Mapping Private Sector Expansion in Mexican Higher Education

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1. Introduction

It is not an exaggeration to say that extensive development of the private sector is one of the most the most remarkable phenomena in the recent evolution of higher education in Mexico, if not its most notable characteristic. This flood, particularly that of local and international online 'diploma mills', has provoked another kind of torrent: a surge of alarming media statements by rectors and presidents of public and private universities warning against the deluge of mediocrity and fraud that threaten to overcome higher education and perhaps undo the fruits on fifteen of quality improvement policy. Policymakers have also taken part in this debate; responding with tighter licensing procedures and invocations to deepen and extend accreditation, which is still in its infancy. There is an emerging academic literature on the subject (Silas Casillas 2005; Rodríguez 2003; Villa Lever 2003) to which this research intends to contribute.

This chapter[1] explores the recent growth of private higher education in Mexico, specifically underscoring the new patterns in institutional and regional diversification and presenting a tentative institutional typology

1 The research reported here was done through the Alliance for International Higher Education Policy Studies project, a collaborative effort focused on understanding the relationships between policy and performance in the higher education systems of Canada, the United States, and Mexico, with support from the Ford Foundation.

for discussion. It will briefly examine higher education as an *industry*, drawing attention to the economic dimensions of the emergence of differentiated regional markets for higher education. Subsequently it will explore the dialectic between the rapidly changing private sector and emerging policy initiatives at the federal and state levels. Such is the tempo of private sector expansion and differentiation that policy finds itself in a reactive, indeed defensive, position as privatisation gains pace. This mapping exercise takes up on Daniel Levy's suggestion that "private higher education's roles emerge mostly unanticipated, not following a broad preconception or systemic design. For the most part, central policy does not create, design, or even anticipate emerging private sector roles" (Levy 2002). This analysis however, will attempt to move beyond Levy's assumption about the role of policy. Following Elinor Ostrom's (1999) outlook on institutional analysis and public policy, we assert that the expansion of markets (in education as in other social domains) does not follow abstract or unpredictable pathways but rather conforms to the 'institutional rules of the game'. These rules are made up of a set of opportunities and constraints resulting from the social space created by the connections between markets and the state. The rules may be explicit or implicit and are the result of historical interactions among organisations attempting to make the best of opportunities and constraints in their specific settings. They constitute the institutional environment (Meyer 1983; Scott 1995) in which private higher education in Mexico has developed.

2. Private sector expansion: social demand outstrips public supply

Over the past fifteen years higher education enrolments in Mexico have grown by 80%, at an average annual rate of 4.3% (see Table 1 in the appendix). One the one hand demographics have favoured this trend, as the relevant age group continues to grow into the second decade of this century, although at a slower rate than previously. On the other hand, and more importantly, the increased demand for higher education is a result of efforts by policy makers to improve primary and secondary schooling over the past fifteen years. The growing efficiency and completion rates at these levels have raised the number of preparatory school graduates, and more of them are spurred to continue into higher education. Nonetheless, the percentage of young people between the ages of 19 and 24 enrolled in higher education continues to be very low (in OECD terms) at around 22% (with large internal regional differences). Although sig-

nificant equity challenges have yet to be overcome, social participations rates and flows have exerted ever increasing pressure on the higher education system.

How has this mounting demand been managed and absorbed by the higher education system? Table 1 shows that the public sector grew by 47% over the past decade, whereas the private sector grew by 226%. In 2004 for every hundred students enrolling in higher education, 47 went to public institutions and 53 opted for private establishments. This represents a greater private intake than at any other time in history, although in fact the trend seemed to level off in the middle of this first decade of the new century.

Significantly, the greater proportion of students bound for the public sector enrols today in non-university establishments such as two- and four-year technical institutes, changing a historic trend in which public universities represented the centre of attraction for students. This is due to the explicit decision by policy makers in the early 1990s to limit the growth of public universities and favour the quite significant extension of technical post-secondary education following recommendations by OECD examiners in the 1990s (OECD 1997). At the same time, public universities were made the object of extensive programs basically designed to increase quality, while limiting enrolment growth in this sector. The rationale for this policy has been that addressing matters of quality and equity requires a differentiated system of higher education, reversing the traditional role of massive and politicised public universities that had unsuccessfully attempted in the 1970s and 1980s to meet both needs within one institutional format. In terms of equity, it is argued that by locating all newly created technical two- and four-year institutes in under-served regions, out of the reach of public universities and beyond the sphere of the mostly urban private institutions, educational opportunities will be opened up to poor students in small cities and rural areas. In sum, systemic differentiation has been a mainstay of public policy in Mexican higher education since the latter part of the 1990s.

