



“Public Goods and Globalisation of Higher Education – Externalities and Wall Street Valuation”

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PART 1

GLOBALISATION AND COMMERCIALISATION OF H.E.



Sub-Sectors of Education- When exporting/importing Education products & services



- **As defined in the World Trade Organisation terminology consists of 5 sub-sectors:**
 - 1. Primary education**
 - 2. Secondary education**
 - 3. Tertiary education**
 - 4. Higher education**
 - 5. Adult education & training**
 - 6. Other (accreditation, certification)**



Modes of Globalising Education

Table 1: Correspondence between modes of supply and forms of education services traded internationally

Mode	Education examples/ forms
1. Cross-border supply (mode 1)	Distance education Online education Commercial franchising/ twinning of a course
2. Consumption abroad (mode 2)	Students abroad
3. Commercial presence (mode 3)	Establishment of an educational institution or satellite campuses Branch campus, including joint venture with local institutions
4. Presence of natural persons (mode 4)	Professors, lecturers, teachers, researchers providing education services abroad

The taxonomy of people, programme and institution mobility is based on work by the OECD. See OECD (2004), Internationalisation and Trade in Higher Education: Opportunities and Challenges, p.20.

(source: Aik Hoe Lim and Raymond Saner, "Trade in education services: Market opportunities and Risks", LIFELONG LEARNING IN EUROPE 2011(1))





Current Situation



- The number of students enrolled in higher education in OECD countries has grown steadily and strongly over the past 50 years.
- In fact, data from OECD's Education shows that 30% of adults in OECD countries now have a tertiary qualification.
- Number of international student in the OECD countries have trebled in the past 20 years to more than 3.7 million, and that number can be expected to continue to grow rapidly. No. of students studying outside of their country of origin also tripled between 1985-2008.



Current Situation -2



- Higher education is growing rapidly, and becoming a veritable global sector in its own right.
- As an industry, it has become one of the world's biggest and most dynamic sectors. In the WTO terminology, “trade in educational goods and services”.
- Education is one of Australia's largest exports. Some estimates have put the value as high as Aus\$17.2 billion in 2008-09, or about 1.4% of GDP, with growth of over 20% from the previous financial year (OECD Statistics).

Current Situation-3



- In the UK, the total revenue earned by universities amounted to £23.4 billion (US\$43 billion) in 2007/08, according to a report by Universities UK.
- This was comparable in gross output terms to the printing and publishing industry, and is considerably larger than outpun by the pharmaceutical industry.



