THE GROWTH OF PRIVATE HIGHER EDUCATION:
AN OVERVIEW IN THE CONTEXT OF LIBERALISATION,
PRIVATISATION AND MARKETISATION

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Abstract:
Economic policies encouraging private ownership (liberalisation, privatisation and marketisation) have allowed Private Higher Education Institutions (PrHEIs) to proliferate in most parts of the world, particularly since the 1990s. The number of private colleges and universities continues to grow in most countries at a remarkable rate, partly reflecting the demand for greater choice and more flexibility, which PrHEIs are able to offer. In some countries, PrHEIs even outnumber public higher education institutions (PuHEIs) or are at least expected to do so within the next decade. This is particularly the case in emerging and developing countries. The worldwide expansion of private higher education can be illustrated by the fact that one in three students globally is now enrolled in PrHEIs, and there are very few places in the world where public monopolies continue to prevent the emergence of alternative providers from the private sector. In the UK, the Government recognises that private, for-profit higher education institutions, the majority of which award degrees in conjunction with state universities, typically function more efficiently and work harder to improve the student experience. Their appeal among non-traditional students dovetails perfectly with Government rhetoric to make higher education more accessible and widen participation. A legal framework has been created that makes it easier for challenger institutions to enter the market and compete with the public higher education sector. A more streamlined, student-focused approach to the regulation of higher education in the UK is also designed to stimulate further growth and competition in the HE sector, ensuring that private colleges and universities remain a viable alternative to the public sector.

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1. Introduction

The demand for Higher Education (HE) worldwide is growing at a phenomenal rate. As a result, HE markets have expanded exponentially (Komljenovic and Robertson, 2017). In 2000, the number of enrolled students was 97 million, and it is predicted to reach over 262 million students by 2025 (Bjarnason, 2009). As the demand for higher education has grown, what has become even more apparent is the public sector’s lack of financial resources and inability to rapidly expand their provision to meet demand. As a result of the massification of higher education, PrHEIs have grown in popularity.

Higher Education Institutions (HEIs) are classified as either public or private. An HEI is classified as public if it is controlled and managed by a public education authority or government agency directly or by a governing body appointed by a public authority or elected by a public franchise (UNESCO, 2014). On the other hand, an HEI is classified as private if it is controlled and managed by a non-governmental organisation (e.g. a church, trade union or business enterprise). Its governing board consists mainly of members not selected by a public agency. In general, the ultimate management controls over an institution rests with who can determine its general activity and appoint the managing officers (UNESCO, 2014).

Levy (1986) describes private higher education institutes (PrHEIs) as those defined by national authorities. For example, the Department for Business, Innovation & Skills (BIS) defines PrHEIs in England as:

“…any provider of higher education courses which is not in direct receipt of recurrent funding from the Higher Education Funding Council for England (HEFCE) or from equivalent funding bodies in the Devolved Administrations; or does not receive direct recurrent public funding (for example, from a local authority, or from the Secretary of State for Education); and is not a Further Education College”. (Applying student number controls to alternative providers with designated courses, (2012, p.3)

UK private higher education institutes are also referred to, as fully autonomous alternative providers, which operate for profit, do not receive any grant from the Government and are “responsible for their own funding” (Altbach, 1999, p.2). The most straightforward understanding of a private higher education institution is that of an organisation with private ownership and funding, while public higher education Institution is an organisation with state ownership and funding. In terms of functionality, both public and private higher education institutions are equivalent, differing only in terms of ownership or funding (Duczmal, 2006).
2. Global Growth of Private Higher Education

In many countries, the private higher education sector is expanding much faster than its public sector counterpart. For example, in East Asian countries, such as Japan, South Korea, Taiwan and the Philippines, PrHEIs are more dominant than public higher education institutions (PuHEIs) and even compete in terms of quality with top PuHEIs (Goodman and Yonezawa, 2007).

More private higher education institutions have been established in the last few years than state ones in developing and emerging economies worldwide (Agarwal, 2007). For example, Indonesia, Malaysia and Thailand have all seen rapid growth in the number of PrHEIs. India and Pakistan have also experienced remarkable growth: PrHEIs in India now account for 64 per cent of the total number of higher education institutions in the country and 59 per cent of total enrolment, compared to 43 per cent and 33 per cent, respectively, a decade ago (Ernst & Young, 2012). In India, the privatisation of the higher education sector began in the late 1990s on the advice of The World Bank to relieve pressure on public spending (Kumar, 2014). A couple of decades ago, there were only a few PrHEIs in Pakistan; there are now 69, including a few prominent institutions, such as Lahore University of Management Sciences (LUMS) and Agha Khan University (UniRank, 2021). China and Vietnam have also followed the trend of private higher education.