An important although latent aspect of this policy has been to allow the private sector to attract a growing number of students who do not pass the entrance exams to public institutions. Though this has not been an explicitly stated policy, all parties understand that by limiting the intake of large public universities, expanding public enrolments through small technical institutes, and simultaneously exerting a lax licensing policy toward the creation of new private establishments, policy makers in the early 1990s gave a green light to the expansion of the private sector.

This policy stance toward the private sector was an implicit but very real 'rule of the policy game' that sent clear signals to educational entrepreneurs who swiftly moved to take advantage of new opportunities in the market for higher education. Not only has the number of students flowing toward the private sector grown, but the growth rate of private establishments themselves has in fact outstripped expectations. In 1990, there were 776 establishments of higher education in Mexico; this number grew to 1,250 nine years later. Over that decade the number of private establishments went from 358 to 735, surpassing the number of public institutions (ANUIES 2000, pp. 39-40). As seen in Table 1, enrolment in private universities grew by 175% in the 1990s, whereas in private non-university establishments (mostly small academies with limited academic facilities and poorly trained faculty) enrolment expanded by 460%. Half of all the incoming students to the private sector were taken up by the latter institutions.

To use Daniel Levy's terminology from his seminal work on private higher education in Latin America (1986), the previous wave of private sector expansion in the 1980s was characterised by *élite flight* from politicisation in public universities, thus spurring the growth of academically reputable private universities that are attended by the offspring of the middle and upper social strata and are well financed by firms as well as families. However, in recent years the growth industry in higher education has been constituted by the non-élite sector, the academies, and diploma mills, which Levy terms *demand-absorbing institutions*. It is this rapidly growing sector that has become the focus of concern for both policymakers and institutional leaders in the public and private universities.

3. Expansion and differentiation in the private sector

We know from Burton Clark's work (1983) that growth in higher education always goes together with system differentiation. Academic organisations do not merely inflate or extend themselves, but as a rule they also tend to change their institutional structures and diversify their means of providing educational services. A principal contention of this presentation is that private sector differentiation is a decisive but misunderstood phenomenon that deserves greater attention by researchers and policy makers. The changing market structure of private higher education brought about by the entry of new competitors is an important element of systemic change whose characteristics and implications are not

fully understood by researchers and policy makers (Dill 2003). The following analysis attempts to impose some kind of order in a situation of growing heterogeneity.

3.1 Regional differentiation

In terms of national averages, private sector expansion is quite significant. But when analysed at the regional level, interesting differences emerge. Our research has selected several states where private growth has been especially prominent: Guanajuato, Jalisco, Nuevo Leon, Puebla, and the Federal District (the national capital).

Four of these states represent the most industrialised and highly urbanised regions in the country; except for Guanajuato they have the largest public universities (including UNAM, one of the largest in the world); they show high rates of enrolment growth and the most noteworthy expansion rates of the private sector. These five states represent 46% of national public enrolments and 60% of national private enrolments in higher education. All the principal private universities are either established in these states or have important branch campuses there. They are also prime territory for the expansion of the rapidly grown non-university sector in private higher education.

Consequently, it can be said that regional markets of private higher education are emerging in certain areas. The reasons vary from one state to another, both as a result of policy and market forces. In the northern state of Nuevo Leon on the United States border, the Technical Institute of Monterrey has for many years led the way in opening up the market for élite demand, making it a traditional bastion of private higher education in the elite sector. Monterrey Technical Institute has expanded all over the country and now operates a system of campuses in at least twenty other states. It also offers online degrees nationally and internationally in Spanish speaking countries. State education officials play a minor role in managing and coordinating higher education in Nuevo Leon, openly admitting in interviews that the large (and mostly federally funded) state university and the strong privately funded Monterrey Technical Institute do quite well on their own without government regulation.