© Can Stock Photo



Current Situation-4

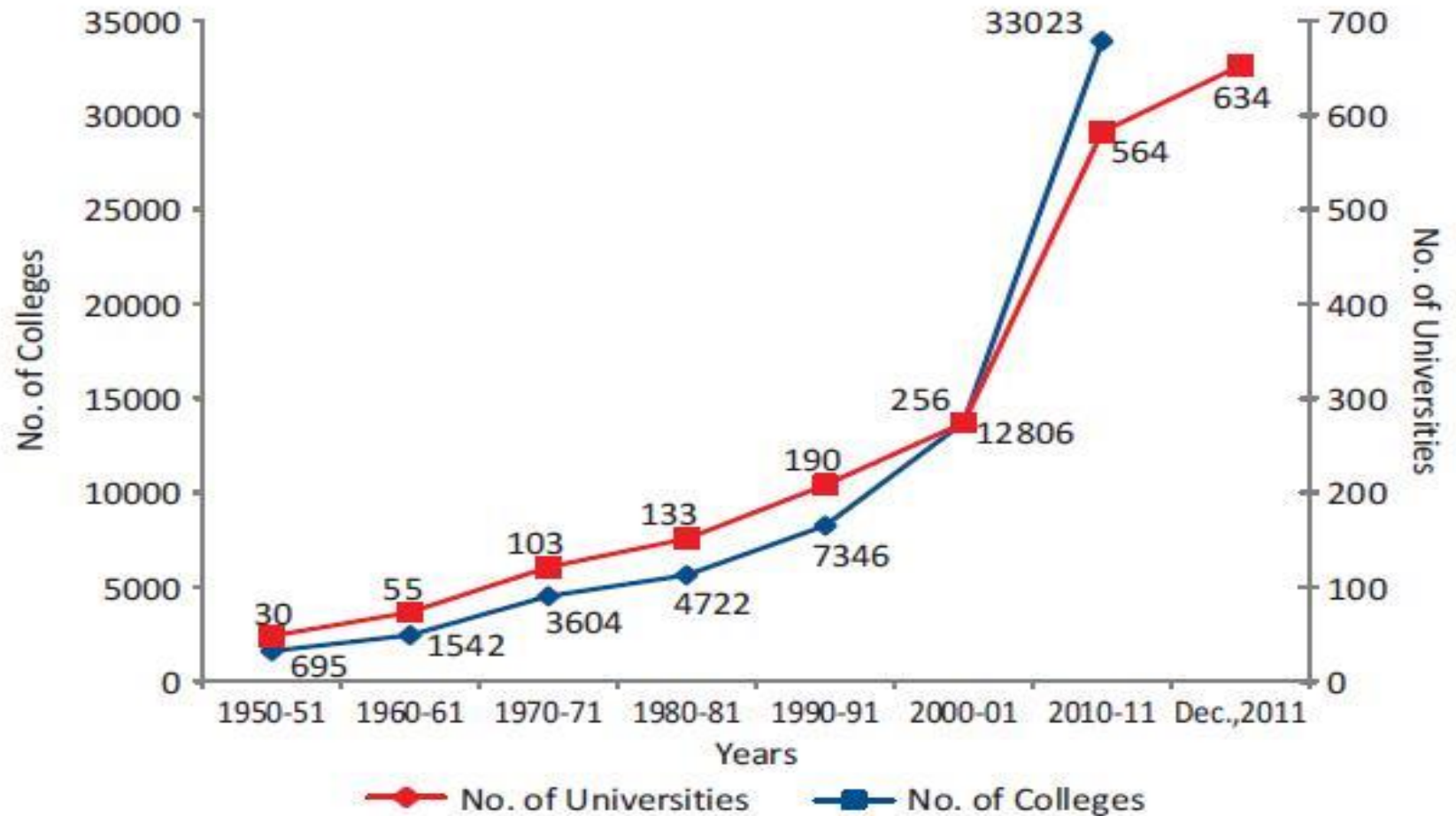


- The global leader in exporting education services and products is of course the US, where higher education is estimated to employ 3.4 million people, or some 3% of the entire US service sector.
- Export figure of US HE?

