Higher education

Class apart

A growing number of European students are opting to pay for their education
Mar 19th 2016 | BAD HONNEF AND MILAN | From the print edition

"SOME of my friends think I’m a snob," admits Christopher Karp, a 20 year-old aviation-management student. Mr Karp attends the business school at the International University of Applied Sciences (IUBH) in Bad Honnef, a spa town in Germany. Rather than enroll in a free public university like his friends, Mr Karp borrowed money from his parents to study for a degree at IUBH. He has no regrets. Classes are small. Lecturers know the industry he wants to enter; many work for Lufthansa, an airline. He doesn’t even mind the shorter holidays. “We pay a lot of money for our studies and we want to make sure we receive a good education,” he says.

Globally, one in three higher-education students is in the private sector, according to Daniel Levy, an academic at the State University of New York. In Europe the figure is only one in seven. But the share is set to rise. According to Parthenon-EY, a consultancy, between 2011 and 2013 the number of students enrolled in private higher education grew at a faster rate than those in the public sector. In Turkey the private sector increased by 22% over that period, compared with 14% in the public sector; in Germany by 13% versus 7%; in France by 3% versus 1% and in Spain by 6% compared with no growth in the public sector at all. In Britain, the number of higher-education students attending an “alternative provider” has climbed from 142,000 in 2009 to around 200,000 now.

Disruption is nothing new for European higher education. In the 16th century Martin Luther, a scholastic entrepreneur of sorts, said universities would be “the great gates of hell” if they did not
teach scripture. But the appeal of studying in old buildings, combined with free tuition and regulatory barriers to entry, have sheltered the public sector from competition.

This is now starting to change. One reason is that private providers, including ones out to make a profit, are increasingly attractive to those who might have once gone straight into a job after school. Many do not take well to straight academic life. Nearly half of French students who pass their baccalaureate exam and enter university do not pass their second year. These sorts of students are starting to “buy differently”, says Matthew Robb of Parthenon-EY. They want courses that offer a clear progression to a career.

Companies are also turning to private universities, further boosting their growth. IUBH offers a “dual studies” hospitality degree, paid for by hotels, whereby students spend alternate weeks on campus and at work. Even its standard degree features a 22-week internship. Other private university groups offer tailored MBAs in sectors such as the wine business, which distinguish them from their more traditional rivals. “We cannot compete with Harvard but we can do better than chambers of commerce,” says Bertrand Pivin, a partner in Apax, a private-equity fund which owns INSEEC, a French business-school group.

International students are also swelling the ranks of private providers. There are 4.5m international higher-education students worldwide, a number that is expected to rise to 7m-8m by 2025. America’s State Department wants to double the number of American students abroad from 300,000 to 600,000 by 2020. European countries are popular destinations, both for students from other parts of the continent, and those from elsewhere.

It’s fashionable abroad

The Istituto Marangoni fashion school in Milan (pictured), which with its modernist furniture is as chic as one of the boutiques near the campus, is opening outposts in Florence and Shenzhen this year, adding to those in Paris, London and Shanghai. In Milan foreign students account for 70% of those enrolled, with Chinese students the biggest group. Many are well-off: annual fees start at €13,600 ($15,400) for a degree-level qualification, rising to €32,000 for a “fashion elite” course.

Some European governments are starting to welcome private colleges. The Italian government should start to accredit degrees from the Istituto Marangoni this year. In Britain, the government will soon say how it intends to ensure that good alternative providers thrive and dodgy ones die. After Germany ended its eight-year experiment with tuition fees at public universities in 2014, the government has become more open to the idea of entrepreneurs stepping in, argues Patrick Geus, who teaches at IUBH.

More countries are likely to follow, as many will have to start spending less on universities. “France is completely broke,” says Mr Pivin of Apax. This will create an incentive to offload more costs on to students, creating opportunities for investors from outside Europe, he thinks. Investors in education are also keen to diversify after scandals in private universities dented the American market, says Andrew Rosen of Kaplan, an education company. Some providers were
accused of recruiting students with little regard for their academic ability or financial situation. Classes at a university founded by Donald Trump allegedly focused largely on persuading students to sign up for more expensive courses.

America offers lessons for Europe. The decline of for-profit higher education is one reason Barack Obama could oversee a fall in the share of 18- to 24-year-olds attending university, argues Mr Rosen. It need not be like this. Students can benefit from being treated as consumers. But regulation is needed. Providers should be transparent about admissions and employment data. Failing private colleges should be shut down. Across Europe, students are looking beyond traditional options when deciding their future. Governments should be equally open-minded.