As the capital city, the Federal District is the pre-eminent focus of economic and political power as well as an enormous population centre of 20 million people, making it a natural habitat for both public and private institutions of all types. The size and autonomy of the three large federally funded establishments (the National University, UNAM, the National Polytechnic Institute, and the Autonomous Metropolitan Uni-

versity) limit the role of government in this state. The same is true of the effect of the numerous well regarded private universities, all of which are either based in the Federal District or have large campuses there. Two factors must be pointed out when examining higher education policy in the Federal District. As the seat of the federal government which directly funds very large public universities, the local authorities face a hybrid situation and are left with relatively little margin for operation. By the same token, for the past decade the capital city has been governed by a centre-left party that has shown little interest in educational policy (except for the establishment of a new municipal university).

Guanajuato is a small state with high levels of poverty and social inequity but has been experiencing serious industrialisation and regional development. For the past fifteen years, state governments in Guanajuato have stressed the importance of educational reform and expansion at all levels. Enrolments in higher education grew 300% since 1990, although the enrolment rate of the relevant age group remains low. The push for educational reform and the resulting growing demand for post-secondary education have stimulated both the public and private sectors, resulting in significant diversification. Guanajuato exemplifies the prototypical *developmental* strategy, where the push for urbanisation and industrialisation is accompanied by a policy of educational expansion. The latter in turn acts as a stimulus for an emerging private sector in higher education.

The states of Puebla and Jalisco present slightly different cases, though they show enough similarities to be typified together. Economically, demographically, and politically they are of secondary importance only in comparison to the Federal District and Nuevo León, and they are important regional centres of economic activity. It is in Puebla and Jalisco where the greatest numbers of new private institutions of higher education have been established over the past decade. Traditionally their higher education systems have been dominated by the public-sector with a dominant role for the state university: Jalisco has the second largest public university in Mexico and Puebla has the fourth largest. Both states, but especially Puebla, are developing a growing network of technical institutes. In contrast to the traditional dominance of public sector institutions, these states today appear as the fastest growing regional markets for private higher education. Seventy three new private establishments set up operations in Puebla between 1990 and 2003, pushing private enrolments from 18,400 to 69,000 students. In Jalisco forty five new private institutions were created in the same period, with enrolments growing from 21,000 to 70,000 students. Only the Federal District

surpassed the states of Puebla and Jalisco in terms of new private institutions created over this period.

Officials in various state governments have expressed concern about the quality of these institutions and have moved to establish a set of conditions for operating private establishments such as program accreditation, ISO certification of administrative processes, and entrance examinations. This is a new phenomenon in higher education policy in Mexico, where decisions are traditionally made at the federal level. Regulation of the private sector at the state level appears to be an increasingly important component of emerging state systems of higher education.

Another hypothesis for explaining the specific attributes of private expansion in different regions arises when one examines new trends within the private sector itself. The term 'private sector' actually embraces a growing variety of institutional types, which are invisible when one merely contemplates enrolment statistics or counts the number of establishments. Two forms of institutional differentiation were observed in Burton Clark's vocabulary (1983): horizontal differentiation among different organisational types; and vertical differentiation in establishments that move from undergraduate to graduate offerings.

3.2 Horizontal differentiation

In the public sector, institutional types are explicit and straightforward, defined as they are by policy. Over the past decade the public sector has diversified from a binary situation – with universities and 4 year technical institutes – to an array of postsecondary institutions:

- universities
- four year federal technical institutes
- four year state technical institutes
- two year technical institutes (state level)
- four year polytechnics (state level)

Only two state universities were created in this period. But over eighty state technical institutes were established and more than fifty state run two-year technical institutes were set up. Polytechnics are a recent addition and are few in number. It should be noted that all new public institutions of postsecondary and higher education were originally funded jointly by federal and state governments and are currently managed at the state level. Consequently, the policy of institutional differentiation has also been a policy of decentralisation, moving ever greater responsi-

bility for funding and managing public higher education from the federal to the state governments.