Emerging Economy: India

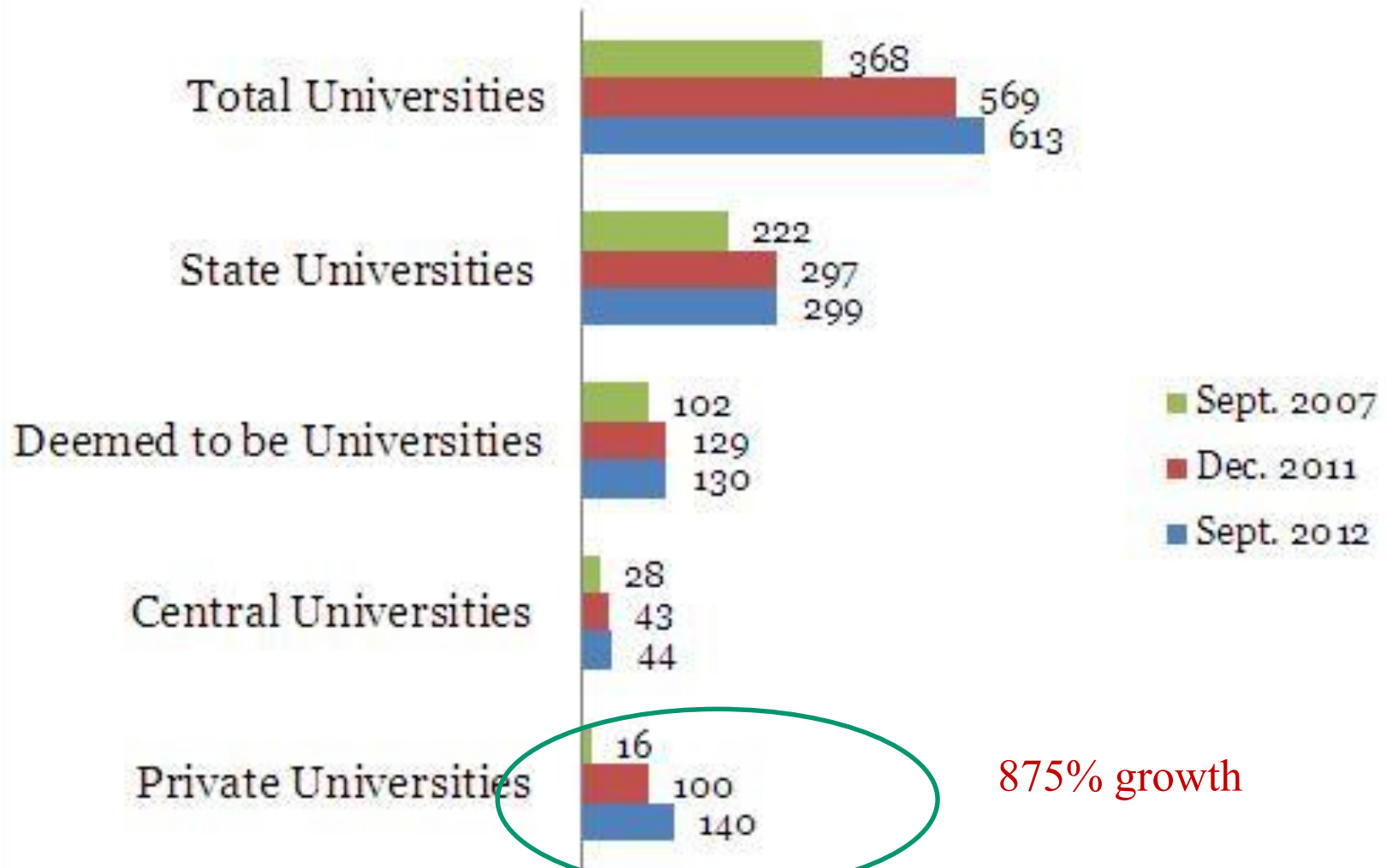


Growth of Higher Education Institutions



Source : MHRD / UGC

Types of Indian Universities



Source: UGC

Prepared by: DrEducation.com

Enrolment Growth in India (2006-2012)



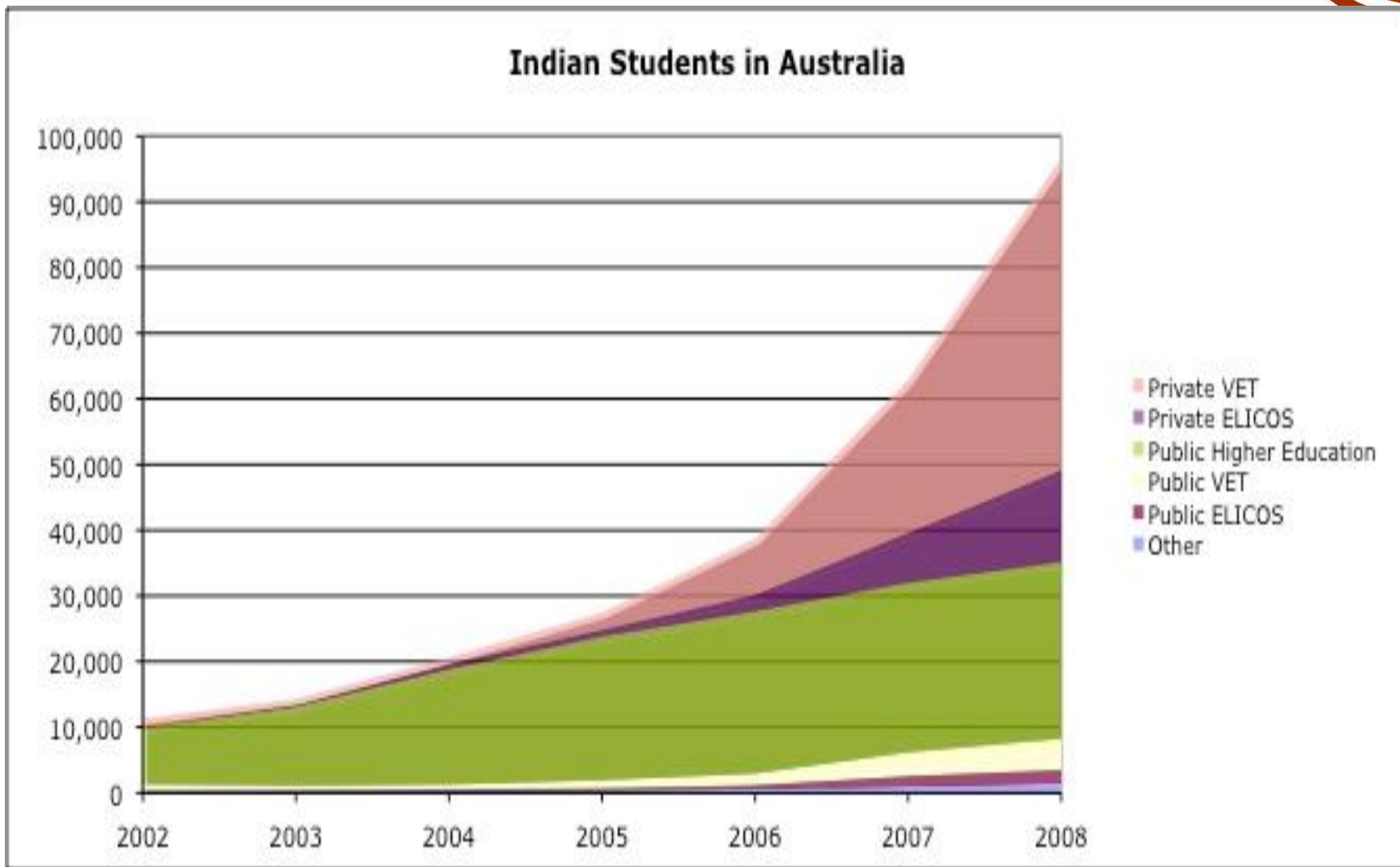
Institution Type	2006/2007	2011/2012	Increase	Growth (%)
Government	6,338,000	8,963,000	2,625,000	41.4%
Distance				
Central	310,000	563,000	253,000	81.6%
State	6,028,000	8,400,000	2,372,000	39.3%
Private	7,512,000	12,823,000	5,311,000	70.7%
Distance	2,741,000	4,201,000	1,460,000	53.2%
Total	16,591,000	25,987,000	9,396,000	55.6%

