines, Indonesia, Macao, Cambodia, Chile, Colombia, India, Paraguay, Peru, and Brazil, private institutions of higher education make up over half the total enrolment, and more than a quarter of the enrolments in Armenia, Jamaica, Jordan, Oman, Malaysia, Mexico and Venezuela. Tilak (1991) and Altbach (1999a) attribute the growth in private higher education in relatively poorer countries to the inability of governments to fund expansion. Johnstone (2004; 2006, 41) views this growth as another form of cost sharing policy by governments. Private higher education has over half a century of history in countries like Japan, Korea, and Colombia, but the growth of the private sector has accelerated since the 1980s.

Brazil has 195 state-funded higher education institutions, including 78 universities, and there are no tuition fees in these institutions. The private higher education sector, on the other hand, comprises some 1,442 private providers, including 84 universities, which charge tuition fees ranging from US$5,490-US$10,720 per year (OBHE BNA, June 27, 2006).

The historical roots of Japanese higher education go back to the Meiji Restoration of 1868. The University of Tokyo was founded as a public institution in 1877 under the Ministry of Education. But by then Japan had a centuries-old tradition of private schools, which later evolved into the so-called miscellaneous schools (*kakushu gakko)*. Thus, Japanese higher education from its very beginning was a differentiated system with a public-private mix, and at the end of World War I, a law was passed that enabled some of the private specialized schools to be upgraded to university status (Kaneko 1997).

The higher education systems of Japan, Taiwan, Korea, the Philippines and Malaysia are classified as majority-private in Levy's (1986) typology. On the other hand, until 2000, there were no private universities in Singapore. The private institutions and colleges in Singapore, in general, do not have the power to award degrees themselves, but many of them award degrees of foreign universities in various types of franchise arrangements, including brand-name institutions from Australia, China, France, Germany, Japan, Netherlands, United Kingdom and United States. Recently, the Singaporean government expanded the degree-awarding power beyond the three public universities in the country (OBHE-BN, September 2003; January 2005). The Singapore Institute of Management (SIM) was founded in 1964 as a non-profit non-university institution. Currently it awards degrees in partnership with a number of leading institutions in the United States, the United Kingdom, Australia, and China. In 2005, its degree-awarding powers were expanded by establishing UniSIM, which largely caters to working adults. Both SMU and UniSIM now receive financial support from the Singaporean government, and can thus be regarded as government-dependent type. Gürüz, (2008a, 2008b) estimates of the share of private enrolment in Singapore is 6%.

Most undergraduate education in India is provided by privately managed colleges, which are affiliated with public universities and financed largely by public funds (Altbach 1999a). According to the Indian government statistics (Government of India 2003), only a few of the 272 Indian universities are private. On the other hand, of the 11,146 colleges two-thirds to three-fourths are private. Most of these colleges are given financial assistance by the state, and are hence called 'private-aided' institutions. Recent government approaches, however, seem to favour self-financing colleges (Tilak 1999). Gupta (2004) points out that the lack of a restraining centralized national government has led to the current growth in private higher education motivated by monetary gains.

As of 1990, private institutions did not exist in China. As part of the reforms of the 1990s, private higher education was allowed to develop. In 2002, the Law for the Promotion of Private education was enacted, which allows private investors to make 'a reasonable return on their investment' (OBHE BfN 12, July 2003; OBHE BfN 13; September 2003; Lin 2004). By the year 2003, some two thousand nongovernmental colleges and universities had been founded. These are called *Minban* or *Shehui Banxue* in Chinese, meaning institutions run by the nongovernmental sector or by social forces. However, only about a hundred of these are recognized, but some of them are accredited to offer bachelor-level degrees. In addition, certain disciplines in some public universities are allowed to operate as private or quasi-private units, somewhat similar to the 'privatization within' in the formerly communist countries of Central and Eastern Europe. Presently, there are some three hundred of these so-called second-tier colleges, or independent colleges, enrolling almost a third of the undergraduate students in regular institutions (Lin 2004; F. Huang 2005). These institutions, together with the 909 colleges of higher vocational education offering short-cycle programs at the sub-bachelor level, have made major contributions to the growth in enrolment, rather than the prestigious research universities.