But how do we distinguish institutional types in the private sector, where no accepted classification exists and establishments spring up with astonishing speed? Up to this point we have operated with part of Levy's 1986 classification of private institutions: universities (or elite) institutions and non-university (or demand-absorbing) establishments. This classification is useful as an initial guide into the data, when one desires a snapshot of structure at a single point in time. A more flexible typology becomes necessary as one makes closer observations of institutions and especially as one observes changes over time. Emergence and change are crucial elements here, and as Levy observes in a recent paper, one may "discern *waves* of growth evolving into different types (or sub sectors) of private higher education" (2002). For example, small institutions that were clearly demand-absorbing at one point in time may develop in the future into something resembling a university. Other small institutions may erroneously be classified as 'diploma mills' when in fact they are specialised institutions designed to train professionals in a specific area of expertise. The following institutional types have been identified from research on the strategies and changes in the private sector, (Peña 2004):

- Universities: Academically reputable institutions with long standing in Mexico, some going back forty or fifty years; they offer undergraduate and graduate programs in a multiplicity of disciplines, and hire well-trained faculty some of whom are full-time (although few private universities actually carry out research). Internal quality control and external accreditation are standard procedures. This category is actually quite diverse in itself, comprising multi-campus systems and virtual educational delivery as well as more traditional universities.
- Non-university establishments (demand-absorbing): Usually (but not explicitly) for-profit, with undergraduate offerings in business, accounting, education, or other 'soft' social professions; part-time faculty with minimum credentials; usually not accredited. They are proprietary and often family owned businesses.
- Specialised Institutes: Focused on training professionals in one or two associated disciplines with reasonable academic infrastructure. Faculty are usually part-time but reputed practitioners; programs are often officially accredited. Some of these institutes operate as partnerships with corporations in certain sectors such as law firms, ho-

tels, or restaurants with an interest in training specialised workers for their industry.

- Non-university establishments in the process of academic consolidation: Formerly non-university establishments that have strengthened their faculty and academic facilities; they aim to become respectable universities and express an interest in accreditation. In his analysis of higher education development in the United States, Burton Clark terms this a process of dignification of small establishments on the way to becoming reputable colleges or universities (1986). In-depth research might yield a more precise classification based on strategic behaviour of these institutions; for example a Rand study (Brewer et al. 2002) reviewed by David Dill (2003, pp. 10-11) classifies institutional strategies in a competitive environment into prestige-seekers and reputation-seekers.[2] The number of establishments in this emerging category is very small compared to the total of non-university establishments.
- Expanding Non-university Businesses: Non-university establishments that have prospered as educational businesses, growing in numbers but not in quality. Facilities remain elementary and faculty remain part-time and under-qualified. Offerings are low cost, popular, and high volume teaching programs, rarely venturing beyond business and the social professions; quality assurance procedures are followed only under duress. They obviously remain proprietary institutions and usually retain their family-owned nature if such was their original structure, growing either by expanding their original facilities and/or by creating new outlets in other cities.
- International corporations: Large publicly quoted chains, such as Sylvan or Apollo, setting up operations in Mexico usually through merger with existing local institutions. Sylvan Learning Systems recently established campuses in Chile and Mexico through such mergers.

This tentative classification attempts to break down the private sector into distinctive sub sectors. It shows how the original *demand-absorbing* or *non-university* sector is evolving in various directions. We observe four different categories in the non-university sector. Some of these expand as businesses; others move in the direction of consolidated univer-

2 Prestige seekers are imitators of prestigious universities whose quality nobody contests, strengthening their perceived prestige through greater admissions selectivity; *reputation-seekers* attempt to succeed by "satisfying customer needs" by improving student services, course scheduling, and programs (Brewer et al. 2002).

sities, others specialise in certain areas. An important but only partially resolved issue in using this kind of classification is whether this *institutional* diversification actually involves increasing *academic* diversity and *educational* quality in the programs being offered. It is clear that most demand-absorbing establishments have no interest in moving beyond low cost, high volume programs, and of course this is the sector that is undergoing the most growth.

3.3 Vertical differentiation into the graduate level: a new market for the private sector

Horizontal diversification between public and private sectors is one dimension of systemic change. The other dimension is *vertical* differentiation. Between 1990 and 2002, graduate enrolments grew from 46,000 to 148,000 (Fox 2002), an overall expansion of 200% and an average annual rate of 10%. Graduate studies in Mexico are a new growth industry.

The private sector has moved heavily into graduate studies. This is undoubtedly a rational response to a diversified market where there is an increased demand for retraining and upgrading by young professionals. It is also a response to growing competition within the private sector itself.