(Source Planning Commission, India. 12th Five Year Plan)

India's Education Imports



Indian Students in Australia

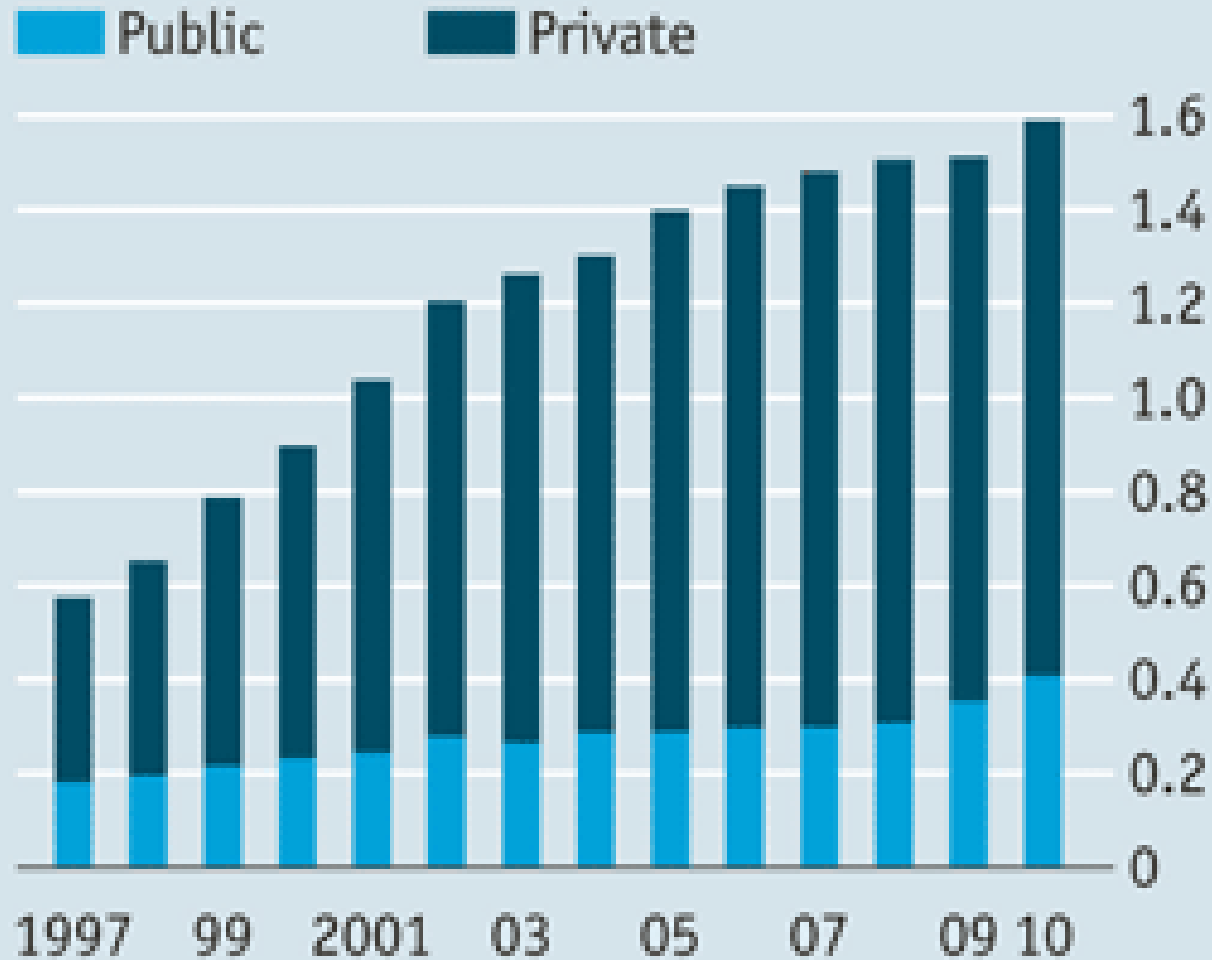


(Data source: Australian Education International)

Case of Brazil

Going private

Brazil: enrolments in higher education, m



Sources: Government statistics; HOPER Estudos de Mercado



What Do These Figures Mean?



