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## Private universities

### Development and outlook

Since 1999 it has been possible to set up private universities in Austria. Now there are 13 private universities with a total of 10,200 students as well as around 1,900 graduates and 3,200 study beginners a year. As well as public universities, universities of applied sciences (FH) and university colleges of teacher education, the private university sector has therefore established itself as a key player in the Austrian higher education (HE) area.

Despite the dynamic growth of private universities, their students only make up roughly 3% of all students in Austria. On a Europe-wide average, 7% of HE students are enrolled at a private university. Against this background, high public spending on education and training in the tertiary sector in Austria, with private funding components showing marginal shares at the same time, the low level of diversification of the Austrian higher education area as well as steadily increasing rates of HE access – and therefore a “massification” of higher education which can also be observed in Austria – wide-ranging questions arise concerning the role and development options of private universities.

#### *Pronounced sectoral differentiation of the Austrian higher education area*

At present, **four higher education sectors** can be distinguished in the Austrian higher education area: public universities (with the subsectors scientific and artistic universities), private universities, universities of applied sciences as well as university colleges of teacher education. Although individual system elements can be observed in basically the same or a similar form in one sector or another, each sector boasts its own characteristic composition of structural elements. The combinations of these elements therefore form settings that are the constitutive driving forces and shape the interests of the four higher education sectors.

In this structure, **private universities** show certain **institutional specifics**. At the same time, however, they also have points of contact with – and are subject to partly similar regulatory settings as – public universities on the one hand and universities of applied sciences on the other: private universities have a similar orientation to public universities in terms of content. It is only for the former that specific examination criteria have been established which have to be fulfilled as part of (re-)accreditation regarding teaching, research and development. Compared with the other higher education sectors, private universities enjoy the largest leeway in their fund-

ing through tuition fees<sup>1</sup> and the selection of their students. But, in contrast to public universities, private universities have clearly narrower limits regarding the design of their study programmes (and therefore also the awarding of doctoral degrees) as well as the proof of their quality. In this respect they have to fulfil similar regulations as universities of applied sciences.

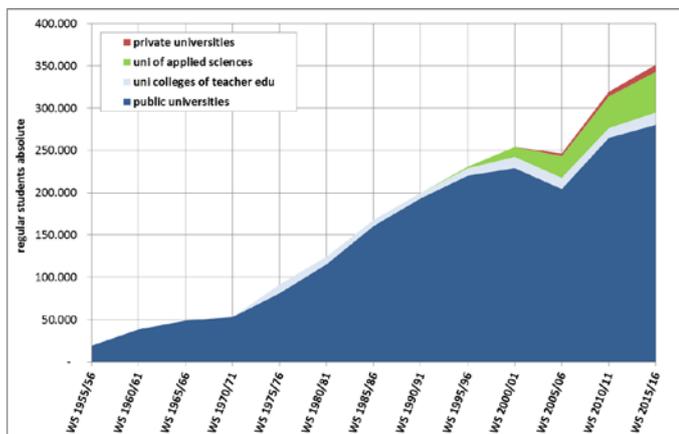
#### *Development of Austria to catch up in an international comparison: mass higher education without a related differentiation of the higher education offer?*

The development of the Austrian private university sector can only be understood against the background of the long-term general development of the Austrian higher education area. In the long term, the **expansion of higher education in Austria** has mainly taken place in the public university sector. With the establishment of the universities of applied sciences sector (from the middle of the 1990s) and of private universities (from the beginning of 2000), new and partly more dynamically growing actors have entered the scene. Nevertheless, the structural and therefore essential features of the Austrian higher education area are still characterised strongly by public universities (cf. Diagram 1).

The expansion of higher education in Austria is noticeably marked by a change of the entire sector from “elite

higher education” towards “mass higher education” (Trow<sup>2</sup>) – the current rate of higher education access is slightly below 50%. This **trend towards mass academisation** has, however, (to date) not led to an adequate expansion or differentiation of the higher education offer in a horizontal direction (by content such as between research and teaching or links to the labour market/professional qualification elements) as well as in a vertical direction (durations of studies as well as graduation levels [short cycle/undergraduate/graduate]): around three quarters of all undergraduates in Austria enrol for a university programme.

