

# Room for new higher education providers

14 April 2004

In this advisory report the Education Council outlines the findings of research into the differences between publicly-funded and non-publicly-funded higher education institutions; the pros and cons of a more open system; the shape of the system; and possible administrative structures. The summary is based on the four advice questions from the State Secretary.

*1 What are the differences between existing publicly-funded and non-publicly-funded higher education institutions and what are their strong and weak points?*

Based on three explorative studies conducted by the research institutes CHEPS, Smets+Hover+ and IOWO, chapter 2 of the report describes the features of publicly-funded and privately-funded higher education programmes. Although considerable differences *within* the two sectors exist, the conclusions are as follows.

There are a number of differences between publicly-funded and non-publicly-funded institutions, which cannot be interpreted as strengths or weaknesses. Some of these differences relate to the *size* of the institution. Publicly-funded institutions dominate the higher education sector and (jointly) offer a comprehensive portfolio of programmes. Non-publicly-funded education is delivered by specific higher vocational education (*HBO*) institutions and comparatively small-sized providers.

In addition, there are differences relating to the *markets* targeted by the two sectors. Publicly-funded education is primarily geared towards students moving on from previous study. Privately-funded education tends to cater for employed learners and specific labour-market needs. These differences in target groups also imply differences in full-time and part-time learning; eligibility for financial support; and programme length (standard-duration programmes versus short and long courses).

Regarding innovation, both sectors have strengths and weaknesses. Publicly-funded institutions make a strong contribution to curricular innovation, to the development of new subjects and to innovation in the area of assessment. Non-publicly-funded institutions make a significant contribution to new market development, tailor-made provision and e-learning.

The exploratory studies do not provide a great deal of information about the *effectiveness* and the *quality* of both institution types. Publicly-funded institutions tend to be somewhat less concerned about completion rates than their privately-funded counterparts. In both sectors quality is assured through national quality assurance arrangements; in the non-funded sector quality is also guaranteed through supervision by the professional branches.

*Proposal: Undertake further research into publicly-funded and privately-funded higher education*  
On the basis of the above findings and the State Secretary's desire to gain better insight into the differences between publicly-funded and non-publicly-funded education, the Council recommends undertaking further research in this area. There are specific advantages to an overview of all types of publicly-funded and privately-funded institutions. At present the government provides information, in the form of indicators, on publicly-funded provision; this information can be accessed through, for instance, the Consumer's Guide to Higher Education (*Keuzegids Hoger Onderwijs*). There are plans to make to publish information about privately-funded provision. The Council supports these developments. The exploratory studies discussed in this advisory report provide fruitful starting points for these plans. They offer helpful insights but leave a number of questions unanswered. Further research should be conducted to examine the differences within the state-funded and privately-funded sectors. In addition, relevant and unresearched elements should be operationalised. The same holds true for elements about which no information is available yet.

*2 How does the Education Council assess the relation between publicly-funded institutions and designated institutions in the Netherlands as compared to other countries?*

Chapter 3 presents the findings of research by Jongbloed, Salerno and Huisman (2004) into publicly-funded providers and designated providers in the Netherlands, Pennsylvania, Germany, Australia and New Zealand. The research shows that there exists a varied range of non-publicly-funded institutions. On the one side, there is a group of private higher education providers that is engaged in fierce competition with publicly-funded providers. These private-sector providers are of equal or higher quality to state-funded institutions and target the same group of 'traditional' students. In the Netherlands, such providers are limited in number and they do not compete with public providers. On the other side, there is a large group of professionally- and career-oriented private institutions. These post-secondary (not necessarily higher education) providers focus on areas with relatively low operating costs (business administration, service-oriented careers) or on business needs. Private provision in the Netherlands is primarily of this type. As in the Netherlands, these private providers target a different audience than public providers, thus complementing each other.

Unlike the other countries, private-sector providers in Pennsylvania deliver a substantial number of regular higher education programmes as well as specialised, often shorter professionally-focused, post-secondary programmes without receiving public funds (with the exception of the provision of student grants, research funding, and funding for a number of medicine degree programmes). Furthermore, New Zealand is the only country to provide a level playing field in terms of public funding of private institutions. However, in the other countries a debate is now getting under way to create a more level playing field and a more open system.

*3 What is the importance of publicly-funded programmes and designated programmes for the knowledge society? Which of these programmes are essential for the economic, social and cultural development of the Netherlands?*

Chapter 4 of the advisory report addresses these questions, which relate to the effectiveness of the system. The Council considers the aspects 'importance for the knowledge society' and 'importance for the economic, social and cultural development' as possible sub-criteria within the criterion of macro-effectiveness. These two aspects are firmly related to the researched aspects of innovation and environmental focus.

*Proposal: Operationalise effectiveness, accessibility and quality into funding criteria*

The macro-effectiveness criterion should be further operationalised by, for instance, the Minister's Advisory Committee, established by law, or by the new-to-be established expert groups (probably at the sector level) whose composition is to be changed periodically, as proposed in the 2004 Higher Education and Research Plan (*Hoger Onderwijs en Onderzoek Plan 2004*). A review process on the basis of these funding criteria will determine which programmes will be eligible to receive public funds. The Council is of the opinion that existing publicly-funded institutions as well as existing privately-funded institutions should be able to qualify for funding. However, the Council does not wish to restrict the operationalisation of funding criteria to macro-effectiveness and suggests that the following three criteria also be considered in making funding decisions: effectiveness (in terms of personal and societal benefits); accessibility (in terms of financial and regional accessibility, and freedom of choice); and quality (in terms of basic quality and higher quality).