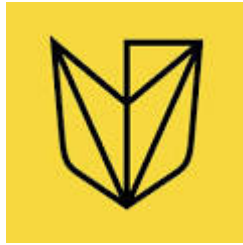
- **Competition for markets/students has become part of the higher education scene today.**
- **There are Chief Education Officers within H.E. institutions, and Deans of international affairs for overseas expansion and recruitment.**
- **Entry of private for-profit universities – some are listed on the Dow Jones stock market**



Privatisation of Education Services

- **Moving from not-for-profit type of social services into the for-profit sector**
- **Valuation based on stock performance which may supersede the quality of education and contribution to the society at large**

For-profit higher education in the United States



For-profit higher education in the United States



- **Rapid expansion from 1972-2009**
- **Refers to higher education institutions operated by private, profit-seeking businesses**
- **According to the National Center for Education Statistics, there were approximately 3,200 for-profit institutions in the US in 2015.**

Landscape of Private for Profit Post Secondary Inst. In the US



Table 1. Number and percentage distribution of Title IV institutions, by control of institution, level of institution, and region: United States and other U.S. jurisdictions, academic year 2015–16

Level of institution and region	Number of institutions				Percent of institutions			
	Total	Public	Private		Total	Public	Private	
			Nonprofit	For-profit			Nonprofit	For-profit
Total institutions	7,164	1,990	1,909	3,265	100.0	100.0	100.0	100.0
Total U.S. institutions	7,008	1,963	1,855	3,190	97.8	98.6	97.2	97.7
Level of institution								
4-year	3,085	727	1,644	714	43.1	36.5	86.1	21.9
U.S.	3,008	709	1,599	700	42.0	35.6	83.8	21.4
Other U.S. jurisdictions	77	18	45	14	1.1	0.9	2.4	0.4
2-year	2,081	1,015	177	889	29.0	51.0	9.3	27.2
U.S.	2,055	1,006	170	879	28.7	50.6	8.9	26.9
Other U.S. jurisdictions	26	9	7	10	0.4	0.5	0.4	0.3
Less-than-2-year	1,998	248	88	1,662	27.9	12.5	4.6	50.9
U.S.	1,945	248	86	1,611	27.1	12.5	4.5	49.3
Other U.S. jurisdictions	53	0	2	51	0.7	0.0	0.1	1.6

(Source: National Centre for Educational Statistics, 2016-112)

Major Global Players in the For-Profit Sphere



- **National American University Holdings, Inc.**
- **Laureate Education, Inc. (LAUR) SPO**
www.laureate-inc.com the largest US-based for-profit higher educator, is reported to have more than 1 million students worldwide, in North America, Latin America, Europe, the Middle East, Africa, and Asia Pacific.
- **Apollo Education Group[14],**
part of Apollo Global Management.



Part 2

EXTERNALITIES OF GLOBALISING H.E.



Social Externalities



➤ Positives –

1. Knowledge dissemination and knowledge creation as part of the global commons which enhanced the possibility of developing countries to participate in the global economy and
2. Knowledge sharing aided by the modern ICT and Mobile technology, developing countries could improve its capacity to provide better public services to their citizens



Social Externalities



➤ Positives –

3. **Fostering a globally mobile talents who contribute to the globalisation of supply and value chains in different spheres of activities and share a similar language and perspective to collaborate globally**
4. **Greater efficiency of educational resources beyond borders with easier access and greater scale**
5. **Most importantly, accelerated expansion of HE has speeded up productivity improvement, innovativeness and growth**