Diagram 1: Development of the number of regular students (in the WS) by higher education sectors (in 5-year intervals)



Source: ibw study on private universities (based on official data)

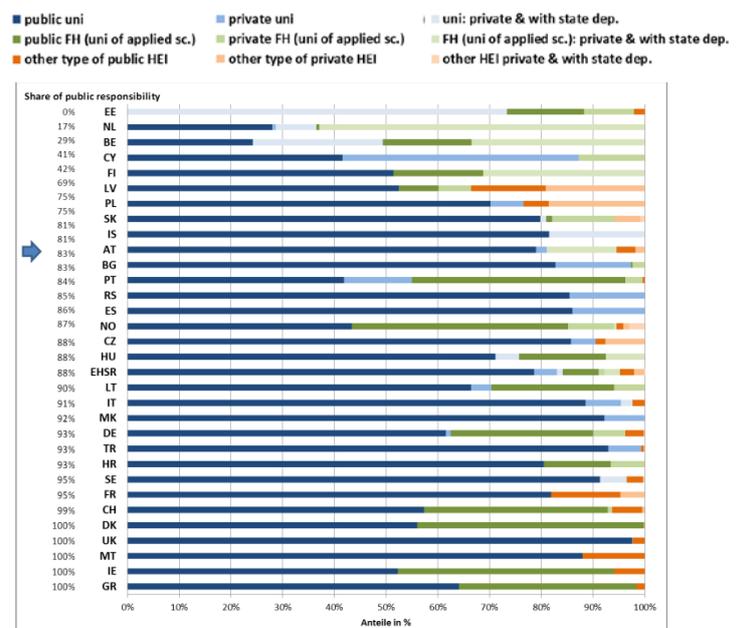
Around 7% of all university students **throughout Europe** now attend a private university.

17 of the 31 analysed countries have a higher share of students at their private universities than Austria. In nine of these countries the share is between 5% and 10%; in another six countries it is between 10% and 25%. Only three countries (Belgium, Cyprus, Estonia) have a university system which is mainly based on private universities. To sum up, there are only three (of 31 analysed) countries with exclusively public responsibility for all of their higher education institutions (HEIs). These are Greece, Ireland and Malta. **Private responsibility** is therefore now established to **different degrees and in different forms** in the European Higher Education Area, more strongly in the universities of applied sciences sector than in the university sector (cf. Diagram 2).

But responsibility is not synonymous with the type of **funding**: This becomes apparent, by way of an example, in the United Kingdom, where almost all higher education institutions are public, but the share of private funding (tuition fees and donations) in the overall system amounts to around 40%<sup>3</sup>. Conversely, Austrian universities of applied sciences, which are under private responsibility, are primarily financed by the public.

Across Europe there is a **wide range of private universities**: 40% of students are enrolled in a universalistic private university (with a broad range of study programmes), another 40% at a special-focus and the remaining 20% at a highly specialised private university. Therefore, in a Europe-wide perspective, the ranges of study programmes and forms of private universities are extremely diverse.

Diagram 2: Distribution of students by higher education sectors and institutional responsibility in Europe; 2013<sup>4</sup>



Source: ibw study on private universities (based on ETER data)

### Characteristics of students

Differentiated evaluations (including of the current student social survey) reveal that an **above-average number** of students at private universities are **women, older people** (with younger ones catching up however) as well as – and also to a significantly increasing extent – students **from abroad (mainly from Germany)**. This is also connected with the programme range offered by private universities (social sciences and economics account for the largest subsection in the range of studies with 28% of the students. Another 25% of the students are enrolled in a medical programme. This means that these two educational areas account for more than half of all students. In addition, there is a relatively pronounced concentration of the students: the majority of the students can be found in a few fields of study). As can be expected, **the most important previous educational pathways are completed with the matriculation certificate (Matura/Reifeprüfung)** – but a remarkable 10% of the students take up their studies using a non-traditional access route, and there are many students with an HE study qualification obtained abroad. Most of them begin their studies soon after acquiring the HE

study qualification (70% of the students at private universities have taken up their studies within two years after completing the upper secondary level).