Chinese universities have been allowed to cooperate with foreign partners and institutions to offer joint programs leading to foreign degrees. Such programs now involve institutions and organizations from various countries, including the United States, the United Kingdom, Australia, Singapore and Hong Kong. Adequate data are not available on the scale of foreign activity in China; the information available indicates that in 2002, there were 712 'approved' jointly run educational programs in China, which encompassed a range of typologies, including co-developed new institutions, a foreign degree franchised to an existing Chinese university, and many non-degree courses and programs (Garrett 2004). Joint programs that were authorized to award foreign degrees numbered 137 in 2003, up from 97 in 2002 (F. Huang, 2005). Full British degrees are offered both at the undergraduate and the graduate levels at the University of Nottingham's Ningbo branch campus established in 2003. All courses are taught in English by staff sent from the main campus in the United Kingdom (Hewitt and Liu 2006).

In September 2003, new regulations on foreign providers in China came into force, which require hundreds of Sino-foreign partners to apply retroactively or face closure (OBHE BfN 13; September 2003; OBHE-BN, November 2003). In February 2004, two American

for-profit higher education institutions (Western International University and ITT Educational services) were approved by the Beijing Municipal Education Commission to offer undergraduate programs in partnership with the Canadian Institute of Business and Technology, a development firm already well established in the Chinese market, and Beijing Polytechnic University. These are the first foreign bachelor-level programs and the first example of for-profit providers securing approval to offer programs in China (OBHE-BN, February 2004).

The share of private enrolment in China increased from 0.7% of the total in 1998 to 4.3% in 2003 (F. Huang 2005), and as of 2004 stood at 9% as seen in figure 8. Privately funded colleges of various types now number at least 1,300, with 45,000 students enrolled in Shanghai alone (Hewitt and Liu 2006). However, private institutions have made a relatively little contribution to the massification of Chinese higher education so far, and it is believed that public institutions will carry the major burden of any future expansion (F. Huang 2005). Furthermore, there is a heated debate in China on the balance between autonomy and control in private higher education, with government officials accusing private universities of profit seeking, and the private institutions complaining about excessive government interference (Lin 2004).

Vietnam, like China, has introduced a flexible policy of mobilizing resources to develop capacity in her higher education system. Tuition fees were introduced and private institutions were permitted in 1986 as part of sweeping economic reforms known as *doi moi* (Huang and Fry 2004; Le and Ashwill 2004). In 1989, a group of intellectuals founded the first non-public higher education institution, Thang Long University, on an experimental basis. By 2002-2003, the number of non-public institutions of higher education had increased to twenty-three, the largest one being Van Lang University with an enrolment of forty-seven hundred students. Presently, there are two types of private institutions in Vietnam. Semipublic institutions are owned and operated by the state and a public authority at the central, provincial, district, or communal level. Nongovernmental organizations, or private associations such as trade unions, cooperatives, youth organizations, and women's associations own and operate the so-called people-founded institutions. Although presently there are no institutions owned by private individuals, Vietnam allows foreign providers. In 2003, the first foreign-owned university campus was established by the Royal Melbourne Institute of Technology in Ho Chi Minh City. This is a typical Australian offshore operation. On December 30, 2004, plans to inaugurate the first American university in Vietnam, the American Pacific University, a branch campus of the U.S. Roger Williams University, were announced as well as the opening of four new private universities (OBHE-BN, January 2005). After more than two decades of policies of 'change' (*doi moi* in Vietnamese), the share of private institutions in enrolment presently stands at 10% as seen in Figure 8. The plans are to increase the share of private institutions to 30% by 2010 (Overland 2006).[4]

[4] It appears that Vietnamese higher education is headed for more reforms along American lines ('Vietnamese leaders discuss overhaul of higher education during U.S. visit.' *The Chronicle of Higher Education* 53(43): A41, June 29, 2007)