We mention vertical differentiation as one important aspect of the systemic changes that are emerging but have not examined the data closely enough to formulate a more specific hypothesis. It is an aspect that has not been dealt with by policy however, and everything points to a repetition of the unregulated expansion of undergraduate education in the 1970s (Kent 1993). Federal policy programs are in place to regulate graduate programs of reputable quality in public institutions, but no such policy is being visualised for the rapidly expanding graduate programs in the private sector whose ostensible function is not producing scientists but retraining in-service practitioners.

4. Higher education (and the private sector) as an industry

To obtain a firmer grasp of the public policy implications of the expansion of private higher education, it is useful to recall David Dill's use of the term *industry* (Dill and Sporn 1995; Dill 2003) when referring to higher education in the current *post-industrial environment* characterised by high competition among institutions, scarcity of resources, and unpredictable fluctuations in enrolments and revenues. Dill and Sporn

point out that higher education today can be characterised as an 'industry' in countries where "governmental reforms have devolved responsibility and procedural autonomy to universities" and "introduced elements of competition through deregulation, cuts in government support, and the introduction of competitive contracting for student places and research" (Dill and Sporn 1995, p. 7). Intense expansion of private higher education is also a notable characteristic of the contemporary *industry* of higher education because of the competitive pressures that this sector brings to bear on the system as a whole.

According to Dill and Sporn, to understand higher education as an industry one must examine the underlying sources of competitive pressure on institutions, using Michael Porter's schema for the amount of competition in an industry (Porter 1980):

- the threat of new entrants
- the bargaining power of suppliers
- the bargaining power of customers
- the threat of substitute services
- the degree of rivalry among competing institutions

Dill and Sporn argue that

"…the five competitive forces reflect the fact that competition in an industry can be influenced by factors other than government regulation, or established institutions… Government policy at all levels can also influence industry structure both directly and indirectly; however, Porter suggests that it is more illuminating to consider how government affects competition through the five competitive forces rather than as a separate force." (1995, p. 7)

And they suggest that

"…to better comprehend the implications for university reform, we must therefore turn from an analysis of governmental policies at the system level, to an analysis of the overall competitive forces that will shape the future of individual universities." (1995, p. 7)

This perspective is fruitful in understanding the specific role of the private sector in Mexican higher education. There can be no doubt that the massive influx of private institutions has modified Porter's five sources of competitive pressure within higher education. Some of these pressures apply within the private sector or only within a certain sub sector of private establishments, as would be the case of new entrants in the demand-absorbing sector mainly posing a competitive threat not to es-

tablished universities but to other small educational businesses. But even in this case it is notable that presidents of reputable private universities have gone public with their concern that the expansion of 'fraudulent' or low quality private schools has the effect of tarnishing the overall image of private higher education as such, demanding that government regulation and accreditation be extended to those establishments. This demand for greater government regulation in the private sector is quite a remarkable phenomenon, showing that private institutions that traditionally rejected government interference in their affairs are today calling for a greater role of public policy toward the private sector. This system-level dynamic is a new aspect of the policy environment.

Rivalry among competing institutions is evident in the push for new modes of delivery such as online programs, and especially new master's programs in business and related fields. New private entrants do not as yet pose much of a threat to public research institutions for funding, but it is the case that private universities moving into new technologies are luring highly trained scientists away from the public sector to head new technology centres in partnership with industry. Given the competitive funding policy in research, hiring reputable scientists is the first step to competing for research funds.

Recognition of private higher education as a sector of the local economy is a topic that deserves greater attention. Simon Schwartzman has written one of the rare studies of the economic dimension of private higher education in his study of Brazil (Schwartzman and Schwartzman 2002). Throughout the 1990s in Mexico relatively robust incentives were in place for entrepreneurial activity in higher education. Low barriers to entry into the market such as the following have been widespread for non-university (or *demand-absorbing)* establishments:

- Uncomplicated legal requirements for licensing;
- Legal indifference to the distinction between for-profit and not-for-profit establishments;
- Minimal ongoing supervision by government (in most states);
- Low capital investment in facilities: usually large residences are reconverted to classrooms and offices;
- Relatively low investment in technology (when libraries and computers are not extensively installed, although this requirement is becoming a crucial one for any educational establishment).

Other conditions have created a situation where profits are to be made, such as:

- A qualified workforce in a buyer's market and consequently a low wage level; readily available human resources willing to work part-time;
- A rising social demand for tertiary level diplomas;
- Relatively limited competition.