The findings regarding the students' **educational background** are fascinating. If, in a first step, only those **with Austrian parents** are analysed, the distributions of students are **almost identical between public and private** universities. Students at universities of applied sciences, however, more often come from households with parents who have acquired professional qualifications (especially apprenticeship diplomas): the share of parents with professional qualifications (without the matriculation certificate from a college for higher vocational education), for example, is 48% among FH students and 36% among students at (public or private) universities. Accordingly, the share of students coming from households with higher education graduates is higher. If **all students** are now analysed – **i.e. including those who obtained their secondary school leaving certificate abroad** –, there is clear evidence that **incoming students** apparently come particularly **frequently from households with holders of HE qualifications**.

Most students at private universities are employed while studying – the extent of their employment, their study intensity and financial problems are mostly the same as those of students at public universities. Most students do not receive any grants or scholarships. Some relevant details:

The **average extent of employment** of students at private universities at 22 hours a week is about the same as of those at public universities (19 hours a week). Full-time students at universities of applied sciences work an average of 13 hours a week – part-time students boast a clearly higher workload of 34 hours.

**Study intensity:** Some 40% of all students pursue their studies on average with “medium intensity”, which means they spend between 10 and 30 hours a week on learning. 47% of students – based on information they provided themselves – study intensely, i.e. for more than 30 hours a week. Only 11% dedicate less than 10 hours a week to their studies. 54% of students at private universities, by contrast, show a high study intensity of more than 30 hours a week.

Across all higher education sectors, roughly one quarter of students state that they are faced with (very) significant **financial problems**. Another quarter reply “partly yes/partly no”, which presumably suggests temporary financial bottlenecks. For half of all students, therefore, their study is not influenced (rather not/not at all) by financial difficulties. Only 15% of the students at private universities receive **grants or scholarships**, thus slightly

more rarely than their colleagues at scientific universities (19%) and universities of applied sciences (25%).

**Motives for the (choice of) study programmes:** The basic structure of the motives for the choice of studies is absolutely similar between the students of the different higher education sectors: intrinsic motives clearly dominate, ahead of considerations about the labour market and/or the profession. However, for students at private universities, the latter mentioned motives are more relevant than for students at scientific universities (as can be expected, these motives are most strongly pronounced among part-time students at universities of applied sciences). High prestige after graduation and the social environment tend to be more frequently mentioned motives among beginners at private universities than among beginners in the other higher education sectors.

Although students at private universities on average do not study much more quickly than their colleagues at public universities, they have **clearly higher chances of completing their studies successfully**. This is also connected with the clearly **better student-teacher ratios** at private universities (particularly when compared with public universities).

**Entry into the labour market:** Graduates of private universities are much more frequently employed in the public services (which can partly be explained by the offered study programmes), tend to achieve higher starting incomes and enjoy relatively smoother transitions to working life<sup>5</sup>.

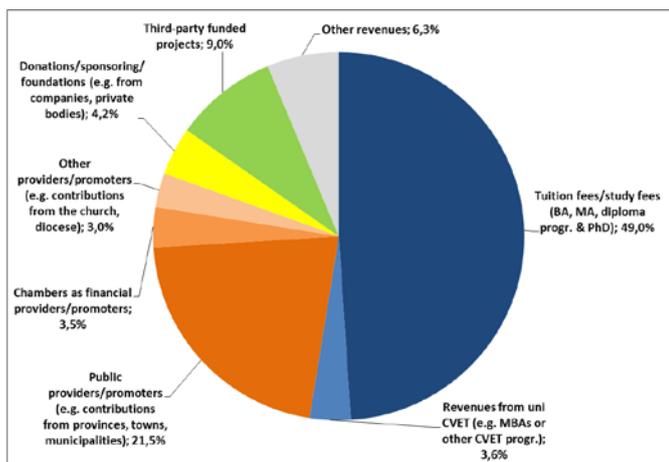
### ***Private universities in Austria: funding and research dimension***

Public universities as well as universities of applied sciences are mainly financed from public funds. Universities are almost exclusively (90%) financed from federal funds<sup>6</sup>, for universities of applied sciences the main funding bodies are often the provinces and/or social partners, which is due to the manifold provider structures.