Social Externalities

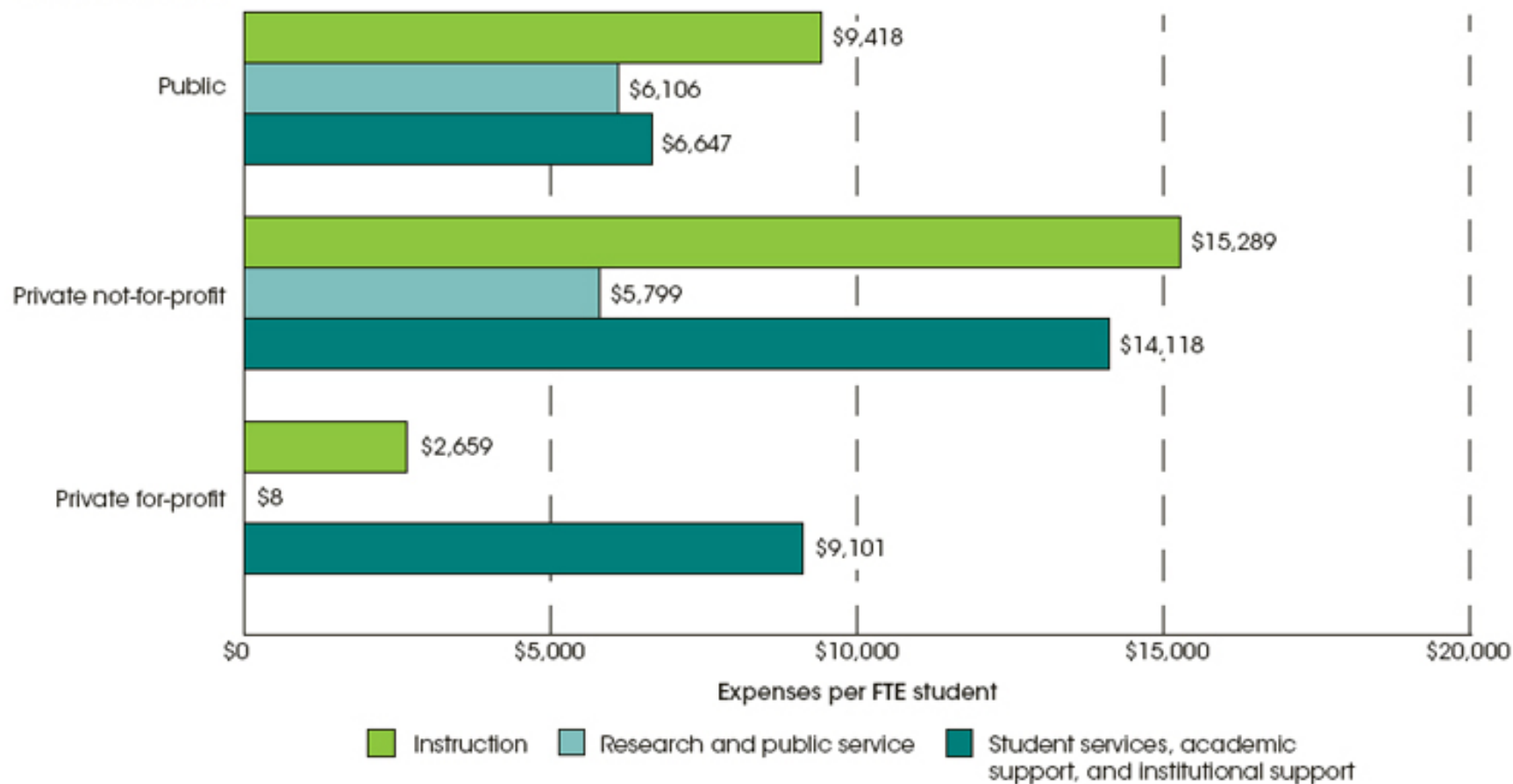
➤ Negatives –

1. Brain drains causing severe loss of limited human capital especially to LDCs
2. Abuse of market position, especially by private for profit educational institutions in providing inadequate or sub-standard quality of educational products
3. Long term financial burden in terms of student loans primarily in the US for many graduates of the private for profit Hes who suffer from under-employment, poor working conditions or unemployment

Expenses per student at 4-year degree-granting postsecondary institutions, by institutional control and purpose: Academic year 2008-09

[In constant 2009-10 dollars]

Institutional control



(Source: The Condition of Education, 2011, US Department of Education)

Performance of Private-for-Profit EDU



- **In 2016, research** by Treasury Department economist Nicholas Turner and George Washington University economist Stephanie Riegg Cellini **found that students who attended for-profit colleges would have been better off not going to school, or attending a community college.**
- **This National Bureau of Economic Research paper was based on an analysis of 567,000 students who attended for-profit colleges from 2006 to 2008. More than 80% carried student loan debt.**



Part 3

FINAL REMARKS



Trends in the Context of SDGs



- **SDG 4, Quality Education for All, stipulates continued need in investing in delivery and provision of education for all including HE**
- **Many governments face the same financial constraints and are now seeking private funding through the financial market or private-public partnerships for all levels of education delivery (pre-school, elementary, secondary, tertiary, adult learning)**



Trends in the Context of SDGs (2)



- high stakes of exclusion and abuse of market domination – need for transparency and effective regulatory mechanisms covering criteria like:
- Equitable provision of education to all segments of society (class, ethnic, religious, gender minorities)
- Requiring private EDU institutions to contribute to research and make results publically available as public good
- Untie link between textbooks, grades, publication.