There is evidence that some of these conditions are changing. Local government is becoming more exigent in licensing requirements and supervision. The academic labour market is increasingly demanding higher degrees for entry. Greater investments in technology may not be ignored for much longer by diploma mills. Competition among private institutions is intensifying and its effects on institutional development remain to be seen. Higher education markets feed on themselves, in the sense that they are self-reinforcing mechanisms. Existing institutions provide the graduates who will become academics of the new institutions. Academic formats and curricula are borrowed from one institution to another. When minimum academic qualifications for entering the academic labour market are raised as they have been in Mexico, vertical differentiation into graduate studies opens up new opportunities for institutions.

5. Emerging policy responses to challenges from the private sector

Over a period of fifteen years the policy environment has shifted appreciably from a centralised (federal) form of governance, a predominantly public and binary system (with universities and technical institutes), and a marginal private sector; to a hybrid form of federal-state governance, a rapidly changing balance between the public and the private, and the emergence of multiple sub sectors in each. The role of policy itself is undergoing changes. Governments must now not only fund and regulate public institutions but also learn to deal with slippery market forces in the private sector. A *systemic* perspective is needed to understand private and public sector changes, which do not occur in isolation from one another but interact. This interaction produces system-wide changes in the ways higher education relates to students, families, firms, and governments. This evolution occurs in the context of an increasingly diversified governmental system that is decentralising, devolving funds and power to the state and municipal levels.

Quality improvement, control, and assurance have been central themes in Mexican higher education policy for the past decade and a

half. In the first stage of *modernisation policy*, as it is termed in Mexico, the focus of programs for improving and controlling quality was the public sector, especially the universities and technical institutes. The widespread assumption was that the public sector was failing in most respects and needed deep reforms. At that point, in the late 1980s, the initial wave of expansion of private universities was perceived as a logical social response to public sector failure. There was of course, an ideological dimension to this argument, set as it was in the context of the wave of neo-liberal reforms of that period. In fact, public universities were perceived as one more component of wide spread public sector failure in Mexico; thus the growth of private universities was accepted implicitly, not only as an understandable response to the critical situation of the public sector but as a way of easing the burden on public finances for higher education (Fuentes Molinar 1989; Gago Huguet 1989; Prawda and González 2001). This perspective was widespread in Latin American higher education (Schwartzman 1993; Brunner 1991; Courard 1993; Brunner et al. 1994). Private sector expansion, if not actually promoted (as in Chile), was accepted by policymakers as a welcome addition to the higher education landscape, no longer as an unfortunate phenomenon to be controlled or marginalised by a dominant public sector. Implicitly, public policy ascribed a demand-absorbing role for private higher education.

Without a doubt, considerable although fluctuating financial investments were made in the public sector. Total public spending on higher education increased about 30% between 1990 and 2004, although national expenditures for higher education have not substantially gone beyond 0.6% of GDP as the current government promised (Fox 2001). A significant portion of this investment was used to create more than 80 four-year technical institutes and more than 50 two-year institutes in small cities and regions accessed predominantly by lower income students; not only diversifying the technical sector but making a notable effort to reduce regional and social inequities in access. In existing public universities average expenditure per student went from US$3,400 to US$4,100 between 1994 and 2001 in accordance with the focus on quality improvement (SEP-IESALC-UNESCO 2003, pp. 114-127). All the same, these expenditures were insufficient to cover growing social demand for higher education, thus opening opportunities for the private sector to expand.

Throughout the 1990s federal policymakers maintained their focus on the public sector, with policy toward the private sector basically consisting of minimum licensing requirements for new institutions. It is important to note some basic aspects of constitutional law and funding for

private higher education. The law allows for the existence of private establishments of higher education as long as they obtain a license to operate from either the federal educational authorities, those at the state level, or a public university. It is assumed that private institutions will operate for the public good, but crucially no specific distinction is made between for-profit and not-for-profit organisations. Thus in practice for-profit establishments operate without being obligated to divulge their corporate nature. Finally, private higher education receives no public funding in Mexico, making it "really private" (Levy 1986); the only exception, and it is very minor one, is the allocation of public research funding to private universities through a peer-review process. In this legal and financial context of virtual deregulation, the private sector has found positive opportunities for escalation.