The **funding structure of private universities**, by contrast<sup>7</sup>, stands on a clearly broader basis (cf. Diagram 3), i.e. almost 60% of the funding comes from private sources (49% from tuition fees, 4% from revenues of university-based CVET programmes, as well as 6% from private donations/sponsoring/foundations). 9% comes from the acquisition of competitive third-party funds (including “industrial projects”). In the broader sense, the public share of funding is therefore around one third (30%). The greatest share of this (22%) falls to contributions from public providers/promoters (provinces, towns, municipalities). Another 4% comes from the chambers and 4% from other providers (mainly churches).

Moreover, the pronounced heterogeneity of the funding structures when comparing the individual locations is striking: private universities with a high share of funds from tuition fees contrast with those financed mainly with contributions from public providers (provinces, towns or municipalities) and chambers or other providers (contributions from the church, diocese). Donations from private promoters/sponsors like in the US, for example, occur only rarely in Austria and most often account for only a very small fraction of the funding. The situation regarding third-party funds is similar. Some private universities nevertheless succeed in attracting relevant funding from such sources.

Diagram 3: Funding structure of the private university sector



Source: ibw survey among private universities in 2016

The three higher education sectors also differ considerably regarding the **origin of funds for R&D expenses**: for public universities (not including clinics), 89% of R&D funds are borne by the public, mainly by the federal government. The corporate sector and EU funds (and funds from abroad) each have a share of only 5% in the entire university R&D budget. Also regarding the R&D funding of the universities of applied sciences sector, the largest share (73%) comes from public providers with a significant role played by the provinces. Private financiers in the form of companies as well as the private non-profit sector combined provide around one fifth of the R&D funds.

Among private universities, the structure of financial providers of R&D funds is distributed more equally: the corporate sector provides 22% of the funds and the private non-profit sector another 36%. Overall this is 58% and thus makes up more than half of the R&D funds. Conversely, the public sector provides one third of R&D funds: on the one hand through the provinces (including Vienna), on the other hand through research promotion.

Particularly regarding the acquisition of competitive research promotion funds, private universities probably act successfully: with a share of 15% of R&D funds from this source, private universities are both ahead of universities (13%) and ahead of universities of applied sciences (10%). Also regarding funds which are attracted from international sources, private universities are about on a par with the other two higher education sectors.

**R&D expenses by research areas:** the share of basic research at universities (without clinics) is, at around 60%, above the share of private universities (46%) – at 5%, universities of applied sciences have the smallest share in the comparison of the higher education sectors, which is the result of their basic orientation towards education and applied research. A **broad mix of basic and applied research** is therefore characteristic of the **private university sector**. Also when comparing the qualification and activity structures among the R&D staff (as well as their share among all employees) it comes to light that, roughly speaking, there are only minor differences between private and public universities.

The ibw study is the first comprehensive empirical analysis of the development, status quo and future options of private universities in the context of the Austrian higher education area. The entire study can be downloaded from <http://www.ibw.at/de/ibw-studien> (in German).

<sup>1</sup> But private universities are subject to a ban on federal funding.

<sup>2</sup> Trow Martin (2000): From Mass Higher Education to Universal Access: The American Advantage. Research and Occasional Paper Series: CSHE.1.00; University of California, Berkeley.

<sup>3</sup> The renowned University of Cambridge, for example, is under state responsibility, the annual tuition fee for undergraduate programmes, however, currently amounts to £ 9,250.

<sup>4</sup> Ranking of countries by the total share of students in higher education institutions with purely public responsibility.

<sup>5</sup> Due to the relatively low number of graduates, these findings must be interpreted with caution, however.

<sup>6</sup> Pichl E. (2013): Die Ökonomie der Universität: Nutzen und Kosten universitärer Bildung [University Economy: Benefit and Costs of University-Based Education]. Paper held as part of the workshop of the Austrian Research Association ÖFG, March 2013; page 6.

<sup>7</sup> The values are based on the ibw study on private universities. As no absolute figures on funding flows exist for private universities, the distribution of the funding sources was calculated by approximation for the entire sector of private universities by using proportional values weighted with the student figures per location.