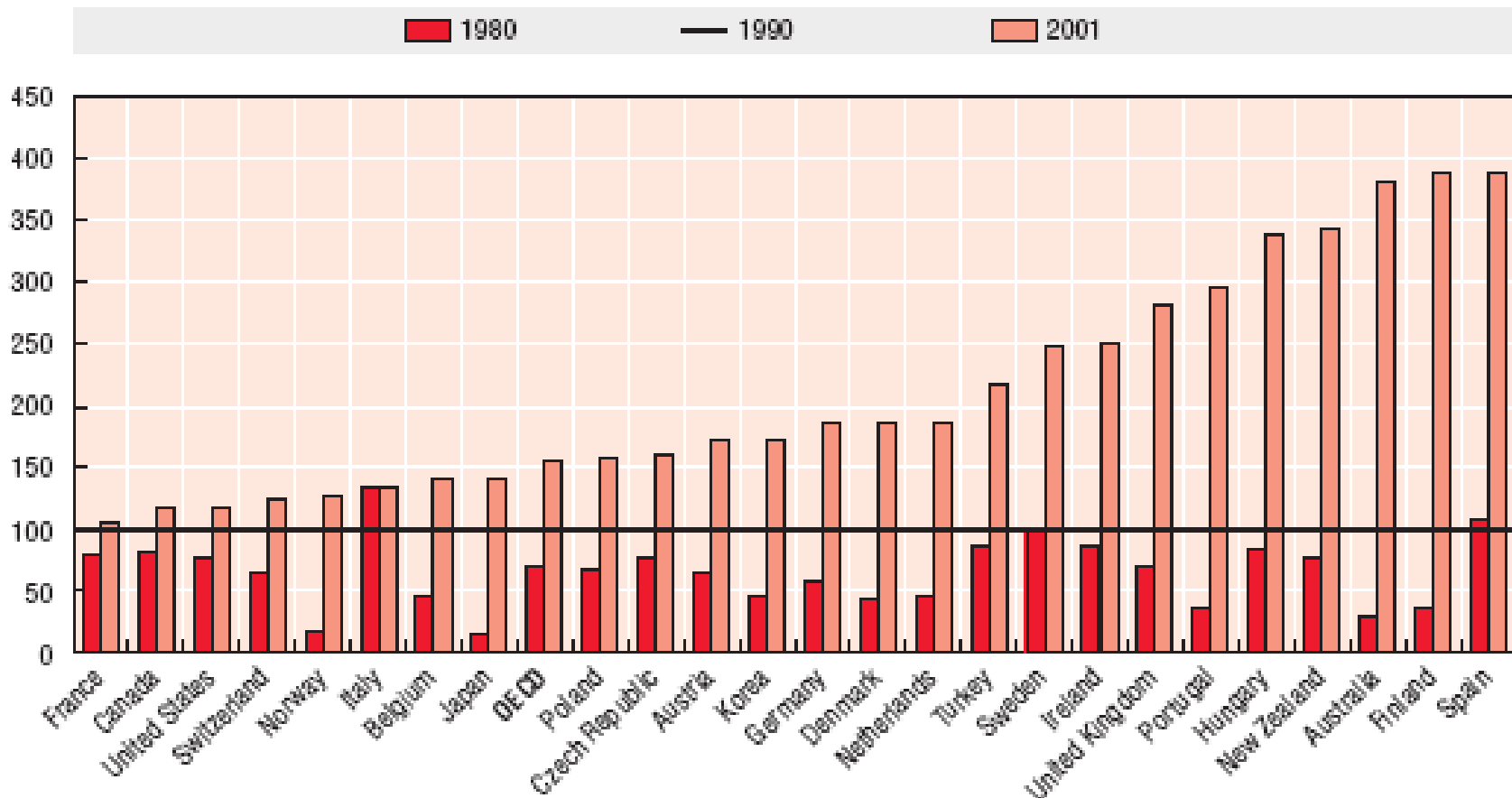
Need for Smart Regulations

- **The commodification of HE has been part of the massification of the sector**
- **This has pushed HE into the mix or hybrid economy of overlapping public and private interests**
- **To safeguard public interest and fair use of public resources including public goods, better policy design and regulatory instruments are needed.**



Thank You!

Growth of foreign students in OECD countries in last 20 years



1980 and 1990: data for Germany exclude the former East Germany.

Source: UNESCO for 1980 and 1990, except for Japan (Ministry of Education); OECD education database for 2001.

Top sending & receiving countries



Number of hosted foreign students		Number of foreign students abroad	
United States	475 169	China	124 000
United Kingdom	225 722	Korea	70 523
Germany	199 132	India	61 179
France	147 402	Greece	55 074
Australia	110 789	Japan	55 041
Japan	63 637	Germany	54 489
Canada	40 667	France	47 587
Spain	39 944	Turkey	44 204
Belgium	38 150	Morocco	43 063
Austria	31 682	Italy	41 485
Italy	29 228	Malaysia	32 709
Switzerland	27 765	United States	30 103
Sweden	26 304	Canada	29 326
Turkey	16 656	Indonesia	26 615
Netherlands	16 589	Spain	26 196
Denmark	12 547	United Kingdom	25 198
Hungary	11 242	Hong Kong	23 261
New Zealand	11 069	Russian Federation	22 004
Norway	8 834	Singapore	19 514
Total OECD	1 580 513		

Source: OECD education database.