It is noteworthy that the chief strategy document released by the National Rectors' Association in 2000 (ANUIES 2000) had virtually nothing substantial to say about this phenomenon, except for acknowledging its growing rate of expansion in almost all states and underlining the fact that the great majority of private institutions were mainly teaching establishments (thus implicitly downgrading their academic importance). This important document makes only passing mention of the need for accreditation and regulation of the private sector, and does not visualise the systemic impact that it was already having. The tacit message was that the pivotal portion of higher education is the public sector, whereas private institutions seemed destined to play a secondary role as accompaniment.

In the latter part of the 1990s however, the undeniable reality of private expansion brought policy makers to the realisation that a more elaborate policy was necessary for the private sector. In the past four years, the press has reported the growing concern of rectors and presidents of established public and private universities over the rush by private entrepreneurs to create new offerings for students not admitted to universities. Accusations of 'educational fraud' are persistent. Educational authorities are accused of corruption in licensing new private institutions and outcries are increasingly heard for the need to protect unwary consumers.

In this context, federal policymakers in coalition with the national rectors' association (ANUIES) and the independent federation of private universities (FIMPES) developed a proposal for a national accreditation system for all higher education institutions. This became formal policy, and the current federal administration (2000-2006) has made the National Council for Higher Education Accreditation (COPAES) a central part of its policy (Aréchiga and Llarena 2003). The federal government

has tightened criteria for licensing institutions and has published the names of private establishments that have lost their licenses. Federal and state educational authorities initiated a nationally coordinated policy for licensing new programs and closing private establishments operating below official standards. The federal agency for consumer protection published a national report stating that only 74 private establishments (out of more than 1000) are actually university institutions, the rest being 'educational business out to defraud the incautious customer'. The independent federation of private universities asserted in 2003 that 75% of all private establishments in Mexico are not accredited. Readers' Digest in Mexico is publishing an annual ranking of universities and major newspapers are carrying out opinion surveys of public and private universities.

It is instructive to outline the initial reactions by higher education institutions to this growing government involvement. The following table provides a summary of responses by different types of private establishments to recent government decisions in the state of Puebla as of 2004. From interviews at various types of private establishments, it was observed that each institutional type responds to emerging government regulation and accreditation in different ways, as presented in Figure 1 (based on Peña 2004).

Figure 1: Responses to Policy in the Private Sector by Institutional Type

Institutional Type	**Response to Government Regulation, Accreditation and Competition**
Universities	Endogenous interest in quality control and assurance: many universities have been externally accredited for years, without urging by the government. They are wary of government regulation, which is seen as directed to other private institutions which 'must be forced' to increase quality. They are however very sensitive to government promotion of greater competition among elite universities, as when new such institutions are authorised.
Recently created non-universities	Government regulations are perceived as troublesome meddling by external authorities in business as usual.
Specialised institutes	Endogenous interest in program certification, either nationally or abroad.

Institutional Type	Response to Government Regulation, Accreditation and Competition
Non-universities under consolidation	Increasing acceptance of quality control and assurance as necessary to gain acceptance as academically reputable institutions.
Expanding Non-universities	Quality control and assurance are accepted only as external requirements, which are followed minimally. Unfettered growth is their guiding belief.
International corporations	Responses are similar to universities, sharing an endogenous awareness of quality control and assurance.

Source: Peña 2004

The policy measures and institutional responses reported here are in flux, as government officials embark on various policy experiments to regulate the private sector. At the same time, institutional behaviour by the various private sector establishments is changing both in response to market circumstances and to emerging policy programs.

6. Conclusions

It is obvious that markets and competitive forces are growing rapidly in Mexican higher education. It is more useful to point out that markets do not develop in the abstract because the courses they follow are the result of organisational responses both to demographic and economic forces and to decisions (or non-decisions) made by policy makers. This premise underlies our attempt in mapping the recent expansion of private higher education in Mexico, moving from the abstract category of market forces in general to the actual emerging institutional trajectories. Several conclusions may be drawn.

The first implication is that Ostrom's institutional perspective offers fruitful avenues for the analysis of private higher education when markets and competition are taken into account as part of the institutional landscape. It follows from this assumption that the behaviour of private higher education organisations responds broader opportunities and constraints than those observed from the limited perspective of government policy.

