

The Philippines' Two Private Sectors

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The longstanding prominence of private higher education (PHE) in the Philippines, and the emergence of different sectors within it, have deep historical roots. A result of the Spanish colonial legacy of the country, the Philippines' pioneer higher education institutions (HEIs) were established by Catholic religious orders, beginning with the University of Santo Tomas in 1611 and the Ateneo de Manila University in 1621. With the American occupation came public institutions such as the Philippine Normal University (1901) and the University of the Philippines (1908), for-profit private secular HEIs such as National University (1900) and Centro Escolar University (1907), nonprofits like Jose Rizal University (1919), and sectarian Protestant nonprofits set up by American missionaries, Silliman University (1901) remaining the most prominent.

In response to the growth of private institutions, the Corporation Law (1906) and the Private School Law (1917) provided the initial framework for private establishment and governance. Thus, within just a few years of the Spanish departure, the Philippines already had a basic sectoral structure that resembles the one in place today: an ample and diverse private sector alongside a growing public sector. Since then, private provision has been enshrined in the Philippine constitution (1987). However, this enshrining underscores “the complementary roles of public and private institutions.” “Complementarity” remains a uniting normative principle, suggesting a harmonious relationship between public and private, each sector performing roles for which it is best suited and promoting the “public interest.” In practice, however, debate repeatedly arises over what roles are really in the public interest or are “too private,” amid lingering doubt that profit takes precedence over quality. Complementarity shares the stage with vigorous competition and conflict.

Normative and Policy Challenges to a “Too Private” System

As the sector expanded, policies were formulated, often as a reaction to emerging needs and sometimes conflicting interests. In 1982, legislation mandated newly established private schools to incorporate as non-stock corporations only. This policy proved short-lived, however, with 1994 legislation enabling once more the establishment of stock institutions but, reflecting wariness of their being “too private,” with heightened regulatory controls limiting stock for-profits to capital-intensive courses only, and making them ineligible for any form of direct government subsidy. Recently, the continued expansion and diversification of for-profit HEI forms (e.g., ABE International College, STI), the entry of major local corporations (e.g., Ayala and PHINMA Corporation), and persistent doubts about whether legally nonprofit institutions are truly nonprofit, have triggered state regulations governing the sale, merger, and acquisition of HEIs, and consideration of increasing taxes on private for-profits while decreasing existing government incentives provided to nonprofit institutions.

Regulatory restrictions, coupled with the sustained expansion of public higher education, have accelerated the long-term fall in private share: from about 80 percent in 1990 to 70 percent in 2000, and to just 56 percent by 2015—all this preceding the 2017 legislation to abolish public sector tuition fees. Underscoring how public policy even on other education levels affects PHE size, the extension of secondary education to grades 11 and 12 has left many private HEIs with a suddenly lowered demand, putting many at risk; in 2018, freshmen enrollment declined by 11 percent nationally and 15 percent in private institutions.

Despite all this, Philippine PHE remains a powerhouse with a potent for-profit component, among those Southeast Asian and other Asian countries with a majority of private

Abstract

Philippine higher education has one of the world's largest and longest standing private sector—in fact, two private sectors, for-profit and nonprofit. In the face of the continued expansion of the public sector, the abolition of tuition fees in the public sector, and the opening up of the higher education market to foreign players, private institutions grapple with their changing roles. This article discusses the evolution of the private sectors, contrasting them to the public sector and to each other.

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enrollment. Powered especially by its still strong Catholic base, nonprofit continues to outdistance for-profit in enrollment, with 34 percent vs. 21 percent of the Philippine total. In 2015, of the 2,388 HEIs in the country, 1,262 were categorized as nonprofit (53 percent), followed by 683 public (29 percent), and then by 443 for-profits (19 percent). Notably, it is the nonprofit sector that has the largest share of small institutions (with fewer than 2,000 students). Not surprisingly, the bulk of for-profit HEIs are concentrated in the densest areas of the country: in the Greater Metro Manila area, as well as Cebu and Davao.

Reality and Reform

Whereas Filipinos will surely continue to debate both what the actual balance is, and what it should be, between private–public complementarity and competition, a preeminent reality is that the sectors perform greatly differentiated roles. Data on program offerings illustrate this; thus, public HEIs cater to the bulk of demand in costly programs in agriculture and natural science, for example, whereas private HEIs pack enrollments in lower-cost and commercial fields, with for-profits concentrating on hotel and restaurant management, tourism, and nursing, while non-profits offer programs in the humanities, fine and applied arts, and social sciences.

A particular concern is whether profit is compatible with quality. Initial research, however, shows that the relationship may not be simple: Data from the 2016-licensure exams does show private-sector students from small for-profits scoring lowest (although not by much), with large nonprofits scoring highest, but scores correlate more with size than with legal form.

In the influential Joint Congressional Commission on Education (1991–1993) report that paved the way for the reorganization of the Philippine education sector to its present structure, higher education discussions underscored the unplanned growth of public HEIs, which posed significant competition to longstanding private HEIs, and cited the duplication of program offerings. Yet, both challenges persist today. Moreover, on top of the persistent challenges come new ones generated by important recent legislation. The 2017 Universal Access to Quality Tertiary Education Act provides unprecedented student financial assistance programs and the 2019 Transnational Higher Education Act enables the entry of foreign HEIs into the Philippine market. Such policy once again animates debates on the supposed complementarity between public and private institutions. One hopes that these debates will generate a greater understanding of the diverse private sector, encompassing the breadth of for-profits and nonprofits. What is more certain is that evolving realities and policies will continue shaping for-profit and nonprofit higher education in the Philippines—and testing their longstanding vibrancy. ▲

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