Within the realm of higher education (HE), private higher education is becoming increasingly significant and currently accounts for a third of total global enrolment (Levy, 2018); therefore, more than 30% of the global population of higher education students is enrolled in private higher education (Altbach et al., 2009; Levy, 2018). Indeed, the rise and growth of private higher education is one of the most remarkable developments in higher education in recent decades (Brown, 2010; Duczmal, 2006).

This growth has been observed in many parts of the world, including Europe; the North America (USA and Canada); South America (Brazil), Asia (Japan, Indonesia, India, China and the Philippines); Africa (South Africa and Kenya), and Australia and New Zealand (Gupta, 2008). The US private higher education sector is a well-established industry with a long, proud history that attracts global interest (Zumeta, 2011). It includes some of the world’s top-ranked universities, such as Harvard, Stanford, Yale, and Massachusetts Institute of Technology (MIT).

The private higher education sector in Canada has also started to grow since the Postsecondary Education Choice and Excellence Act of 2000. The Canadian private higher education sector has adopted the differentiation strategy, i.e. programmatic diversity through specialised graduate-level programmes with institutional differentiation (Buckner and Gong, 2021), which is becoming increasingly popular.

The private higher education sector is more dominant than the public higher education sector in Asia and caters for more than 70 per cent of students in India, Indonesia, Japan, Malaysia, the Philippines and South Korea. The second largest segment in Asia belongs to China with more than 30 per cent and, last but not least, Thailand and
Vietnam with 15 per cent (Gupta, 2008). The growth of the private higher education sector in Australia and New Zealand has also been remarkable: Australia’s market share increased from 0.3 per cent in 2000 to more than 5 per cent in 2007. In line with this growth trend, it reached 30 per cent in 2020 (Shah and Brown, 2009). In the case of New Zealand, the private higher education sector did not exist before 1989: legal authorisation was granted in that year and, since then, the sector has experienced steady growth, achieving a market share of 9.3 per cent by 2004 (Xiaoying and Abbott, 2008). The private higher education sector experienced impressive growth in the six years from 1999 to 2004 when the number of international students increased from around 31,000 in 1999 to 113,000 in 2004 (OECD, 2006).

Private higher education is also expanding in the Middle East. According to Al-Atiqi and Alharbi (2009), one of the fastest developing sectors is private higher education and it is expected to overtake the public sector by 2025. In Europe, PrHE has a share of 15 per cent of the total HE (PROPHE 2011b) and, in Western Europe, the market share is 15 per cent. Surprisingly, the sector has also witnessed expansion in France, with a market share of nineteen per cent in 2013 (Casta and Levy, 2016), and the number of private higher education institutions is expected to continue to grow exponentially in the future. This rapid expansion in France can be illustrated by the fact that only one of the top five educational groups is public, while the other four are private, including Laureate (the world’s largest for-profit higher education chain). The remaining three are French and British multinational private equity firms: Apax, Bregal, and Duke Street (Casta and Levy, 2016).

3. The Growth of Private Higher Education in the UK

The growth of the private higher education sector in the UK is related to the broader processes of privatisation occurring in HE systems (Johnstone and Marcucci 2010) and is also part of a global trend (Middlehurst and Fielden, 2014). An indicator of this growth is the number of private higher education institutions with degree-awarding powers, which increased from only one private university (University of Buckingham) in 1983 to more than ten in less than a decade.

