

Special Focus: Reform and Restructuring

and nonprofit higher education on a two-dimensional axis. The first axis is a scale between direct competition and no competition, and the second between major service provision and no service provision to the nonprofit sector. The full report provides an illustration in grid form.

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Only 17 firms (34 percent) were judged to have a significant competitive relationship with nonprofit higher education. These included U.S. for-profit college and university networks (e.g., Apollo, Sylvan), similar institutions in Malaysia (e.g., INTI, SEG), and two leading IT training firms (Informatics and Aptech). A number of these firms also offered various service relationships with higher education. Overall, among GEI companies, competitive relationships are more common than service relationships, but in many cases the competitive threat is minor, tangential, or latent. By contrast, the competitive position of multinational publishers (e.g., Thomson, McGraw-Hill, Pearson) has weakened compared to 1998–2000.

What is the potential for movement of position over time? The two most significant potential shifts of position were thought to be greater competitiveness from the Malaysian college networks and an improved service relationship with corporate e-learning firms. In most respects, Malaysian college networks resemble U.S. for-profit universities and colleges, but with one crucial difference. Government regulation currently bars private colleges in Malaysia from seeking their own degree-awarding powers. This restriction spurred alliances with universities from Australia, the United Kingdom, and elsewhere. Without this restriction, the current service rationale might weaken and the colleges might begin to compete with the nonprofit sector without the present ambiguity. In the case of corporate e-learning firms, it was noted that nonprofit higher education might seek a more significant service relationship in terms of provision of on-line content.

To summarize, this analysis suggests that the competitive threat to nonprofit higher education remains relatively minor in absolute terms. However, recent years have witnessed significant recruitment growth among certain companies, international expansion, and ambitious plans by new entrants. New technology and

new markets have prompted a range of innovative service relationships between companies and higher education. The rise of borderless higher education is characterized by deeper and more complex relationships between commercial entities and nonprofit higher education. The unknown is the extent to which these relationships will develop further, what will remain the province of the nonprofit sector, and what services and activities will become viable commercial propositions.

The methodology developed for this analysis will be used by the observatory to examine selected private postsecondary education companies. Combined data on public and private firms will provide a powerful resource for gauging the impact of current commercial interest in postsecondary education and will enable developments to be tracked over time.

This article is summarized from “Mapping the Education Industry, Part 2: Public Companies—Relationships with Higher Education,” published by the Observatory on Borderless Higher Education. Website: www.obhe.ac.uk.

Britain’s White Paper Turns Higher Education away from the EU

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Ferocious debates and student protests arose in anticipation of the Blair government’s white paper on higher education, focusing on rumored increases in student fees. For many, American-style tuition costs were a worst-case scenario, and the buildup to the Iraq war added emotional resistance to things American. When the white paper emerged, it rejected American “pay as you go” student finance, opting for a version of the Australian “learn now, pay later.” Few saw the irony that the white paper quietly adopts many other American practices while turning away from the EU.

The Problems

A chart comparing the 18 leading nations’ international scientific citations dominates the second page. A long purple line representing the United States dwarfs the others. The text explains that “the USA with its unsur-

passed research base" leads in all 20 fields, with Britain a respectable second. The United States is a model, but also a threat, that draws leading researchers who "are among our best" to better-resourced positions in the United States. That sets the tone—British higher education has considerable strengths but cannot sustain them without restructuring the system and finding new resources.

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The fears of a westward brain drain reflect the growing disparity between British and American research facilities. Oxford and Cambridge's endowments would not rank in the top dozen in the United States and no other British universities would be in the top 150. And government research funding is diffused. Within the British higher education system there has, officially, been little differentiation. All Britain's 100+ universities grant doctorates.

Meanwhile, Britain faces a funding crisis triggered by its remarkable leap into mass higher education. In the early 1990s the United Kingdom rejected the idea that "more means worse," and went from having the least accessible higher education among industrialized nations to become a world leader in the proportion of young people receiving a degree. But commensurate funding did not follow. The United Kingdom's per student funding plummeted from over \$15,000 in 1985 to under \$10,000 in 1998 (in 1998 dollars). Tony Blair compounded the dilemma by casually committing the United Kingdom to reaching 50 percent participation by 2010, an off-handed comment that has become a government mantra. The white paper can be seen as a midcourse correction in the United Kingdom's remarkable dash for mass higher education.

The Proposed Solutions

The recommendations for maintaining the United Kingdom's enviable but threatened research record are explicitly laid out in the shadow of the 800 lb. American gorilla. The white paper proposes targeting research funding at a few world-class institutions, echoing American practice. Britain will now have a small number of research-intensive universities. Just how few is not specified; guesses range from 4 to 20.