Many regard the United States as the bastion of free enterprise. According to the latest statistics reported in the Almanac 2008-2009 issue of the Chronicle of Higher Education, the total number of degree-granting higher education institutions in the United States in 2003-2004 was 4,314.[5] Of these, 643 were four-year public, 1,045 were two-year public, 1,533 were four-year non-profit private (up from 1,387 in 1980), 107 were two-year non-profit private (down from 182 in 1980), 453 were four-year for-profit (up from 18 in 1980 and 297 in 2003-2004), and 533 were two-year for-profit (up from 147 in 1980 and 494 in 2003-2004).[12] Thus, private institutions of all types make up 61% of the institutions in the U.S. higher education system. Yet, with a total private share of only 27% of the enrolment, the United States does not figure prominently in Figure 8. The major difference between public and non-profit private institutions in the United States is the higher level of fees and the higher share of fees in total revenues in the latter. Thus, non-profit private institutions in the United States can also be viewed as government-dependent.

The national higher education systems of Australia, New Zealand, and Canada are characterized by a low proportion of enrolments being in private institutions. Private institutions in these countries are more active in the non-university sector, with a few private universities only in Australia. There is presently one branch campuses namely the Carnegie Mellon Heinz School in Adelaide, South Australia. Public universities in all three countries, especially in Australia and New Zealand, have considerable freedom in setting tuition fees and allocating their resources as they see fit.

An interesting model that emerged in Australia was the Melbourne University Private (MUP), as a for-profit arm of Melbourne University, a public institution (OBHE-BN, September 2003; August 2004). However, the MUP incurred a loss, rather than being a source of additional revenue, and was absorbed into the profitable Melbourne Enterprises International; the new entity retained the name Melbourne University Private (Ryan and Stedman 2002). Furthermore, MUP has been denied membership in the Australian Vice-Chancellors Committee, the representative body of Australian universities. The Association of Universities and Colleges of Canada, too, has closed its doors to new members (OBHE-BN, August 2004). Both moves can be interpreted as manifestations of traditional institutions' reactions to the mergence of new types of providers, especially to for-profit providers.

Europe has a long tradition of private higher education. The Dutch Constitution of 1848 and the French legislation of 1875 both allowed private institutions but public higher education is even more dominant in Western Europe than in the United States, especially if the government-dependent nature of the church-affiliated universities in Belgium and the Netherlands is taken into account. Altbach (1999b) estimates that more than 95% of

[5] In addition to the degree-granting institutions, there are also thousands of non-collegiate institutions in the United States that provide vocational training at the postsecondary level. In 2001-2002, there were a total of 5,059 such institutions, comprising 501 public, 1,018 non-profit private, and 3,540 for-profit private institutions (Visit: http://nces.ed.gov//programsmdigest/d03/tables/dt005.asp). These institutions do not award degrees. Those that are for-profit are also commonly referred to as proprietary institutions.

the students in Western Europe attend public institutions. According to OECD figures, 76.6% of all students in Europe study in a public institution; 18.5% are enrolled in a government-dependent private institution, and only 4.8% study in a truly private institution (OECD 2004b, 127), which confirm Altbach's estimate.

The Greek constitution explicitly bans private institutions of higher education. On the other hand, Greek legislation permits private companies offering postsecondary education to exist as 'laboratories of liberal studies' (*EES* in Greek), registered with the Ministry of Commerce, rather than the Hellenic Ministry of Education and Religious Affairs. As of 2005, thirty-five thousand students were enrolled in the 'laboratories,' paying an average of US$5,166 per year in a wide range of academic and vocational programs extending from floriculture and hairdressing to information technology, finance, and business management. Altogether, courses are offered in 214 areas of specialization, over 40% of which are in business and commerce. As businesses, the so-called laboratories are free to establish partnerships with foreign providers. There were sixty-two such partnerships with one hundred foreign providers; fifty-three of them were based in the United Kingdom, twenty-three in France, and fifteen in the United States. However, the peculiarity of the situation in Greece is that the qualifications awarded by foreign institutions on the basis of a program of study or any part of a program at an EES are not recognized for employment in the Greek public sector (OBHE-A, April 20, 2005). In response to pressures from Brussels instigated by the foreign providers, the Greek government drafted a law that would in effect recognize these so-called laboratories as bona fide higher education institutions. The law has not been enacted as of March 2009 due to fierce public opposition to private higher education in Greece.

