

Originally, the intention had been to organize *Fachhochschule* programs based on an independently financed market-based model and to create a competitive situation between *Fachhochschulen* as well as between *Fachhochschulen* and universities. The Austrian economic sector, in particular industries, which had vigorously promoted the foundation of *Fachhochschulen*, showed little interest in their continuous funding. The argument put forward by industries was that they had to pay sufficient taxes anyway. Cost-covering fees could also not be demanded from students.

A compromise called for the participation of the government in funding an agreed number of study places for each of the respective study programs. Today about US\$8,500 from tax revenues is spent on each study place. However, when students, for whatever reasons, drop out of the programs, the government funding is reduced. While students at

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*Fachhochschulen* pay the same amount of fees as those at universities, these institutions, particularly if they offer technical subjects, cannot be run on such a financial basis. In almost all cases, the states (Austria is a federally structured country) play a financial role, as well as often local communities. The downside of this financial mix consists of the fact that higher education and science policies are often entangled in a web of provincial political interests.

In conclusion, the privately run *Fachhochschulen* in Austria have very successfully developed during the first 10 years of their existence. Above all, the numerous private initiatives to establish and operate such institutions have shown the country's entrepreneurial potential. The *Fachhochschulen* nowadays represent a serious competition for the universities, despite the fact that both types of higher education institutions depend to the same extent on the public purse. While the originally envisaged market-based model has been used in the planning of programs and the adjustment of curricula to meet the demands of the labor market, in the context of funding matters these market principles have encountered a lot of mental resistance. ■

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## The Liberalization of Thai Education: Point of No Return

### **GAMON SAVATSOMBOON**

*Gamon Savatsomboon is director of the graduate school at Northeastern University. Address: 199/19 Mitraphab Road, Muang, Khon Kaen, Thailand. E-mail: gamon\_s@yahoo.com.*

The 1997 economic crisis caused Thailand to embark on higher education reforms. Neoliberalism, a commitment provided to the International Monetary Fund, was adopted as a reform strategy. The strategy is well documented and has induced competition among universities for student enrollments. For instance, one of the largest private northeastern universities saw a 20 percent decrease in new students between 2004 and 2005, the opposite trend to the public sector. This article draws upon the experiences of public and private universities in the northeast of Thailand to illustrate the events taking place elsewhere in the country. The policy constellation in the country has led to five major developments.

First, in 1997, the autonomous-university policy was introduced in the public university sector. Public universities are now given greater freedom in administrative and academic terms. Furthermore, the government, in 2004, granted autonomy of decision making to both public and private universities. In effect, all decisions now rest with university boards.

Second, the private higher education sector has recently been experiencing deregulation. Consequently, it is easier for private operators to establish private higher education institutions. The number of private universities and colleges has now increased to 54, from just 1 in 1969.

Third, privatization has followed the user-pay model, which is based on the philosophy that higher education increases the earning power of individuals who possess it, and thus individuals must pay for the cost of higher education. This philosophy also underpins the full-fee programs offered by public universities.

Fourth, students will shortly be empowered to choose a university, as they will be provided with Income Contingency Loan (ICL) vouchers. Presently, money is allocated to universities on a quota basis, with the effect that students have to follow the money. ICLs are scheduled to be implemented in 2006.

Finally, because of budget constraints, public universities now perceive they have to support themselves financially. As a result, they are increasing enrollments through expansion and diversification via regular and full-fee programs.

### **PUBLIC UNIVERSITIES' RESPONSES**

The principal effect of liberalization is that students now constitute sources of money and power. Public universities in particular are able to employ a variety of methods in attracting students and increasing enrollments. First, open-enrollment

schemes have been introduced. Student intake is made independent of faculty capacity, and intake is boosted, relying on rapid hiring of staff. Advertising for such programs has seen hitherto unknown aggressive recruitment methods. This intake feeds into adjunct programs, which are full-fee programs specifically for students who have failed the universities' regular admissions systems. Public universities from Bangkok, as well as local universities, have established satellite or branch campuses throughout the northeast in order to take advantage of these developments. Public universities are also expanding their offerings through new degree programs or other new programs, such as courses for vocational students enrolled at various institutions.

#### **THE POSITIVE SIDE OF COMPETITION**

Competition has its advantages. Enrollment expansion, diversification, and ICLs lead to "choice" and expanded opportunities for students, primarily through the adjunct programs. Enrollment expansion and diversification also help absorb demand for higher education, while maximizing the resources of public universities. New degrees and more specialized degree programs are being created to attract and stimulate diverse groups of students. Departments also earn extra income through the adjunct programs. This money can be channeled toward staff development. At a personal level, faculty members can supplement their income by teaching courses in the adjunct programs.

#### **THE DRAWBACKS OF COMPETITION**

Competition has its drawbacks. As there is now sufficient supply in the public sector, private universities, generally seen as less prestigious than the public, are suffering. However, the rapid increase in student numbers is also affecting the public sector.

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Private universities, which previously functioned as demand absorbers, are experiencing a reduction in student enrollments, which could lead to commercial failure. Most are not in a position to compete with public universities because they lack the financial means or business interest, or both. As a result, they are attempting to employ cost-reduction strategies rather than promote the quality of their programs. This is unlikely to prove a viable long-term solution.

In the public university system, there are concerns about declining quality. Students enrolled in the adjunct programs are dropping out because they cannot handle the course requirements. Faculty members have protested, on ethical grounds, teaching in the adjunct programs because they perceive that the students are unqualified. Further, regular and

adjunct program students are sometimes segregated in terms of both timetables and grades, the latter leading to double standards in the awarding of degrees.

Some effects that may have long-term implications are also emerging. It can be speculated that if a large number of students continue to drop out from the adjunct programs, public universities might experience pressure to lower their standards to maintain their student numbers. Faculty members are increasingly burdened by teaching loads, with less time for research. This is a serious issue at a time when the government is urging the production of more research. Finally, public universities are having to cancel or combine non-market-driven degree programs. This leads to less specialization in certain areas. All these issues may seriously affect the country's development.

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A potential solution to all these problems is auditing. Private universities have traditionally been subject to more stringent external auditing than public universities. Auditing of the massive expansion in public-sector student numbers is currently considered lax in terms of faculty numbers and qualifications and in the quality of course offerings.

#### **CONCLUSION**

Thailand has reached the point of no return in liberalizing its university sector. Whether or not competition is enhancing quality is still undecided. There are two opposing views on competition. One states that cost reduction and quality of services are achieved through competition. The other states that competition leads to "shoddy" goods and services. In Thailand, competition certainly has its advantages. However, in the age of market-driven liberalization, Thai universities are torn between quality and quantity. It is imperative that Thailand develops in the direction of quality, however, as poorly qualified scientists, pharmacists, and engineers will not enhance Thailand's international position and may pose a risk to development. Quality must be at the pinnacle of both public and private universities. ■

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