In recent years, the UK Government has cemented its commitment to encouraging growth in the PrHE sector in a competitive market. In a White Paper presented to Parliament by the Secretary of State for Business, Innovation and Skills (BIS) in May, 2016, entitled ‘Success as a Knowledge Economy: Teaching Excellence, Social Mobility & Student Choice’, the Government recognised that “if we are to continue as a knowledge economy …… we must have an open and diverse higher education sector which embraces innovation and in which the excellence of the teaching matches the excellence of the research” (p.5). The White Paper set forth the Government’s plans to “make it easier and quicker for new high-quality challenger institutions to enter the market and award their own degrees” (p.6). Crucially, it also expressed concerns that ‘access to higher education remains uneven’ and pointed to the fact that ‘courses are inflexible’, resulting in many students being “dissatisfied with the
provision they receive” (pp.7-8). To address these concerns, the White Paper argued that: “by introducing more competition and informed choice into higher education, we will deliver better outcomes and value for students [and] employers” (p.8).

Following the publication of the UK Government’s White Paper in 2016, the Higher Education and Research Act (HERA) 2017 brought marked changes to the HE sector. The reforms included significant changes to the structure of HE and expectations to develop a stronger HE, rich with competition. Deregulation will aid PrHE, and it is therefore fair to suggest that more private higher education institutions will emerge in the future. The act also empowers students due to its emphasis on the quality of teaching and satisfying students’ needs.

HERA 2017 established the Office for students (OfS). With the rapid growth of new types of providers in HE, including alternative (private) providers and further education (FE) colleges, regulation had become fragmented with responsibilities distributed among several different bodies. The government wanted to create a simplified framework that would bring many of the functions of the Higher Education Funding Council for England (HEFCE), Office for Fair Access (OFFA), and the Department for Education and the Privy Council together into a single organisation. OfS is a nascent regulator of the English HE marketplace designed to promote the growth of a competitive HE market that informs student choice and protects the interests of its stakeholders (students, government and society at large). The Office for Students is so called in order to prominently and visibly place students at the heart of the system and ensure that it functions primarily for students.

After a brief introduction to the new HE structure and OfS, the focus will now shift back to UK PrHE - a sector that remains relatively small in comparison to the rest of the world. According to Hunt and Boliver (2019), there has been growth in this sector over the last few years. In 2017, the total number of private higher education institutions in the UK was 813, compared to 732 in 2014 and 674 in 2011 (Shury et al., 2016; Hughes et al., 2013). Therefore, the government has continued to support the growth of the private higher education sector, and the main aim of the policy (HERA 2017) is to increase choice and competition in the HE market (Crosskick, 2010). A positive outcome of this policy is that, as mentioned above, there are currently more than ten reputable PrHEIs in the country (listed below), whereas a decade ago, only a sole private university (University of Buckingham) was in existence in the country.

1. Arden University,
2. Ashridge Business School,
3. BPP University,
4. Ifs University,
5. New College for the Humanities,
6. Regent’s University,
7. London Institute of Banking & Finance,
8. The Richmond University,
9. The University of Law,
In July 2010, the Conservative government created the first private university by conferring university college status upon BPP University. The Resource Development International (RDI), also known as Arden University, was awarded university status on 5th August, 2015 (Times Higher Education, 2015). Kaplan and Pearson, two large international companies, have already joined the private sector in the UK.

As a result of the UK government’s initiatives for the development of private higher education, The College of Law was the first PrHEI sold to a private equity firm in April 2012. In November, 2012, the college was granted the title of “University of Law” and it has since expanded to nineteen campuses - seventeen in the UK and two international campuses in Hong Kong and Berlin. (Source: https://www.law.ac.uk/locations/)

Another independent higher education provider - the London School of Commerce (LSC) - has been growing rapidly not only in the UK (with campuses in London and Birmingham) but also in Europe and Asia. Well-respected campuses include those located in Malta, Sri Lanka, Malaysia and Bangladesh. (Source: https://www.lsclondon.co.uk/international-campuses-of-lsc/)

4. Vanishing Public Monopolies

The 21st century is the era of liberalisation, privatisation and marketisation. ‘Liberalisation’ refers to ‘the opening up of any industry to competitive pressures (Starr, 1987, p. 125). Its purpose is to create competitive market structures in which many providers can compete in an integrated and easily accessible market (Hermann et al., 2007). In other words, liberalisation allows different providers to compete with each other. Privatisation entails the transfer of activities, assets and responsibilities from public to private ownership (Belfield and Levin, 2002 and Hermann, 2010).

Privatisation has primarily come to mean two things: (I) any transfer of state operations or functions to the private sector and, more particularly, (2) any transfer of the production of products and services from the public to the private sector. Governments, in addition to directly creating services, build the legal framework of communities, control social and economic activity, and finance privately produced and consumed services (Starr, 1989).