Features of a Good Trade Policy:

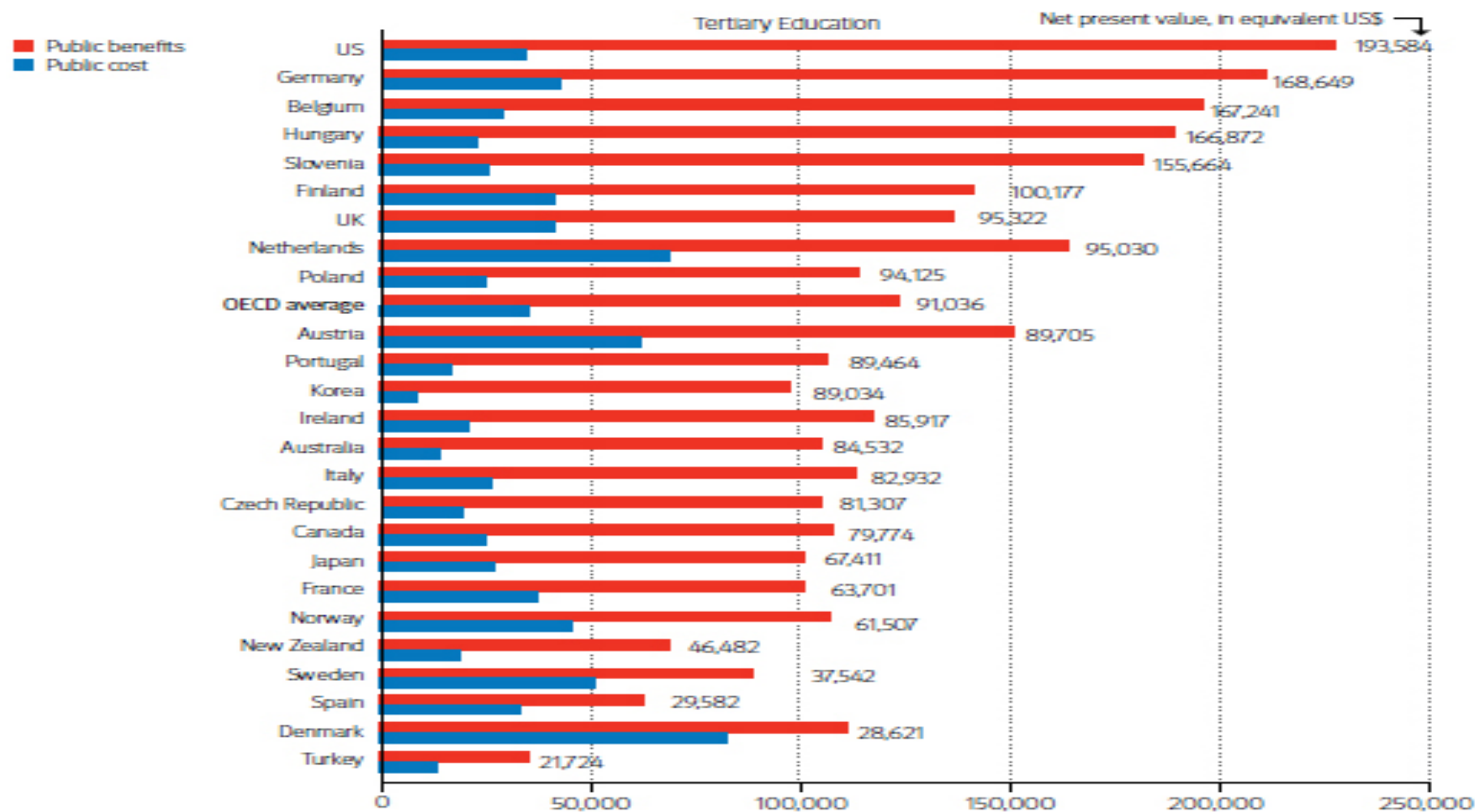
(CUTS, GRC, 2009)



- Based on national development policy
- Linked with other governmental policies
- Linked with international commitments
- Guides future positions on international negotiations
- Balances the interests of all key stakeholders
- Has a clear implementation plan with adequate resources

Higher education pays

Public cost and benefits for a man obtaining tertiary education, 2007 or latest available year



Notes: Australia, Belgium and Turkey refer to 2005; Italy, the Netherlands, Poland, Portugal and the United Kingdom refer to 2006. All other countries refer to 2007.

Countries are ranked in descending order of the net present value at tertiary level of education.

Source: OECD Education at a Glance 2011

StatLink <http://dx.doi.org/10.1787/888932460686>