Chapter 4 also explores the pros and cons of a more open system in relation to effectiveness, accessibility and quality. It turns out that in some areas a more open system may positively impact the performance of the overall (publicly-funded and non-publicly-funded) system. Some of these positive effects would be: increased tailor-made learning opportunities; increased choice of options; reduced costs; improved completion rates; increased innovation; and variation in quality without basic quality standards being compromised. At the same time, any negative effects would need to be counteracted, particularly the risks of dwindling provision (destruction of social capital) and budget fragmentation.

This exploration provides the Council with the building blocks of a more open system. On the one hand, this system would enable existing private institutions to deliver publicly-funded programmes. These private providers would need to fulfil the same criteria (accreditation and other funding requirements) as existing public providers. On the other hand, providers may lose programme funding if the criteria are no longer fulfilled.

*4 Is the present programme accreditation process adequate in the long run or do we need an additional institutional accreditation process? If so, is the existing designation process appropriate? If not, what may be an alternative process?*

In chapter 5 the Council looks at the possibilities for a more open system by addressing the question of who should be the government's principal reference point: the higher education institution or the programme? In the existing situation programmes are accredited and institutions funded or designated. The proposed system implies abolition of the designation principle.

*Proposal: Abolish the designation principle*

The Council proposes that the designation principle should be abolished and programme accreditation put centre stage. It would be up to providers to seek accreditation of their programmes. It would also be up to them to deliver non-accredited programmes alongside accredited courses. A good example is the 'Leidse Onderwijsinstellingen' (LOI), which runs non-accredited courses in addition to its accredited Economics and Management (HEAO) programme.

The Council suggests separating the accreditation process from the funding approval process. A programme should first be subjected to an accreditation process. On this point the current NVAO (Netherlands Flemish Accrediting Organisation) process does not need to be changed. The process is sufficiently robust to separate the wheat from the chaff and to enable providers to deliver programmes leading to recognised qualifications. In principle, it is possible to establish a set of (minimum) requirements as part of the programme accreditation process so as to ensure basic institutional quality and thus the continuity of programme delivery.

The next step would be for providers of accredited programmes to seek public funding (if they wish to do so). The government would make funding decisions based on the criteria of accessibility and effectiveness and on the availability of resources within the publicly-funded system.

*Proposal: Regulate the entry of new providers*

The Council recommends developing a more open system (on the basis of criteria outlined earlier) that provides funding to non-publicly-funded programmes. It proposes two options, which may be combined, for regulating the entry of new providers:

The first option is to increase the budget and the number of programmes. The Council proposes conducting a pilot project allocating additional funds to a small group of programmes in (a) specific sector(s). The government would thus be able to prioritise the resolution of a pressing societal problem in sectors where demand for more highly-educated people still outstrips supply. If other and different providers in the designated sector(s) were eligible to receive programme funding, the government would no longer need to depend on existing publicly-funded institutions to resolve societal problems. Every provider (regardless of his current status) with an accredited programme that would fit within the additional funds goal would be entitled to seek programme funding.

A pilot project in a designated sector would not necessitate changes to the system. Instead, it would provide a way to gain experience in dealing with new providers within the publicly-funded system. The competition that would arise could incentivise existing publicly-funded institutions to innovate or improve practices without posing a threat to their existence: these would, after all, be additional funds. However, other institutions would need to be willing to address to such a sector-specific problem.

The second option, a combination of *exiting and entering the system*, is to open a public tendering process if a publicly-funded programme loses its accreditation and funding. This process creates opportunities for other providers to enter the system. The advantage of this option is that room is created without fragmentation of the available budget.

As with the first option, the council suggests conducting a *pilot project with a limited number of programmes* prior to the introduction of a more open system. The scope of the pilot project would be partly determined by the available budget. The pilot would provide greater insight into the pros and cons of a more open system and into implementation issues that need to be addressed. Issues to be dealt within the development and conduct of the pilot would include the increased importance of accreditation; possible barriers for new entrants (e.g. as a consequence of the administrative requirements prescribed by the Higher Education and Research Act); counteracting any unforeseen, negative consequences for existing providers that lose accreditation; experiences with more open systems in other domains; and the intended effects of this pilot.

To ensure an adequate evaluation process, project objectives and time frame should be defined prior to project implementation. The project objectives would be determined by the funding requirements and the stated expectations of a more open system. As to the time frame, the pilot would have to run for at least six years (duration of the accreditation period).

If the pilot is successful, that is if it demonstrates the positive effects of a more open system the project may be expanded. The shape of an expanded pilot project will be partly determined by the experiences gained in the identified areas. The pilot may be expanded to other sectors, retaining the principle that a provider must be dropped from accreditation status before another provider is permitted to enter the system. An alternative would be to 'release' the accreditations of a set of programmes after the expiry of the accreditation period so that all existing publicly-funded and non-publicly-funded providers would be able to seek funding for these programmes.

In conclusion, the Council notes that in developing a more open system particular attention should be given to funding criteria; to the extent to which provision meets identified needs; and to the relation between 'public and private': public-private collaboration on the one hand and a combination of publicly-funded and privately-funded activities within a single institution on the other.