Nonetheless, the basic fact remains that the implicit rules set out by policy makers have had a significant effect on the development of the private sector. When the decision was made in the early 1990s to stress

quality improvement in public institutions without expanding enrolments, it was implicitly assumed that enrolment expansion would be absorbed by the private sector. One important aspect of this decision was to distribute the social cost of enrolment expansion to families and students. Although not an explicit policy of privatisation, this decision in effect set the stage for rapid private sector expansion. Today policy makers face unforeseen consequences of that decision. One is that rapid enrolment growth in private 'demand absorbing' establishments has provoked concern over their poor educational quality. The resulting paradox is that the actual effects of quality improvement and enrolment constraints in the public sector provoked diminished quality in the fastest growing part of the private sector. Another consequence has to do with the equity effects of assigning the role of enrolment expansion to the private sector: it is clear today that in spite of significant growth in higher education, Mexico lags significantly behind other OECD countries and even other developing countries in Latin America in matters of access and equity.

A further conclusion has to do with understanding institutional heterogeneity in the private sector. It would seem logical that private establishments would consistently attempt to imitate prestigious institutional formats in the public sector (academic drift), and also simultaneously try to diversify their offerings or at the very least their public image from other similar establishments. This dialectic of imitation and diversification often results in a muddle. Identifying real differences becomes difficult because heterogeneity may not always be equivalent to effective diversification. Institutions may look the same but may turn out to be of quite different quality. Establishments that are similar today may develop along different pathways because of different entrepreneurial strategies or competences or as a result of varying responses to public policy. The ability to distinguish among different types of institutions is important for at least two reasons. One concerns the need of the consumer – the student and his or her family – to understand these differences in order to make qualified investment choices. The other reason refers to the challenge facing policy makers in regulating quality, program authorisation or licensing, and disseminating information about the private sector.

This chapter identified various forms of institutional differentiation. Horizontal differentiation occurs when institutions actually become academically diverse in their offerings, their mode of delivery, and the quality of their services. Some institutions may diversify when they merge with others in different provinces or other countries. However, in a setting of rapid and unregulated private sector expansion such as Mexico,

the search for institutional quality and educational diversity is just as often superseded by niche-making in already saturated markets. There is certainly a role here for policy in assisting students to understand these differences.

Vertical differentiation arises when institutions move from offering exclusively undergraduate programs to masters and doctorates. The latter is certainly rare in the Mexican case because of the weak research capacity of private universities, but the master's degree is rapidly becoming the new frontier in private higher education. An open question here is whether in the future the push for graduate education will provide an academically distinctive set of institutions in the private sector.

This research is a confirmation of Dill and Sporn's insight about taking the notion of a *higher education industry* seriously when attempting to understand the private sector. Depending on the policy framework, profit seeking, entrepreneurialism, and competition are forces that effectively play a role. If the demographics are right and the constraints on social participation in public institutions are favourable, higher education can be a big business. If the legal environment does not explicitly distinguish between for-profit and non-profit private establishments, profit making may become paramount. This may or may not be scandalous to the ear of the educator, but it is real. Therefore taking the economic perspective on private higher education may be useful for policy makers, especially considering three basic factors: the use of information (Dill and Soo 2004), the enforcement of contracts, and the creation of balanced incentives (Ray 1998).

Appendix

Table 1: Expansion and Differentiation of the Public and Private Sectors in Mexican Higher Education

Public Sector						
Year	*Universities*		*Normal Schools*	*4 Year Technical Institutes*	*2 year Technical Institutes*	*Total Public*
	State	Federal				
1990	529,026	173,643	77,550	171,089	0	976,463
1995	550,414	176,775	118,452	232,162	4,919	1,115,100
2000	609,922	175,740	120,573	313,361	36,359	1,313,532
2003	677,686	183,171	91,047	379,194	56,796	1,461,160

Private Sector						
Universities	*Normal Schools*	*Non-University Institutions*	*2 Year Technical*	*Total Private*		*National Total: Public + Private*
139,946	31,437	58,254	0	229,637		1,206,100
198,272	41,584	98,452	1,592	339,900		1,455,000
291,603	80,358	230,904	2,551	605,416		1,918,948
366,710	58,863	300,678	2,831	729,082		2,190,242

Source: Subsecretaría de Educación Superior e Investigación Científica, SEP

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