The marketisation of HE is the process of applying the economic theory of the market to the provision of higher education (Hall, 2018). Brown and Scot (2009) state:

“The ‘marketisation’ of higher education – the application of the economic theory of the market to the provision of higher education – seems unstoppable. Market entry is being liberalised. Tuition fees are being introduced or raised. Grants for student support are being supplemented by loans. Institutional rankings and ‘league tables’ to guide student...
choice are proliferating. Institutions are devoting increasing energy and resources to marketing, branding and customer service. Nor is this phenomenon confined to student education.” (p. 2)

The marketisation process does not rule out a continued role for the government, as “[m]arkets in all sectors, especially state-regulated higher education, are partly formed by government action and always conditioned by social interests” (Marginson, 2004, p. 177). In other words, the government still sets the rules that govern competition. For example, the UK Competition and Market Authority (CMA) promotes competition for the benefit of consumers. OfS sets regulations for higher education institutions in the UK. The Quality Assurance Agency (QAA) for higher education is the independent body that checks on standards and quality in UK higher education.

Thus, it is evident and noteworthy that privatisation does not necessarily mean an absolute removal of the government’s role or responsibility but minimises the government’s involvement. The shift towards liberalisation, privatisation and marketisation reduces the public monopoly. Liberalisation, privatisation and marketisation have become familiar components of higher education in many, if not all, European countries (de Boer et al., 2009).

It is generally believed that the private sector is much more efficient and productive than the public sector. This perception prevailed and was accepted when the ideas derived from the “Chicago School” of economics emphasised deregulation, privatisation and marketisation (Lane, 1997, pp. 1–2).

The German Monopolies Commission published a report in June 2000 arguing that competition should be the driving force behind higher education reforms. According to the report, a functioning market promotes effective communication between consumers and sellers, providing a knowledge base superior to any amount of government planning. Universities will deliver the appropriate product for the market (i.e. become more effective) at the right time and at the right price (i.e. become more efficient) as a result of their market demand orientation (Monopolkom- mission 2000, passim). As a result, out of a total of 396 German HEIs, 21 universities are private, and 13 are run by churches (Berghaeuser and Hoelscher 2020). Consequently, the German higher education market will be more competitive in the future (Orr, 2007).

Public monopoly was common in the era of communism (before the disintegration of the former Soviet Union after 1989), and by the mid-twentieth century, many countries had started to nationalise private sectors; Pakistan adopted a policy of nationalisation in the early 1970s, for example. Public monopoly, especially in the education sector, was the norm in many countries: as late as 1989 and beyond, it controlled Africa, the Arab world, Eastern Europe and many parts of Asia (Levy, 2018) and Scandinavia. To be sure, it had ended in Latin America earlier, and many developed countries had long had near-public monopolies to support dual sectors.
Following the fall of communism in 1989, many countries enacted liberalisation, marketisation and privatisation strategies. For example, in line with other sectors of the country’s economy, higher education in Poland underwent a rapid period of transition that could be summarised as liberalisation, marketisation and privatisation (Johnstone 2002).

The five Nordic countries - Denmark, Finland, Iceland, Norway and Sweden - also adopted liberalisation, privatisation and marketisation in higher education (Dovemark et al., 2018). As a result, there are now nine private universities in Sweden and two in both Denmark (UniRank, 2021) and Finland (UniRank, 2021). In Iceland, there are a total of seven HEIs, four of which are public and three private (UNIPAGE, 2021), which account for 42% of all HEIs. We have seen that public monopolies are fast disappearing around the world; the process has accelerated over the last two decades to such an extent that public monopolies, especially in higher education, are now confined to just ten countries out of a total of 179: Algeria, Bhutan, Cuba, Djibouti, Eritrea, Greece, Luxembourg, Myanmar, Turkmenistan and Uzbekistan (Levy, 2018).

Because of the disparities in demands between industrialised and developing countries, reasons for privatisation therefore vary; some countries want to assess the impact of privatisation before fully relinquishing control. Usually, the kind of privatisation adopted is tailored to the country’s economic and demographic circumstances. These are small countries that will sooner or later adopt a policy of privatisation. If privatisation is not beneficial, then the de-privatisation process will start in countries where privatisation prevails.

