

Subject	External Quality Assurance
Module	External Quality Assurance Agencies Emerging Challenges
Topic	5.4 Private and Public Institutions

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Table of Contents

1. Introduction
2. Private vs. Public Higher Education
3. Incremental Privatization
4. Summary

1. Introduction



This topic discusses the trend to privatisation of education - another challenge that has emerged in higher education over the past ten to fifteen years. We will consider the growth of private higher education and the ongoing debate between private and public institutions.

Objectives: Private and Public Institutions

Upon completion of this topic, you should be able to

- distinguish between public and private approaches to higher education (HE)
- trace the growth of the private approaches to HE worldwide

2. Private vs. Public Higher Education

One of the dimensions that should be taken into consideration in QA is the mix of public and private dimension in many national settings. The distinction between these sectors of higher education has, in some areas, become increasingly blurred. A public institution is, in theory, one that is funded (wholly or primarily) by the state, while a private institution is supported (wholly or primarily) by non-state funds. These funds might be obtained from benefactors or endowments, or by selling services such as education, training, research and consulting.

In many systems, students in public and private institutions are equally eligible for assistance in the form of grants, loans, employment, most often given on a need basis. However, the amount that "eligible" students actually receive may be pegged at the going rate for public institutions. Too bad if the private institution charges more than its public neighbor.

In some countries there is tacit recognition that private institutions provide capacity that need not be a public budget item. Diversity may enter in, to the extent that the private sector in some countries includes institutions with histories of service to women, ethnic or racial groups, students with special needs, religious denominations, or specific vocational interests. In the United States, a large proportion of medium to small "liberal arts and science" colleges are private, independent, or associated with a religious denomination.

Subject	External Quality Assurance
Module	External Quality Assurance Agencies Emerging Challenges
Topic	5.4 Private and Public Institutions

Both sectors are subject to legislation and regulation. In many cases, the public institutions are more regulated because the state sees itself not only as funder but also as owner and operator, so it becomes appropriate to work through a board of trustees to steer the affairs of the institution. The amount of direction by government varies in different countries, depending on the political history and tradition of academic, student or institutional freedom. In some countries, the private institutions have been more tightly controlled (if not suppressed) because they are viewed with some suspicion – supposedly about quality, but also because they challenge the hegemony of the public sector. Student financial support often provides a way for government to regulate behaviors through institutional accountability for handling funds derived from student aid programs.

Reading: Private Institutions

Visit the following website to learn more about private higher education worldwide:

[Program for Research on Private Higher Education \(PROPHE\)](#)

According to Leuner & Woolf (2004), there are proponents of both the public and private approaches to higher education (HE).

Private vs. Public Approaches to Higher Education

Private sector

"Advocates of the private sector contend that the choices consumers make in the market place are a more valid reflection of their true interests and priorities than are the political mechanisms regulated through and by the state. It can also be argued that private institutions may be more responsive to questions of quality because they are dependent on student enrolment rather than government funding."

Public sector

"The defenders of the 'public sphere' suggest that the market economy distorts and erodes traditional public sphere goals of creating a space in which public opinion (rather than special interests) may be articulated."

Source: Leuner & Woolf (2004)

The dichotomy between these views is more obvious in systems in the European than in the American tradition.

"In Europe there is a tendency to associate private with commercial (with connotations of shabbiness) and public with non-commercial (and therefore good). ... The USA has a well-developed private HE sector, and accreditation operates across public and private institutions, so the legal status of an institution or its sources of funding are not perceived as signifiers of quality or moral purpose. Rather, distinctions between institutions are matters of function, location, philosophy, and so on." (Leuner & Woolf, 2004.)

Thus, "national interest may be served by a diverse system in which public and private co-exist and mutually enhance available provision. A number of countries (often in the developing world) where demand exceeds the capacity of the state to supply it have turned to the private sector. Bangladesh actively developed a large number of private universities. Pakistan nationalised the

Subject	External Quality Assurance
Module	External Quality Assurance Agencies Emerging Challenges
Topic	5.4 Private and Public Institutions

university system in 1973, but 15 years later began to charter private institutions." (Leuner & Woolf, 2004.)

Several countries (e.g., Malaysia, Japan, France) are permitting or requiring their universities to take on more autonomy and self-regulation. Private provision in developing countries often originates from, and is funded by institutions in Australia, the UK and the USA, though this so-called 'north-south flow' is breaking down, as other countries such as India, Malaysia and Singapore become educational exporters. The growth of private institutions in the former Soviet states goes beyond economic benefits, contributing to an increase of pluralism.

In practice, the public/private dichotomy is hazy and becoming more so with time. (Miller, 2000). Many 'public' institutions obtain a large part of their funding from non-government sources, including direct tuition revenue. Conversely, many 'private' institutions benefit from state funds as government in effect pays for student places or for applied research seen as necessary by the state, or pays the student fees in study programs needed by the state.

According to Miller (2000):

"As HE is an expensive commodity, where demand exceeds supply, a market of some type will emerge."

However, as education is bound up with national culture and development, it will usually be a matter of central concern, and will usually be more regulated than most markets.

3. Incremental Privatization

Over the past twenty years there has indeed been a "blurring" of boundaries between the public and private sectors. Some U.S. observers refer to this as "quasi-privatization," "incremental" or "de facto privatization." To begin, there is actually no "Federal" higher education system in the U.S. The initiative for, and regulation of, U.S. higher education resides in the individual states, which provide operating funds for state-supported institutions. State budgets have dwindled since 1990, so it is common to find major state institutions that receive well under half of their operating revenue from the state. In some instances, institutions were offered the option of keeping 100% of their tuition revenue, against corresponding cuts in state money. It was claimed that this would confer greater "autonomy" on public institutions; the counter-argument was that "autonomy means nothing left to lose." Interestingly, the institutions that accepted this proposition generally had good reputations for quality. and with that to lean on, took measures to improve their public image, offerings, marketing strategy, and approach to competition. Simply then, a number of U.S. public institutions seem to have taken on "private" behaviors.

This scenario is not exclusive to the U.S.; it has been witnessed in the U.K., Australia, New Zealand, and to a lesser extent in a number of the continental European systems.

A closing note: the U.S. and Australia have also witnessed a decline in the number of tenure-track faculty positions, and an increase in the hiring of adjuncts, contractors, part-time instructors, and "research-only" faculty. Apparently, money is tight in both institutional sectors, perhaps in equal measure.

Subject	External Quality Assurance
Module	External Quality Assurance Agencies Emerging Challenges
Topic	5.4 Private and Public Institutions

4. Summary

This topic covered the following main points:

- A public institution is funded mainly by the state, while a private institution is supported mostly by non-state funds. Both types of institutions, however, are subject to legislation and regulation.
- There are supporters of both the public and private approaches to higher education.
- There is a tendency to associate private with commercial and public with non-commercial in Europe. On the other hand, USA has a well-developed private HE sector, and accreditation operates across public and private institutions.
- There is a marked growth of private institutions worldwide because the demand for HE exceeds the capacity of the state to supply it.
- Financial constraints on public funding have resulted in reduced support for public universities. Some large institutions in the U.S. have, for example, have been allowed to keep all tuition revenue to offset reductions in public support. This has encourage a kind of entrepreneurialism and what some observers see as “incremental privatization.”