Second, most universities will become "non-research-intensive." The white paper notes that relatively few American colleges and universities award doctorates and offers the California State University systems' 23 campuses as examples of successful teaching-centered universities.

Third, to reach Tony Blair's goal of 50 percent participation, the white paper changes the definition of higher education by proposing two-year "foundation courses." These job-related programs will be offered either by existing universities or by further-education colleges. Again, the white paper appears to look to America in adopting a model very close to the community college.

Since 1992, the United Kingdom has had a "one size fits all" system complete with research league tables that ranked all "universities" from the most recently renamed institutes of higher education to Oxbridge on a single scale. The white paper proposes returning to differentiation, but instead of the pre-1992 "binary" divide, there is to be a "trinary" system borrowing heavily from American practice.

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Constraints on the Government

Before the expansion of the 1990s, student per capita funding was approximately at the current American standard. To return to funding higher education at that level would require a dramatic increase in government expenditures and student fees. Both are political non-starters.

The Labour government, still haunted by the "tax and spend" label, approaches new spending cautiously, and health and primary and secondary education have first call. And Labour Party pollsters report deep resistance to significantly increased fees among swing voters. So the current £1,100 up-front fees will be replaced by later payments once the graduate enters the workforce. Like income tax, the payments will be deducted from paychecks, and will vary with income, taking many years to pay off university bills of up to £3000 per annum.

With public spending on higher education projected to remain under 1 percent of GNP, private giving is another possible source. British universities are pursuing that course, with some success in industrial spin-offs. But British foundations are relatively small and alumni consciousness remains low, leaving it unlikely that private spending will rise much above its current level of 0.3 percent of GNP.

The EU Takes a Back Seat

The white paper offers an interesting compromise. The proposed system will have a similar structure to the American model, but be funded differently. Significantly, the EU gets little mention. Government ministers are conscious that only Cambridge's "Silicon Fen" rivals the American Silicon Valley and that EU countries' research investment lags. U.S., U.K., and Canadian scientific citations are nearly twice as numerous as those of the rest of the EU.

British universities' financial exigencies militate against attracting more EU students, as non-EU students pay dramatically higher fees. The white paper scarcely mentions the SOCRATES and ERASMUS programs and expresses no concern that proposed higher fees will deter EU students. Tony Blair has already urged the higher education sector to attract 50,000 more non-EU students. Using Britain's social capital in this way represents a significant source of real money, and with 14 percent of the world's international students, Britain is already doing well in a game with many knock-on benefits.

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Conclusion

The white paper proposals face rough sledding in Parliamentary debates next autumn, primarily because some "Old Labour" M.P.s want a return to free higher education. But as the white paper offers an economically viable escape from a funding crisis through modest expenditure, it is likely to pass largely intact. Indeed, the government has already redirected its research funding. Recent allocations, based on the latest triennial assessment of research, shifted support dramatically toward the highest-rated universities and virtually eliminated it from the rest. Despite howls of dismay on campuses across the country, this is unlikely to be undone.

Potentially, the white paper's reforms preserve the United Kingdom's close research ties with the United States, while introducing American-style institutional differentiation. This strategy may well enable the United Kingdom to continue punching above its weight in higher education. Quietly, but unequivocally, it turns away from the EU to embrace non-EU students and the U.S. model. ■

Moving toward Uncertainty: Higher Education Restructuring in South Africa

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The virtues of mergers as instruments to promote efficiency and to reduce costs in higher education have long been contested. Where they have occurred, mergers have mostly been voluntary. But this is not the case in South Africa where the Education Ministry in 2002 announced plans to streamline the apartheid-created system by reducing the 21 universities and 15 technikons by January 2005 to 11 universities, 5 technikons, 6 comprehensive institutions, and 2 national institutes in provinces where no higher education institutions exist. Echoing the "bigger is better" motto and assumptions about improved cost-effectiveness found in consolidation proposals in other countries, this reconfiguration aims to create financially viable institutions by merging a university and a technikon and by incorporating satellite campuses of some institutions into the 11 stand-alone universities, while reducing the number of historically black institutions.

Why Mergers?

Motivations for these top-down imposed mergers embrace financial, political, quantity, quality, and rational concerns. Some historically black institutions had for some time teetered on bankruptcy due to increasing student debt and needed rescuing. All institutions in this category struggle to achieve efficiency in outputs with the student dropout average hovering between 20 and 25 percent. Politically the case for merging institutions to produce better quality is also strong. Historically black institutions are still lambasted as inferior apartheid institutions that provide a second-rate education while historically white institutions enjoy enhanced reputations and have gained a majority of black students but have a majority of white academics. Thus, merging black and white institutions will produce new institutional identities, create more equitable demographic figures, ease the pressure to reduce much-needed senior white academics, and consolidate the quality of education. In other cases, it will consolidate institutions that were separated by a road and racial philosophy.