5. Private Higher Education Institutions, Fair Access and Widening Participation

The public and private division is a fundamental distinction in higher education. There are different views and opinions about the advantages and disadvantages of public and private higher education; supporters of each sector provide their arguments and support them with evidence. We do not want to indulge in this controversial debate; instead, we will analyse it from the student perspective.

The most prominent driver of the recent growth in private higher education is absorbed demand that public HEIs have been unable to meet. A widespread belief, which has partly fuelled the expanding demand for and supply of higher education in many countries, is that greater access to higher education would allow formerly marginalised groups to participate. Despite this, many public HEIs are still far from achieving open and fair access. Private HEIs serve these marginalised groups in society that are often excluded from public higher education.

In the UK Government’s White Paper on Higher Education (DFES 2003a) – The Future of Higher Education – fair access is described as a high priority:

“Fair access: Universities are a vital gateway to opportunity and fulfilment for young people, so it is crucial that they continue to make real and sustained improvements in
access. The social class gap among those entering higher education is unacceptably wide. Those from the top three social classes are almost three times as likely to enter higher education as those from the bottom three. ...Young people from professional backgrounds are over.” (DfES 2003a, p. 17)

According to Lee (2008), the government’s support for the growth of private HE stems from factors such as widening access and enrolments in the face of tightening government budgets, meeting social demand for higher education by allowing students (customers) to pay for tuition, and self-funding by private providers (Shah and Lewis 2010).

Over the next five years, the Office for Students has committed to halving the access gap in high-tariff universities, bringing 6,500 additional students from low-income neighbourhoods into these institutions each year (OfS News blog, 2021).

There is no doubt that fair access and widening participation to high-quality higher education benefits students significantly while also benefiting the community as a whole. Thus, for much of the previous three decades, widening participation in higher education has been a governmental policy in the United Kingdom (Archer, 2007; Bathmaker, 2016; BIS, 2016; Burke, 2013; Graham, 2013; Mavelli, 2014; Stevenson et al., 2010).

6. Conclusion

In this paper, we have sought to understand the growth of private higher education throughout the world in the context of the global trend towards private ownership, with particular emphasis on the UK.

In higher education, government policy around the world has shifted from nationalisation to liberalisation, privatisation and marketisation, which has provided fertile ground for the growth and expansion of private higher education institutions in most countries. Where the capacity of public higher education is insufficient to satisfy the demands of a rising population, private higher education appears to fill the ever-increasing gap between demand and supply. It is therefore evident that the private higher education sector is expanding globally. It is now in fact dominant in many parts of the world (e.g. Asia) and is set to overtake the public sector in other regions in the not-too-distant future (e.g. the Middle East).

One of the reasons for the expansion of the sector relates to its ability to meet the different needs of students. For example, public higher education institutions only offer two intakes a year, while PrHEIs offer up to six. The sector also tends to offer more specialised, vocational subjects compared to traditional universities and provides more opportunities for students to study during weekends and weekday evenings, making PrHEIs a more viable choice for students wishing to combine learning with work or other personal commitments. By offering such flexibility, PrHEIs’ have been able to attract large numbers of mature students. In the UK, the ability of PrHEIs to meet this particular
demand ties in perfectly with the government’s on-going commitment to increase choice and widen participation, which will continue to act as a catalyst for growth in the sector. The partial privatisation of the PuHEIs has, in fact, already started. It refers to a process in which publically-owned parts of higher education are withdrawn, such as institutions forming private firms, outsourcing research, teaching and support services, and the emergence of public-private partnerships or new private organisations.

To sum up, government economic policies supporting the free market have allowed private higher education institutions to thrive in most countries. In recent years, the UK government has fostered the growth of private higher education and encouraged competition in the sector in general, as it recognises that privately-owned, for-profit institutions bring greater choice, effectiveness, efficiency and value-for-money to the HE sector. Private institutions also offer greater flexibility in terms of admission intakes and opportunities for weekend and weekdays’ evening learning. Moreover, many private colleges and universities offer vocational subjects that lie outside of the traditional universities’ remit. These factors, which seem to contribute to increased student satisfaction and help to attract more students from diverse backgrounds, provide a solid foundation for the continued growth of the private higher education sector in the UK and internationally.

Conflict of Interest Statement
The authors declare no conflicts of interests.

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