The private higher education sector in Germany consists of private *Fachhochschulen*, business schools, and theological institutions. There are only two private universities, and together with the thirty-three private *Fachhochschulen* and the forty-four church-affiliated institutions, private institutions in Germany number about fifty, but account for 4% of the enrolment in programs leading to degrees. International University of Bremen was founded in 1999 by the city of Bremen in partnership with Rice University (Hochstettler 2004).

France has two types of private institutions: church-affiliated universities similar to the ones in the Netherlands and Belgium, and private *Grandes Ecoles*. The latter, although classified as non-university institutions, are in the majority of cases more prestigious than universities. Private institutions account for 26% of the students in the *Grandes Ecoles*, and 41% of the enrolment in the *STS*. Spain, too, like France, has government-dependent universities that are church-affiliated. There are also private business schools in Italy, Spain, and France. Private enrolment accounts for 7%, 12%, and 13% of the national enrolment in Italy, Spain, and France, respectively (see Figure 8).

There are no private universities in Switzerland, Norway, and Finland, but numerous private, vocational non-university institutions operate in all these countries; students in such institutions make up a relatively higher share of the national enrolment, 8% in Switzerland, 10% in Finland, and 13% in Norway. Until 1994, the only private institution

in Sweden was the Stockholm Business School (*Handelshogskolan i Stockholm*), founded in 1909 by royal decree. The present-day Chalmers Technological University was founded in 1829 as a private institution, but was transformed in to a state institution in the 1960s. The conservative government that came to power in 1991 privatized this institution by retransforming it into a non-profit university, governed by a board with no government-appointed members. Private institutions presently account for 6% of the Swedish enrolment at the tertiary level.

Portugal, with a private share of 25% in the national enrolment, is truly an exception in Western Europe.

The Turkish Constitution only allows non-profit private institutions of higher education. As of March 2009, of the 132 universities in Turkey, 38 are private, but, together with the 4 independent private vocational schools, they account for only 5% of the national enrolment.

Private higher education in the formerly communist countries of Central and Eastern Europe have developed rapidly in the 1990s along a path that is radically different from that in Western Europe. Following the collapse of the communist regime, the term 'nonstate education' appeared for the first time in the 1992 federal law on education in Russia. This led to a flurry of private institutions, which now account for 15% of the national enrolment. According to Smolentseva (2003), private institutions in Russia are all for-profit, and very few of them are characterized by high standards. Developments in other formerly communist countries have been similar, where the shares of private institutions are significantly higher than those generally encountered in Western Europe. Slantcheva (2005) draws attention to the concerns about the legitimacy of, and Stetar, Ponych and Bin (2005) express concern about corruption in private in the former communist countries.

Teferra (2005) estimates that there are over one thousand private institutions in Africa, where the number of public institutions is slightly over three hundred. Private institutions account for significant shares of national enrolments in a number of African countries, such as 32% in Burundi and Mozambique, 25% in Niger, and 23% in Ethiopia.

In summary, since the World Conference on Higher Education, convened by UNESCO in Paris in 1998, the number of public institutions in the world has remained essentially unchanged, while that of private institutions has continued to grow. UNESCO (2003a) estimates that 31.5% of students worldwide are enrolled in private institutions. It does appear that private higher education will grow worldwide. UNESCO (2003a, 18) draws attention to the difficulties of starting private institutions, and cautions that: 'many of the new private institutions lack both material and intellectual resources. Often they fail to resist increasing competition in an emerging market that does not always show concern for quality standards and established practices in the respective national systems.'

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